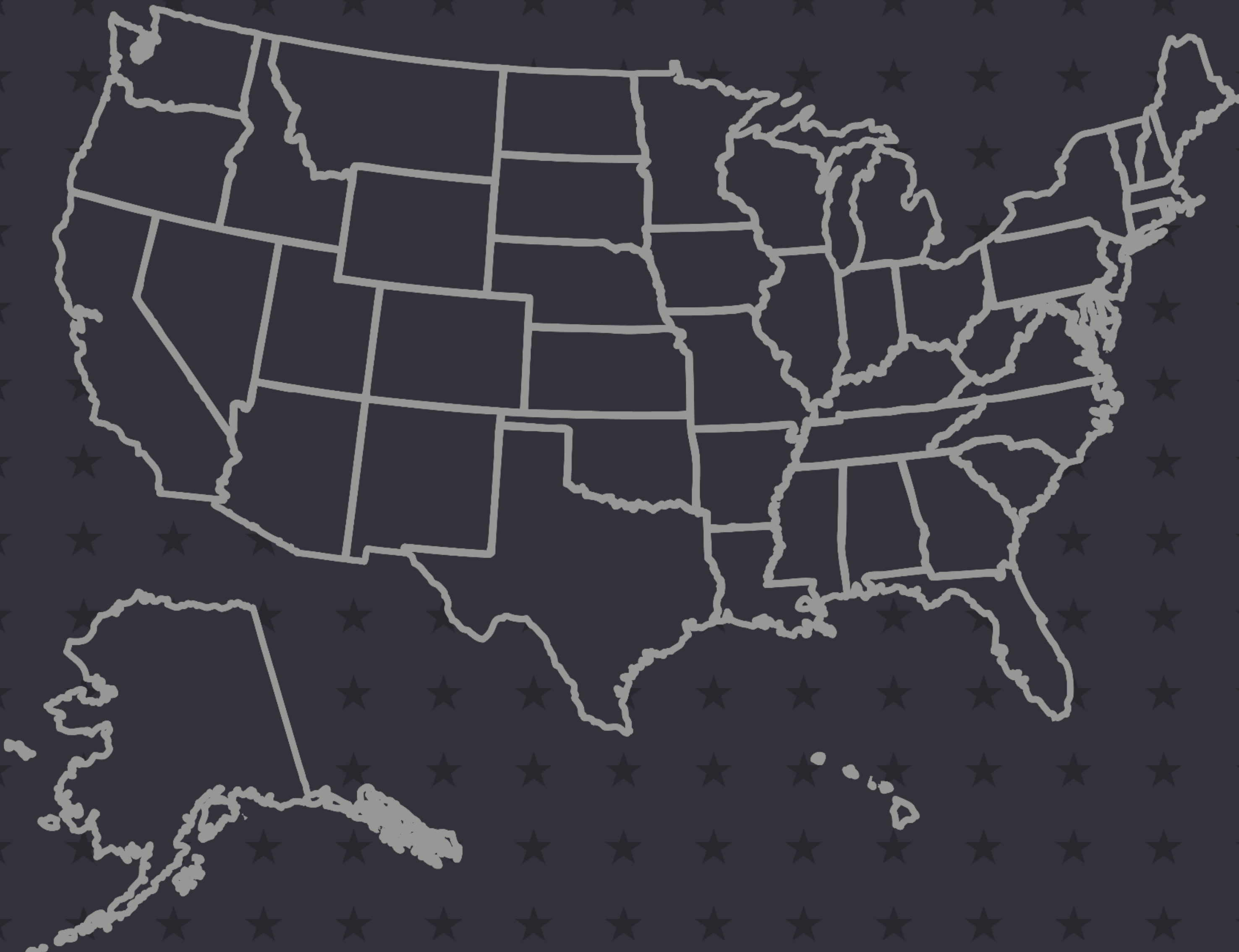
A FRAMEWORK FOR UNIFIED CONSERVATISM



FISCAL YEAR 2019 BUDGET

RSC

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THE REPUBLICAN STUDY COMMITTEE FISCAL YEAR 2019 BUDGET: A FRAMEWORK FOR UNIFIED CONSERVATISM

The Republican Study Committee: The House's Conservative Caucus

The Republican Study Committee (RSC) is the largest caucus of conservatives in the House of Representatives. The RSC is dedicated to preserving the values that America was founded upon: a constitutionally limited role for the federal government, a strong national defense, protection of individual and property rights, economic opportunity, and preservation of traditional family values. Founded in 1973 by a small group of Members of Congress, the RSC has grown to include more than 150 members in the 115th Congress. The RSC is led by Chairman Mark Walker, Representative of North Carolina's Sixth District.

We believe that the appropriate role of a limited government is to protect liberty, opportunity, and security, and that it is the responsibility of each generation to preserve them for the next. We believe that increasing the power of government is the problem, not the solution, for the toughest issues facing our nation. We believe that there is no limit to the ingenuity, innovation, and prosperity Americans can create when allowed to live their lives freely, according to their beliefs, and in pursuit of the fruits of their labor. We believe that a centralized and pervasive federal government slows America down while contradicting the principles on which our nation was founded. We believe that with conservative commitment today, America's brightest days lie ahead. These principles have guided our nation over the last 242 years and made our country prosperous and a force for good.

Sometimes called the conservative think-tank within Congress, the RSC provides the tools and research that Members of Congress need to craft and advance policies that will benefit the American people. In the words of Dr. Ed Fuelner, the RSC's first Executive Director, "In acting as a catalyst of ideas, the RSC earned its present position of providing the conservatives' intellectual arsenal in the House of Representatives."[1] The RSC also provides a forum for like-minded members to join together to support common causes and challenge the status quo. By doing so, the RSC ensures that conservatives have a powerful voice on each issue coming before the House and in setting the agenda for the future. Believing that it is not enough to simply oppose bad policies, the RSC puts forward bold solutions to positively shape the direction of our country.

The Purpose of the RSC Budget

In this 115th Congress, the RSC's Budget and Spending Task Force is chaired by Representative Tom McClintock of California, a senior member of the House Budget Committee and the House Committee on Natural Resources.

The Budget and Spending Task Force has had unprecedented input from the members of the RSC and conservative think tanks and theoreticians. This year, the Task Force included more than two-dozen members who attended weekly meetings to discuss the guiding principles of the budget and the merits of

[1] Dr. Edwin J. Fuelner, *Conservatives Stalk the House*, 1983, P. 12.

specific policies to include. Since its first meeting in January, the Task Force reviewed policies from previous RSC Budgets, Congressional budget proposals from past years, the president's budget requests, past and present legislation, recommendations from the Congressional Budget Office (CBO), reports from both national and state-based think tanks, and initiatives submitted by dozens of other RSC Members.

This budget is the product of those extensive deliberations and reflect careful considerations of the challenges we face and the policy options available to address them.

The RSC Budget puts pen to paper to detail the bold solutions that conservatives champion. Federal government today has grown far beyond its appropriate Constitutional scope and authority, and bears little resemblance to the model envisioned by our Founding Fathers. The members of the RSC, understanding our responsibility to preserve and protect the Constitution, seek out solutions to address the nation's mounting fiscal and societal challenges without increasing the size of government or the burden it places on the taxpayers.

The RSC Budget is intended to chart a course toward solvency, incorporating cutting-edge solutions that may not have widespread support initially, but that we believe need to be included in the policy discussion as they gain acceptance over time. All too often, policies that at first appear to go too far are adopted so late that they do not go far enough.

The RSC Budget aims to go well beyond the least common denominator of politics to reflect the American peoples' desire to see a more responsible and accountable government. As with any proposal that dares to suggest what ought to be done, rather than just what is easy to do, this budget will inevitably be attacked as too conservative, too bold, too sudden, or too difficult to achieve. However, the measure of success for ideas is not their ease, but their persistence and effectiveness. Over time, ideas first espoused in RSC Budgets are incorporated into the House budgets, the president's budget, and into law. In the words of one former Congressman who opposed our solutions, "[y]ou'll get attacked in your district for not supporting the RSC Budget… In order to blunt some of those attacks, the Budget Committee has moved in the direction of their budget."[2] The RSC Budget's success is that it pulls the rest of the Republican Conference towards conservative solutions.

Over the years, some examples of policies that first appeared in an RSC Budget that have become incorporated into the Republican Conference budget include:

- Balancing the federal budget within the ten-year budget window.
- Moving forward with policies to ensure solvency of entitlement programs such as Medicare.
- Establishing realistic dynamic scoring as the official standard to judge tax reform plans.
- Repealing Obamacare through the reconciliation process.

The RSC Budget has also had a significant impact on the budget requests put forward by President Trump. The RSC's FY 2017 budget proposal, The *Blueprint for a Balanced Budget 2.0*, was written and released in the spring of 2016 to provide "a robust agenda of conservative policies to show the American people our vision for this nation."[3] In the tradition of the Heritage Foundation's 1980 *Mandate for Leadership* that provided the policy agenda for the incoming Reagan administration, The Blueprint for a

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

[3] Representative Bill Flores and Representative Marlin Stutzman, Republican Study Committee, "Blueprint for a Balanced Budget 2.0", March 17, 2017. http://rsc.walker.house.gov/files/Initiatives/RSC%202017%20Blueprint%20for%20a%20Balanced%20Budget%202.0.pdf.

Balanced Budget 2.0 was meant to be used by the new president and his administration to set an agenda for governing in 2017.

The RSC has proven successful in achieving this goal, with President Trump basing many of the policies in his FY 2018 budget request on the RSC's FY 2017 budget. As described by the *Daily Caller*: "Much of Trump's plan follows the Republican Study Committee's (RSC) 2017 Blueprint for a Balanced Budget, which itself proposes only $8.6 trillion in cuts over the next 10 years."[4] *The Hill* stated: "Many of the specific cuts [in the president's budget] were included in the 2017 budget adopted by the conservative Republican Study Committee (RSC), a caucus that represents a majority of House Republicans."[5] ABC News wrote "The White House is preparing its first budget with an eye on conservative budget outlines authored by the Republican Study Committee and Heritage Foundation, according to sources familiar with the process."[6] Much of this policy has been carried through to the president's FY 2019 budget. It is these connections and influence that makes the RSC Budget such an effective platform to voicing the conservative agenda.

While important progress has been made, the American people expect Congress and the president to continue to follow through and implement the policy agenda they were elected on.

In recent years, the RSC Budget has been introduced as an alternative the budget resolution released by the House Budget Committee. This year, however, the RSC Budget is being released, seemingly without a House budget on the horizon. The statutory deadline for the Congress to adopt a concurrent resolution on the budget for the upcoming fiscal year is April 15. April 15, 2018, has come and gone, and Congress has not adopted a budget resolution. Instead, it is expected that the budget will be "deemed" by the House and Senate Budget Committee Chairmen using authority provided in the Bipartisan Budget Act of 2018, which also increased spending by hundreds of billions of dollars. This failure of Congress to complete one of its most basic tasks represents an abdication of a core constitutional responsibility and weakens the institution.

However, all hope need not be lost. Congress can and should adopt a budget resolution that presents a path to balance and provides the ability to enact meaning reforms to mandatory spending programs, repeals Obamacare, fixes welfare programs, extends tax relief, provides for national security, and helps the economy continue to get back on track.

The Republican Study Committee's *Unified Conservative Budget for Fiscal Year 2019* should form the basis of that budget.

Providing the Policy Agenda

Restoring Economic Growth

Families and main-street businesses have struggled to make ends meet. Wages were stagnant, more and more people were abandoning hope and leaving the labor force, and economic growth was painfully

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[4] Thomas Pippen, The Daily Caller, "GOP Senators Already Object to Trump's Budget Plans", January 23, 2017. http://dailycaller.com/2017/01/23/gop-senators-already-object-to-trumps-budget-plans/.
[5] Alexander Bolton, The Hill, "Trump team prepares dramatic cuts", January 19, 2017. http://thehill.com/policy/finance/314991-trump-team-prepares-dramatic-cuts.
[6] Benjamin Siegel Alexander Mallin John Parkinson, ABC News, "White House readies first Trump budget that could take aim at popular programs", February 22, 2017. http://abcnews.go.com/Politics/white-house-readies-trump-budget-aim-popular-programs/story?id=45669706.

anemic. The Obama administration's response was predictable – more spending, more taxes, and more regulations. The failures of these policies were just as predictable.

While there is still much work to be done, over the last year, America has begun to reverse course. The regulatory onslaught has been abated, with Congress passing several laws to roll back regulatory burdens including by utilizing the Congressional Review Act, and with the Trump administration correcting some of the mistakes made by past presidents. Congress worked with the administration to enact comprehensive, pro-growth tax reform. This has led to a surge of optimism and revitalization. Reflecting this reality, the Congressional Budget Office (CBO) revised its economic projections upward for the first time in recent memory.[7]

More work is needed to make up for the lost years of the Obama economy where growth barely kept up with inflation. While CBO has projected near term economic growth, it predicts that it may not last long with annual rates again dipping below 2 percent after a few short years. This budget includes a variety of recommendations to keep the economy on its renewed upward trajectory. Moving Americans back into the labor force, rewarding the transition from government subsistence to self-reliance, and removing restrictions on innovation are all primary goals of the RSC Budget. This includes making pro-growth tax reform permanent, repealing Obamacare taxes, and preventing forced interstate sales taxation. This budget would take unprecedented steps to begin the deconstruction of the administrative state, including by implementing a new regulatory budget to reduce the burden of Washington bureaucrats on the economy, and removing obstacles to Congressional nullification of executive regulations We would free our domestic energy production, encourage investment in our local businesses, and lift the burden of unfair labor regulations. The budget would also eliminate unjust cronyism that picks winners and losers, while forcing taxpayers to foot the bill for politically-motivated schemes.

Fighting Poverty and Ensuring Opportunity

Too many Americans are stuck in a cycle of poverty and economic stagnation. While some focus on an unequal distribution of incomes in America, they ignore the real problem: unequal opportunity. Instead of fighting over pieces of a smaller economic pie, we should grow it so everyone has the ability to share in economic prosperity. The big-government programs created by the War on Poverty have only made the problem worse by trapping generations of Americans in a crushing dependence on government, while robbing them of their incentive to live to their highest potential. Our measure of compassion must not be how many people need to be on government assistance programs, but how many people are afforded the ability to achieve.

The RSC Budget would fundamentally transform the federal government's welfare programs in a way that would empower individuals, families, and communities, promoting opportunity and the dignity of earned success for the most vulnerable among us. By reducing fraud and unnecessary spending within these programs, the RSC Budget serves to strengthen their ability to provide for those most in need.

Reforming Entitlement Programs and Controlling Spending

The current fiscal trajectory is unsustainable, putting the nation at risk of a devastating fiscal crisis. While economists' predictions vary as to the level of catastrophe that will ensue under our current path, few

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[7] Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," April 9, 2018. https://www.cbo.gov/publication/53651.

disagree that it will one day change the American way of life as we know it today. In this sense, it is ironic that overspending now on big government welfare programs will eventually be the cause of American citizens finding themselves in need of such assistance. In short, large entitlement programs on budgetary autopilot currently make up two-thirds of the federal budget, and are on an undeniable path to bankruptcy. The RSC Budget addresses this problem head on.

The budget would fully repeal Obamacare and replace it with real reforms based on the RSC's American Health Care Reform Act. It includes reforms to save and improve Medicare, providing choices for coverage and lower costs. The budget also recommends implementing the Social Security Reform Act which would ensure that Social Security is sustainably solvent. It would retake control over the myriad spending programs that are currently on automatic pilot and sending the nation toward bankruptcy.

Finally, this budget would limit non-defense discretionary funding to appropriate levels by refocusing spending to core constitutional duties.

In total, the RSC Budget would reduce spending by more than $12.4 trillion over the next decade compared to current law.

National Security

America faces a multitude of complex challenges all around the world. Russia is asserting itself on a global scale by destabilizing peace in Europe, and indeed attempting to weaken the peoples' trust in democracy. North Korea is unpredictable, aggressive, and armed with nuclear weapons. The Islamic State and radical Islamic terrorism remain threats here at home and across the Western World. Iran, partly funded by millions of dollars of ransom money paid by the Obama administration, is in turn supporting international terror groups while moving rapidly toward acquiring and delivering nuclear weapons on a global scale.

The RSC Budget would set forward a real national security strategy and rebuild our Department of Defense, responsibly providing the men and women in uniform the resources they need to keep us safe. It ensures adequate funding for this important priority by repealing the threat of sequestration and providing for the levels requested by the commander in chief and Secretary of Defense Jim Mattis.

Restoring Constitutionalism and Limiting and Reforming Government

The Founding Fathers intended for Congress to be the lawmaking branch of a limited federal government. As Madison wrote in Federalist 45, "The powers delegated by the proposed Constitution to the federal government are few and defined."[8] Over the years, however, the Congress has frequently abandoned these fundamental principles. The Congress is supposed to be the branch of government that most closely reflects the will of the people. So, when this body abdicates its duties, it is not the lawmakers that suffer, but the voices and interests of every single American.

Too often, the House and Senate have willingly delegated their lawmaking authority accorded Congress under Article I and judicial authority accorded the Judiciary under Article III to the executive branch,

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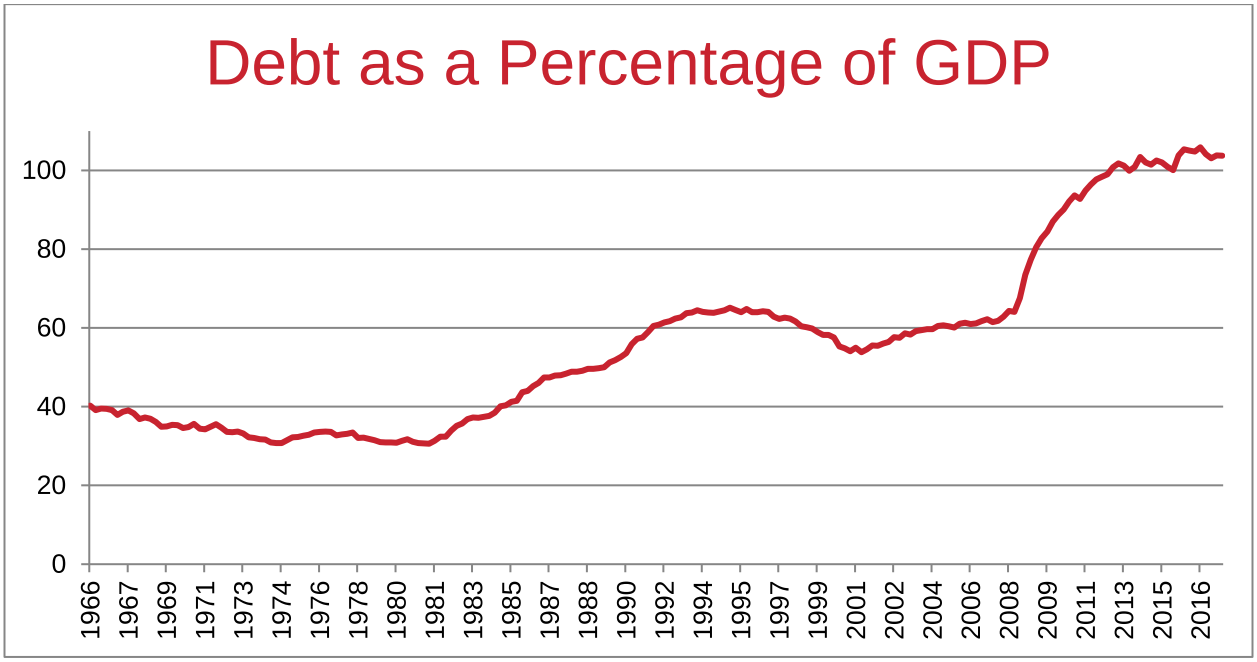
[8] James Madison, Federalist No. 45., "The Alleged Danger from the Powers of the Union to the State Governments Considered". https://www.congress.gov/resources/display/content/The+Federalist+Papers#TheFederalistPapers-45

severely weakening the separation of powers that keeps us free. Not coincidentally, both the size and scope of government have grown exponentially. The federal government now is involved in almost every aspect of our daily lives, often acting through unilateral regulations that were never approved by Congress.

The RSC Budget would reverse these trends, reclaiming the Article I power of the purse by limiting spending and reforming the budget process. It also would rein in the executive and judicial branches, restoring power to the legislative branch that is closest to the people.

The Need to Act - The Downward Fiscal Spiral and the Dangers of Overspending

The national debt now has grown to be more than $21 trillion, larger than the entire U.S. economy.[9] Our debt continues to mount even as federal revenues reach record highs. This leads to a single, undeniable conclusion: The federal government has a spending problem.



Federal Reserve Bank of St. Louis and U.S. Office of Management and Budget, Federal Debt: Total Public Debt as Percent of Gross Domestic Product [GFDEGDQ188S], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/GFDEGDQ188S, March 28, 2018.

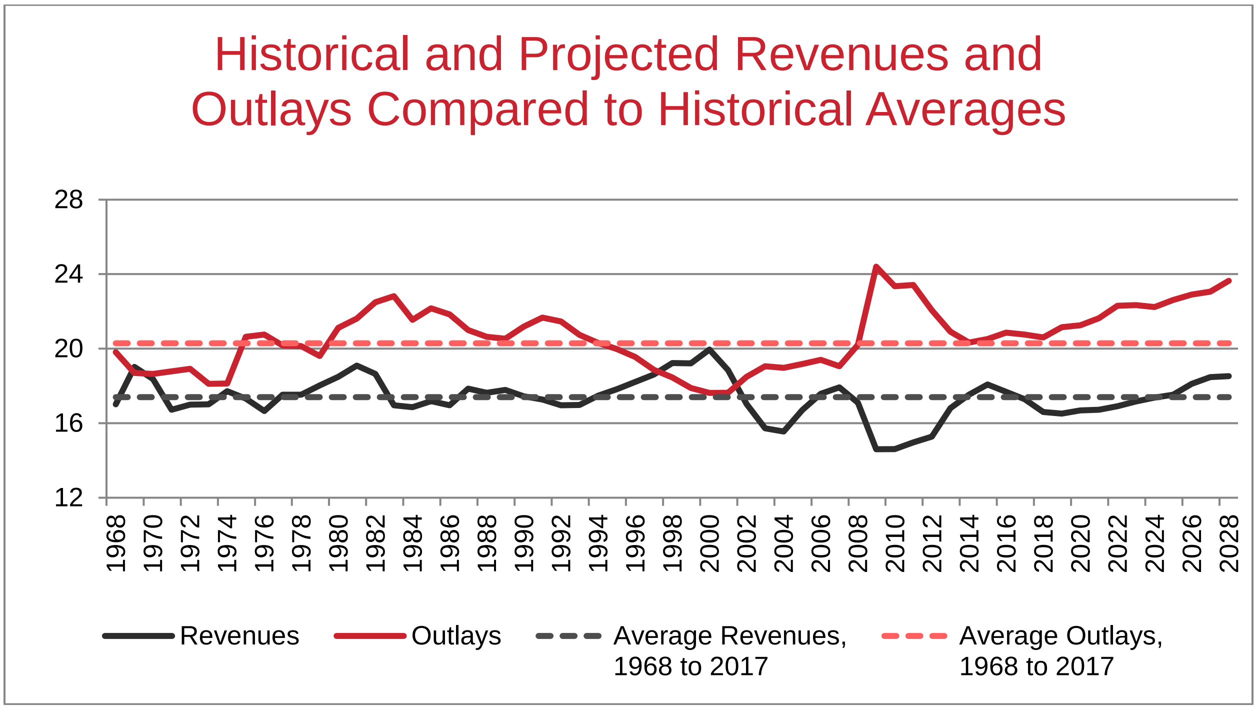
Government spending has grown to consume 20.6 percent of the economy in 2018, well above the historical average of 20.3 percent. To return federal spending back to the average and slow the growth of federal debt, total outlays would be required to shrink by $5.3 trillion over the next decade. Instead, under

[9] U.S. Department of the Treasury, Treasury Direct, "The Daily History of the Debt Results, Historical returns from 04/18/2018 through 04/18/2018". https://www.treasurydirect.gov/NP/debt/search?startMonth=04&startDay=18&startYear=2018&endMonth=04&endDay=18&endYear=2018. And U.S. Department of Commerce, Bureau of Economic Analysis, "National Income and Product Accounts Gross Domestic Product: Fourth Quarter and Annual 2017 (Third Estimate)", March 28, 2018. https://www.bea.gov/newsreleases/national/gdp/2018/gdp4q17_3rd.htm.

current law, the federal government will continue to grow to 23.6 percent of GDP and more than $12 trillion will be added to the national debt by 2028, with no end to the red ink in sight.[10]

The spending problem has only gotten worse. Since CBO's projections in June 2017, Congress increased spending by $965 billion over the FY 2018 – 2027 period. These legislative changes reflect a mixed record in advancing the priorities of the American people: while mandatory spending was reduced by $219 billion, net interest spending increased by $515 billion, non-defense discretionary spending increased by $644 billion, and defense discretionary spending only increased by $26 billion. Legislative changes reduced revenues by $1.7 trillion over that time period, which were tempered by more than $1 trillion in deficit reduction thanks to improved economic projections in large part due to the passage of the Tax Cuts and Jobs Act. When legislative, economic, and technical changes are taken into account, the deficits over FY 2018 – 2027 increased by $1.6 trillion, with revenues falling by $1 trillion and outlays increasing by $547 billion.

Over the next decade, both revenues and spending continue rising above their historical averages, even despite these reductions in revenues.



Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," Figure 4-2, April 9, 2018. https://www.cbo.gov/publication/53651.

The U.S. Government Accountability Office (GAO) reports the simple, sober truth: "The federal government is on an unsustainable fiscal path."[11] The GAO further reports that just to hold the debt to GDP ratio constant over the long term under the current spending path would require revenues 33 percent

[10] Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," April 9, 2018. https://www.cbo.gov/publication/53651.
[11] U.S. Government Accountability Office, "The Nation's Fiscal Health: Action is Needed to Address the Federal Government's Fiscal Future", GAO-17-237SP: Published: Jan 17, 2017. http://www.gao.gov/products/GAO-17-237SP.

higher than currently projected, each year, for the next 75 years.[12] Long-term projections from the Office of Management and Budget (OMB) paint a similarly dire picture. This presents a significant challenge for those who aim to craft a responsible budget.

The Medicare, Social Security, and Disability Insurance programs are insolvent and the trust funds used to pay out benefits for these programs will soon be depleted. These programs many Americans rely on – particularly the elderly and the disabled – cannot continue in their current forms. This is a simple math problem, due to the design of these programs decades ago that pay out more to beneficiaries than they pay in. The Social Security and Medicare Boards of Trustees project that the Medicare Hospital Insurance (HI) Trust Fund will be depleted in 2029, the Social Security Old-Age and Survivors Insurance (OASI) Trust Fund will be depleted in 2035, and the Disability Insurance (DI) Trust Fund will be depleted in 2028.[13] The Congressional Budget Office projects these trust funds will be exhausted even sooner, with Medicare being exhausted in 2026, Social Security exhausted in 2031, and Disability Insurance exhausted in 2025.[14]

Projected Depletion of Entitlement Trust Funds

	Social Security and Medicare Trustees	CBO
Medicare	2029	2026
Social Security	2035	2031
Disability Insurance	2028	2025

Without reforms that are implemented now, current recipients of these programs will face steep cuts in their benefits.

As Paul Winfree, President Trump's former Director of Budget Policy and Deputy Director of the Domestic Policy Council, has written, "growth in program spending that exceeds growth in the economy over the long run is unsustainable, whereas spending that grows slower than the economy is sustainable," because "revenue growth cannot keep up with spending if spending increases at a rate faster than the economy is growing in the long run."[15] This principle has been distilled into a golden rule that lawmakers should follow to make the budget sustainable: "The private sector should grow faster than the government."[16] Despite this reality, over the FY 2019 – 2028 period, average growth in outlays under current law is projected to be 5.19 percent while CBO's projected average nominal GDP growth is only 3.89 percent.[17] Simply put, the federal budget is currently not sustainable.

The growing federal government has significant negative consequences for the country and its people. The United States has fallen to 18th in the Index of Economic Freedom, from 6th place in 2009.[18] The large federal debt reduces private investment, productivity, and wages, and federal interventions in the

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[12] U.S. Government Accountability Office, "Fiscal Outlook: Federal Fiscal Outlook", January 11, 2017. https://www.gao.gov/fiscal_outlook/federal_fiscal_outlook/overview.
[13] Social Security and Medicare Boards of Trustees, "A Summary Of The 2017 Annual Reports", July 2017. https://www.ssa.gov/oact/TRSUM/index.html.
[14] Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," April 9, 2018. https://www.cbo.gov/publication/53651.
[15] Paul Winfree, Heritage Foundation, "Causes of the Federal Government's Unsustainable Spending", July 7, 2016. http://www.heritage.org/budget-and-spending/report/causes-the-federal-governments-unsustainable-spending.
[16] Daniel J. Mitchell, Cato Institute, "The Golden Rule of Spending Restraint", April 7, 2014. https://www.cato.org/blog/golden-rule-spending-restraint.
[17] Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," April 9, 2018. https://www.cbo.gov/publication/53651.
[18] Heritage Foundation, 2018 Index of Economic Freedom. http://www.heritage.org/index/country/unitedstates.

economy reduce the incentive to work, shrinking the size of the labor market.[19] When the federal government is too big and too intrusive, it interferes with our unalienable rights to life, liberty, and the pursuit of happiness.

As Arthur Brooks, President of the American Enterprise Institute, puts it, "when conservatives complain about 'big government' … they are really angry about the intrusion of the state into people's lives and the soul-crushing dependency it often creates – both of which are incompatible with the pursuit of happiness."[20]

Uncontrolled spending has very real costs. On August 5, 2011, for the first time, our nation's long-term credit rating was downgraded from the gold-standard AAA rating. The rating agency, Standard & Poor's, justified the downgrade by the fact that the U.S. had not taken credible steps to address our nation's growing debt.[21] As our nation continues to accumulate debt and run up the balance on our national credit card, our credit rating will face ever-stricter scrutiny as we become an increasingly risky borrower. This could lead to a financial catastrophe that would impact every single American and ripple throughout the world.

In fact, CBO has specifically warned Congress of this potential disaster, cautioning: "Such high and rising debt would have significant consequences, both for the economy and for the federal budget. In particular: … The likelihood of a fiscal crisis in the United States would increase. Specifically, the risk that investors would become unwilling to finance the government's borrowing, unless they were compensated with very high interest rates, would increase. If that occurred, interest rates on federal debt would rise suddenly and sharply relative to rates of return on other assets."[22]

The danger we face is a result of our excessive spending and the associated interest payments incurred on the accumulated debt. When the U.S. makes large interest payments on its debt, there is less to spend on other priorities such as national security. Under current law, CBO projects that while net interest payments will cost taxpayers $316 billion in FY 2018, those costs will almost triple to $915 billion by FY 2028, and will total $6.9 trillion over the next decade. In fact, CBO projects that by 2023, we will spend more on interest payments than we will on defense.[23] As federal borrowing crowds out private investment, economic growth slows, further increasing the deficit through lower revenue. And this all assumes interest rates that would be well below the historical standards. As the interest payments on our national credit card take up an increasingly larger share of our tax revenues, our already damaged credit worthiness will deteriorate further. If we see higher interest rates because of a credit downgrade driven by increased risk that we cannot afford to pay our debts, economic pressures such as inflation, or some unforeseen event, our national credit card bill could skyrocket. CBO projects that if interest rates are just one percentage point higher per year, the deficit would increase by more than $1.6 trillion over the next decade.[24]

While it may not feel like it to many, the U.S. economy is currently experiencing the second-longest economic expansion in history. While the length of time between recessions has averaged five years over

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[19] Congressional Budget Office, "The Budget and Economic Outlook: 2016 to 2026", January 25, 2016. https://www.cbo.gov/publication/51129
[20] Arthur Brooks, *The Conservative Heart*, 2015, page 26.
[21] Standard & Poor's Ratings Services, "Research Update: United States of America Long-Term Rating Lowered To 'AA+' On Political Risks And Rising Debt Burden; Outlook Negative", August 5, 2011. http://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/6802837.
[22] Congressional Budget Office, "The Budget and Economic Outlook: 2017 to 2027", January 24, 2017. https://www.cbo.gov/publication/52370.
[23] Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," April 9, 2018. https://www.cbo.gov/publication/53651.
[24] Dan Ready, Congressional Budget Office, "How Economic Changes Affect CBO's Budget Projections", April 24, 2017. https://www.cbo.gov/publication/52524.

the course of history, we are now going on nearly nine years of expansion in the business cycle, albeit an expansion that has been lackluster and below average in its strength.[25] This means that another recession could be forthcoming, which would be particularly harmful when the economy has failed to recover fully and when "lawmakers would have less flexibility to use tax and spending policies to respond".[26] There simply is not the fiscal headroom that was present in out last recession.

> **"We continue to believe that our long-term debt is the single greatest threat to our national security."**
>
> –Former Chairman, Joint Chiefs of Staff Mike Mullen, Former Secretary of State Madeleine Albright, Former Secretary of State and the Treasury James Baker, Former National Security Advisor Zbigniew Brzezinski, Former Secretary of Homeland Security Michael Chertoff, Former Secretary of Defense Bob Gates, Former National Security Advisor Stephen Hadley, Former Secretary of Defense Chuck Hagel, Former Representative Lee Hamilton, Former Director of the National Security Agency Michael Hayden, Former Secretary of State Henry Kissinger, Former Secretary of Homeland Security Janet Napolitano, Former Chairman of the Senate Committee on Armed Services Sam Nunn, Former Secretary of Defense Leon Panetta, Former Secretary of the Treasury Hank Paulson, Former Secretary of the Treasury Paul O'Neill, Former Secretary of Homeland Security Tom Ridge, Former Secretary of State and the Treasury George Shultz, Former National Security Advisor Brent Scowcroft, Former Chairman of the Federal Reserve Paul Volcker, Former Chairman of the Senate Committee on Armed Services John Warner, Former President of the World Bank Group Bob Zoellick

Perhaps most alarmingly, our national debt can have dangerous implications for our national security, causing a bipartisan group of leading national security officials to write that "our long-term debt is the single greatest threat to our national security."[27] More than $6 trillion of U.S. Treasury securities – nearly 41 percent of the debt held by the public – are held by foreigners in countries like China, Russia, Saudi Arabia, and the UAE.[28] Reliance on foreign investment to finance government debt can result in an inability of the government to pursue sound policy, lest it antagonize its creditors. Moreover, nations that bankrupt themselves are unable to afford to pay the costs of self-defense.

All of this means that Congress must take its obligation to budget in a responsible way seriously. The dire consequences could be averted, but only if the types of reforms proposed in this budget are enacted expeditiously.

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[25] Josh Zumbrun, Wall Street Journal, "This Is Now the Third-Longest Economic Expansion in U.S. History", March 1, 2017. https://blogs.wsj.com/economics/2017/03/01/this-is-now-the-third-longest-economic-expansion-in-u-s-history/; and John Kemp, Reuters, "Column-U.S. recession risks seen rising sharply in 2019 and 2020: Kemp," April 19, 2018. https://www.reuters.com/article/oil-prices-kemp/column-u-s-recession-risks-seen-rising-sharply-in-2019-and-2020-kemp-idUSL8N1RW2YF.
[26] Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," April 9, 2018. https://www.cbo.gov/publication/53651.
[27] Coalition for Fiscal and National Security, "Strength at Home and Abroad: Ensuring America's Fiscal and National Security", May 10, 2016. http://www.pgpf.org/pgpf-programs-and-projects/2016-cfns-statement.
[28] Department of the Treasury/Federal Reserve Board, Major Foreign Holders of Treasury Securities, April 2018. http://ticdata.treasury.gov/Publish/mfh.txt.

Effective Conservatism

The left often deems conservative politics as exclusionary or even intolerant. But we know that our conservative policy solutions have the very opposite effect: promoting opportunity, independence, fairness, and equal rights for all. For political principles to be valid, they must produce a happier, more productive, more virtuous and more prosperous society. Measured by these pragmatic ends, conservative policy – in a word, freedom – works.

Too often, conservatives have been unable or too uncomfortable to describe our system of beliefs and ideas in ways that are understood and accepted by those who do not already share our worldview. We sometimes seem to believe that the right polices need no explanation or should be self-evident. As NYU social phycologist Jonathan Haidt has documented, modern liberals often have a more limited set of moral foundations on which they place a very strong emphasis, while conservatives tend to have a broader and more balanced moral foundation matrix.[29] This is simply another way of saying that the same old language used when talking to the conservative base does not always translate when we are not preaching to the choir.

Of course, just preaching to the choir is no longer adequate. In order to be effective, conservatives need to begin by adopting the right policy, but need to move beyond merely being correct. Just as importantly, conservatives also need to adopt the right approach and the right voice. Only with a steadfast commitment to all three tenants of "effective conservatism" can we enact a positive agenda worthy of this important moment in American history.[30]

For conservatives, people come before politics. We know we show care with our policies; we must also show care though our words and actions. We have a responsibility to reach out to new communities.

This budget is not just another list of policy proposals. The Members of the RSC have spent a great deal of time listening to our fellow citizens, learning history's lessons, and thinking about the nature and proper role of government. In this document, we attempt to explain to the American people why we advocate the specific proposals that are included. We describe our overarching principles and the process we have followed in evaluating different ideas.

Every dollar spent by the federal government must be first taken from the earnings of a private citizen. Thus, anyone or any organization that puts forward a budget proposal must ask, as the question was posed by Office of Management and Budget Director Mick Mulvaney, "Can we justify this to the folks who are actually paying for it?"[31] We believe that this budget will allow us to answer "yes" to that important question.

The Right Approach

Real and positive change would return us to the governing vision that has made us the most prosperous and free people in the history of the world. Instead of a future of high debt and low growth, the RSC

[29] Jonathan Haidt, *The Righteous Mind: Why Good People are Divided by Politics and Religion*, 2012, p. 214.
[30] Representative Mark Walker, Fox News, "Rep. Mark Walker: We can still save what has been broken by big government. Here's how", January 4, 2017. http://www.foxnews.com/opinion/2017/01/04/rep-mark-walker-can-still-save-what-has-been-broken-by-big-government-here-s-how.html.
[31] The Honorable Mick Mulvaney, Director of the Office of Management and Budget, Testimony before the House Committee on the Budget, "The President's Fiscal Year 2018 Budget", May 24, 2017. https://budget.house.gov/hearingschedule/the-president-s-fiscal-year-2018-budget.htm.

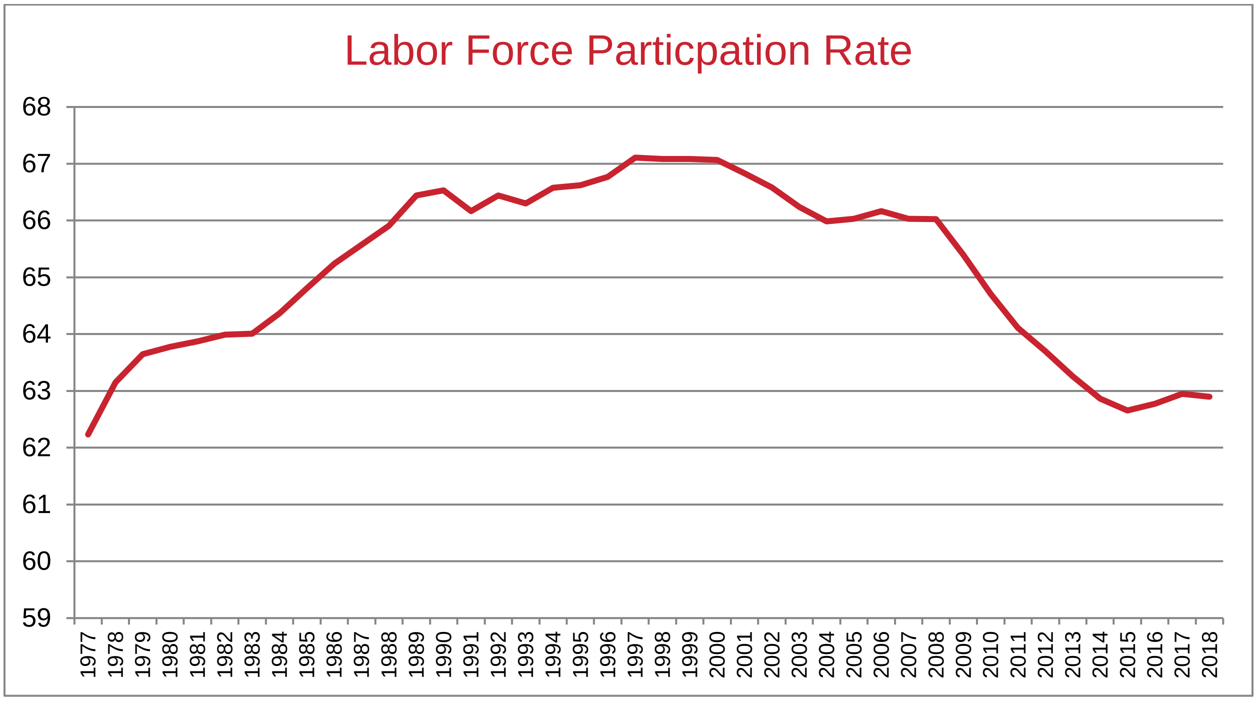
Budget proposes a positive blueprint for success and opportunity. Our budget focuses on pro-growth, pro-family policies that will boost America's economy and provide a strong fiscal foundation for generations to come. This opportunity agenda makes the hard choices necessary to put America back on the road to that "Shining City on the Hill" that Ronald Reagan once glimpsed. As President Reagan said, "We can and will resolve the problems which now confront us… We are Americans."[32]

[32] President Ronald Reagan, "Reagan's First Inaugural", January 20, 1981. http://www.heritage.org/initiatives/first-principles/primary-sources/reagans-first-inaugural-government-is-not-the-solution-to-our-problem-government-is-the-problem.

CREATING THE ENVIRONMENT FOR JOBS AND ECONOMIC GROWTH

While growth during the Obama era economic growth barely hit 2 percent per year, there is a sense renewed optimism under the current unified Republican government. Gross Domestic Product (GDP) has hovered at 3 percent for nearly all of the Trump administration, and the Congressional Budget Office (CBO) – which has been historically stingy in its growth projections – project 3.3 percent real GDP growth this year. While optimism is undoubtedly a good thing, conservatives know that there is still much work to be done to ensure that recent current economic growth is sustained long-term. After all, CBO projects that real economic growth will slow to just 1.7 percent from 2020 through 2026.

Despite recent growth, the reality is that too many Americans are still struggling to make ends meet. The slowly falling unemployment rate has masked an underlying crisis as millions of Americans have abandoned the workforce and wages have stagnated. The labor force participation rate has plummeted to levels not seen since the Carter presidency.[33]



Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey, (Seas) Labor Force Participation Rate, Civilian labor force participation rate", Data extracted on: April 14, 2018. http://data.bls.gov/timeseries/LNS11300000

The current economic situation is improving. But make no mistake: President Obama's legacy of economic failures, such as the "stimulus" spending spree, bailouts, and unparalleled government interference in the economy, created unprecedented burdens on the economy like the national debt and a regulatory environment that stifled entrepreneurship and innovation.

[33] Bureau of Labor Statistics, Labor Force Participation Rate (Seasonally Adjusted), retrieved May 10, 2017. http://data.bls.gov/timeseries/LNS11300000.

The American people have seen many high-profile, large-scale government programs in recent years – Obamacare, TARP, Dodd-Frank, the Clean Power Plan, the Stimulus, and tax increases on the so-called rich. Despite repeated promises, these monolithic Washington-first ideas have not laid a foundation for economic growth, nor have American families seen them usher in higher incomes or greater prosperity. Instead, they have redistributed people's money to the politically well-connected and drive up prices for consumers. These big-government, central-planning programs often hurt the poor the most.[34] This is not fair. In truth, these policies have made it harder for the average person to get ahead. And people are rightfully angry.

A common trope from the political left is that government programs create jobs. This economic fallacy could not be further from the truth. It is true that government can have a significant impact on the economy, and the direct impacts of government spending can be easily identified. But that only looks at one half of the equation; we must also look to the less-easily-identifiable or unseen effects as well.[35] Government can only spend funds from one of three sources: taxes, borrowing, or coining new currency, all of which have significant drawbacks. Taxing takes funds out of the productive sectors of the economy. Borrowing represents a future tax on the productive sectors of the economy and also crowds out credit that could have otherwise been invested in more productive efforts. And coining new currency reduces the value of all existing currency, in effect imposing a tax on the entire economy. Thus, we can now understand what is seen and what is unseen – that government programs can only redistribute, not create, and the funds that are redistributed are often put towards endeavors that are less worthwhile than those that would have been governed not by politicians and bureaucrats, but instead by the basic laws of economics.[36]

Conservatives recognize that as faith in the promise of the American dream declines, government is the problem, not the solution. What we need is not more bailouts for more people, but a return to the very principles that made America the most prosperous and dynamic nation in the history of the world. In some ways, the present Congress has shown the political will to chart the appropriate course, but in others it has not.

Economic inputs can have major impacts on both the federal debt trajectory and the bank accounts of families around the country. According to CBO, a dip of just 0.1 percentage point in labor force growth each year would increase the ten-year deficit projection by $185 billion; if productivity growth is just 0.1 percentage point slower annually, then the deficit would be $273 billion higher than expected; if inflation is just one percentage point higher each year, then deficits would be $1.3 trillion higher than expected; and, if interest rates are just one percentage point higher each year, then deficits would be $1.6 trillion higher than expected.[37]

Economic downturns can happen quickly and have significant effects on the fiscal health of the federal government. And, with today's ballooning deficits, there is virtually no headroom for the economy to absorb another economic downturn like that experienced in the 2000's. Make no mistake, private markets are watching our annual deficits swell to levels that have not been seen since the great recession. Congress must make the policy decisions necessary to improve the economic situation, in order to restore the United States' fiscal soundness, which is reflected in credit ratings. The contributing factors to this

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[34] Daren Bakst and Patrick Tyrrell, Heritage Foundation, "Big Government Policies that Hurt the Poor and How to Address Them", April 5, 2017. http://www.heritage.org/poverty-and-inequality/report/big-government-policies-hurt-the-poor-and-how-address-them.
[35] Frédéric Bastiat, "That Which is Seen, and That Which is Not Seen", July 1850. http://bastiat.org/en/twisatwins.html.
[36] Dan Mitchell, Cato Institute, "The Fallacy That Government Creates Jobs", December 5, 2008. https://www.cato.org/publications/commentary/fallacy-government-creates-jobs.
[37] Dan Ready, Congressional Budget Office, "How Economic Changes Affect CBO's Budget Projections", April 24, 2017. https://www.cbo.gov/publication/52524.

span across the economy, but a leading burden on our credit rating is the national debt and the budget deficits that create it.

This budget builds off of a number of past commonsense RSC proposals to continue and expand the present spurt of economic growth, while removing the government burdens holding back America's job creators.

These bold solutions create jobs by growing the economy—not the government.

Tax Reform

The RSC's Budget for FY 2018 emphasized that the unified Republican government was presented with perhaps a once in a generation opportunity to accomplish something that had not been done since the Reagan administration – comprehensive tax reform. The U.S. tax code was too complex and too burdensome on individuals and American businesses. For decades, this had stifled economic growth and hurt families, communities, and individuals.

A weakened economy has also been bad for the federal budget. Taxes have "significant negative effects… on economic growth," according to a review of the academic literature on the subject conducted by the Tax Foundation.[38] Slow growth can, in turn, have profound effects on the federal budget outlook. The RSC knew that we had to do better. We needed to take steps to create an economic environment that would unleash a new generation of prosperity and self-sufficiency.

Accordingly, the RSC Budget laid out principles for comprehensive tax reform that would significantly lower marginal rates, broaden the economic tax base, encourage saving and investment, incentivize charitable giving, limit forms of double-taxation, and most importantly spur American economic growth. In December 2017, Congress passed H.R. 1, known informally as the Tax Cuts & Jobs Act of 2017 (TCJA). While the bill was not perfect, it incorporated many of the tax reform principles for which the RSC had advocated. These include important provisions that lowered income tax rates across-the-board for individuals and married couples, the implementation of an internationally competitive corporate tax rate, full and immediate expensing for business investments, and tax relief for job-producing small businesses.

Going forward, there are a number of ways that the individual and business tax codes can be improved even further. For instance, this budget supports making the individual tax code provisions in the Tax Cuts & Jobs Act permanent. To comply with Senate procedural rules, the TCJA was forced to include expiration dates for virtually all sections modifying the individual tax code. This includes important features like the lower income tax rates, a number of tax base-broadeners, and pass-through tax relief. This budget would make the individual tax code reforms from TCJA permanent, as they are key features to a tax code that promotes economic growth.

Regarding individual tax rates, the Joint Committee on Taxation (JCT) has testified, "Tax policy can directly influence the level of labor supply, physical capital, human capital, and technology in an economy by changing the after-tax returns to certain economic activities or changing the cost of pursuing them. Lowering individual tax rates on wages, for example, can increase labor supply by raising the after-

[38] William McBride, Tax Foundation, "What Is the Evidence on Taxes and Growth?", December 18, 2012. https://taxfoundation.org/what-evidence-taxes-and-growth/.

tax returns to labor."[40] Allowing the individual cuts to expire would be counterproductive economically and from an individual liberty perspective.

To minimize economic inefficiency, economists in general have long recommended a broad base of taxation to keep marginal tax rates as low as possible to raise a given level of revenue."[41] As described by Veronique de Rugy and Adam N. Michel of the Mercatus Center at George Mason University, "Various deductions, exemptions, and credits create an uneven tax environment. The proliferation of special tax rules through the tax expenditure system results in disparate effective tax rates, which distort consumption and investment."[42]

To a great extent, pass-through businesses are the lifeblood of the American labor market. According to the Brookings Institution, "most businesses—about 95 percent—are "pass-throughs," which have their income "pass through" to their owners to be taxed under the individual income tax."[43] Additionally, "pass through businesses account for more than half of the private section workforce," according to the Tax Foundation.[44] The TCJA effectively lowered the rate at which these entities are taxed, putting them on an even playing field with the tax treatment of incorporated businesses.

Another important feature of the bill that Congress should make permanent is full and immediate expensing. The full and immediate expensing provisions of the Tax Cuts & Jobs Act would eventually be phased out starting after five years under current law. As explained by experts at the Mercatus Center, an elongated depreciation framework decreases the value of investments and positive economic impacts.[45] According to the Tax Foundation, full and immediate expensing provides the biggest bang for the buck in lifting GDP.[46]

While some have attacked tax reform proposals as "costing" the government money, this erroneously assumes the government is more entitled to your paycheck than you are – or that it can more wisely invest it than you. This is utter nonsense. Ensuring that people keep more of their hard-earned money is not wrong. Those who believe government should take more out of each paycheck seek only to advance their own interests at the expense of the taxpayer, without regard or concern for the good of the country. However, it is equally absurd to suggest that the government can continue to spend more than it taxes over the long run. Simply put: to spend is to tax. When the government spends a dollar, it has committed to extracting that dollar from the economy through taxes. The only question is whether that taxation will happen today or in the future. Accordingly, federal spending should be reduced to match the amount of revenue the reformed tax code collects.

Congress should also continue efforts to eliminate the tax code's disincentives to form families. Because some tax brackets for married couples are less than double the brackets for single individuals, marginal tax rates can increase more quickly for married couples than individuals, creating a marriage penalty.

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[40] Joint Committee on Taxation, "Economic Growth and Tax Policy (JCX-47-15)", February 20, 2015. https://www.jct.gov/publications.html?func=startdown&id=4736.
[41] Ibid.
[42] Veronique de Rugy and Adam N. Michel, Mercatus Center, "A Review of Selected Corporate Tax Privileges," October 2016. https://www.mercatus.org/system/files/mercatus-de-rugy-corporate-tax-privileges-v1.pdf.
[43] Aaron Krupkin and Adam Looney, The Brookings Institution, "9 Facts About Pass-Through Businesses," May 15, 2017. https://www.brookings.edu/research/9-facts-about-pass-through-businesses/.
[44] Kyle Pomerleau and Richard Borean, Tax Foundation, "More than Half of all Private Sector Workers are Employed by Pass-through Businesses," January 22, 2015. https://taxfoundation.org/more-half-all-private-sector-workers-are-employed-pass-through-businesses/.
[45] Jason J. Fichtner and Adam N. Michel, Mercatus Center, "Options for Corporate Capital Cost Recovery: Tax Rates and Depreciation," January 2015. https://www.mercatus.org/system/files/Fichtner-Corporate-Capital-Cost.pdf.
[46] Scott A. Hodge, Tax Foundation, "An Open Letter to Chairman Peter Roskam on Full Expensing," July 18, 2017. https://taxfoundation.org/open-letter-chairman-peter-roskam-full-expensing/.

While the TCJA did eliminate a number of existing marriage penalties in the tax code, a number of notable penalties remain, including at the 35 percent and 37 percent income brackets, and with the EITC.[48] Marriage penalties represent another instance where the tax code has been distorted to treat similar individuals disparately in order to extract more revenue from the American people. It is unfair, and marriage penalties and Congress should continue to eliminate them.

Congress should also reevaluate tax policies that perpetuate and sustain illegal immigration. By way of example, under Rep. Steve King's New Idea Act, the wages of illegal immigrants would not be deductible.

Real World Scoring

For years, RSC Budgets have proposed that real-world dynamic scoring be the measure by which tax reform proposals are measured.

At the beginning of the 114th Congress, the House adopted a new rule that requires CBO and JCT to incorporate the macroeconomic effects of major legislation into the budgetary analysis of that legislation. Adopting dynamic scoring is an important step that ensures policymakers and the public understand the true impact of tax reform on the economy, businesses, families, and individuals. According to Scott Hodge, the President of the Tax Foundation, which has been on the leading edge of dynamic scoring and has had their analysis widely cited, "dynamic scoring gives lawmakers three-dimensional information they can use to understand the effects of tax policies on a complex, multi-dimensional U.S. economy."[49] Naturally, the next step for dynamic scoring is to ensure the models used by CBO and JCT are as accurate as possible. For instance, models should take into account the fact that before the federal government can spend any money it must first take that money out of the economy.[50] Further, the Congress's official scorekeepers must end the secrecy about their modeling and instead commit to an open and transparent process that can be rigorously reviewed and evaluated by economists and academics. Resources, such as the Open Source Policy Center at the American Enterprise Institute, have shown that transparency is a real possibility.[51] Then, CBO and JCT should commit to regularly updating their models using the best available information with the strongest real world economic consensus.

User Fees and Asset Sales

As described elsewhere in additional detail in this budget, the federal government's physical footprint should be dramatically scaled back to a manageable and sustainable level. Where possible, the government should sell off unneeded or underutilized assets to the private sector or to state and local governments where they can be put to a more productive use.

Further, the federal government should allow America's bountiful natural resources to be utilized in sustainable ways.

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[48] Amir El-Sibaie, Tax Foundation, Marriage Penalties and Bonuses under the Tax Cuts and Jobs Act," February, 14, 2018. https://taxfoundation.org/tax-cuts-and-jobs-act-marriage-penalty-marriage-bonus/.
[49] Scott Hodge, Tax Foundation, "Dynamic Scoring Made Simple", February 11, 2015. https://taxfoundation.org/dynamic-scoring-made-simple/.
[50] Curtis Dubay, Heritage Foundation, "CBO Should Update Its Methodology Before Dynamically Scoring Spending Bills", March 5, 2015. http://www.heritage.org/research/reports/2015/03/cbo-should-update-its-methodology-before-dynamically-scoring-spending-bills.
[51] Matt Jensen, Open Source Policy Center, "What is the Open Source Policy Center?" https://www.ospc.org/about/.

Finally, for services that the federal government provides, user fees that cover the full costs to provide the service should be charged, so that the beneficiary bears the cost, not the taxpayers.

While most of these user fees, asset sales, and royalties are offsetting receipts and offsetting collections and are thus counted as negative spending for purposes of federal accounting, they are often thought of as types of revenues and merit mention here.

Deconstructing the Administrative State

In Federalist 47, Madison defined tyranny as "the accumulation of all powers, legislative, executive, and judiciary, in the same hands, whether of one, a few, or many, and whether hereditary, self-appointed, or elective".[52] The Constitution was designed to prevent tyranny by separating the powers of government into the three distinct branches and erecting a system of checks and balances of each branch upon the others.

For decades, the separation of powers and the checks and balances have been progressively weakened. Congress's Article I legislative powers and the Judiciary's Article III judicial powers have been increasingly ceded to the Executive. In countless instances, this all-powerful administrative state now acts as the rule-maker, police officer, judge, and fine collector. This hidden form of tyranny threatens the liberty, freedom, and prosperity of all Americans. As Neomi Rao, now President Trump's Administrator of the Office of Information and Regulatory Affairs (OIRA), described: "Administration increasingly occurs in informal and unorthodox ways, allowing for the growth of the federal government outside the checks and balances of the Constitution. In practice, compliance with regulatory requirements imposes heavy economic, political, and social costs on individuals and businesses."[53]

Overregulation also has a negative effect on the economy. A 2016 study from George Mason University's Mercatus Center concluded that, "altering investment decisions and disrupting the innovation that comes from investment in knowledge creation, regulations have a cumulative and detrimental effect on economic growth—and, over time, have a real impact on American families and workers." [54] Specifically, it found "that the economy would have been about 25 percent larger than it was in 2012 if regulations had been frozen at levels observed in 1980. The difference between observed and counterfactually simulated GDP in 2012 is about $4 trillion, or $13,000 per capita."[55]

More importantly, this overregulation means that the American people are less free than they should be. Each of us is required to comply with each regulation that is on the books, and we are held to compliance by an unaccountable administrative state. This is allowed to exist because Congress abdicated its constitutional responsibilities over several decades. Instead of choosing to do the hard work of legislating, Congress has relinquished its lawmaking authority to the bureaucracy.

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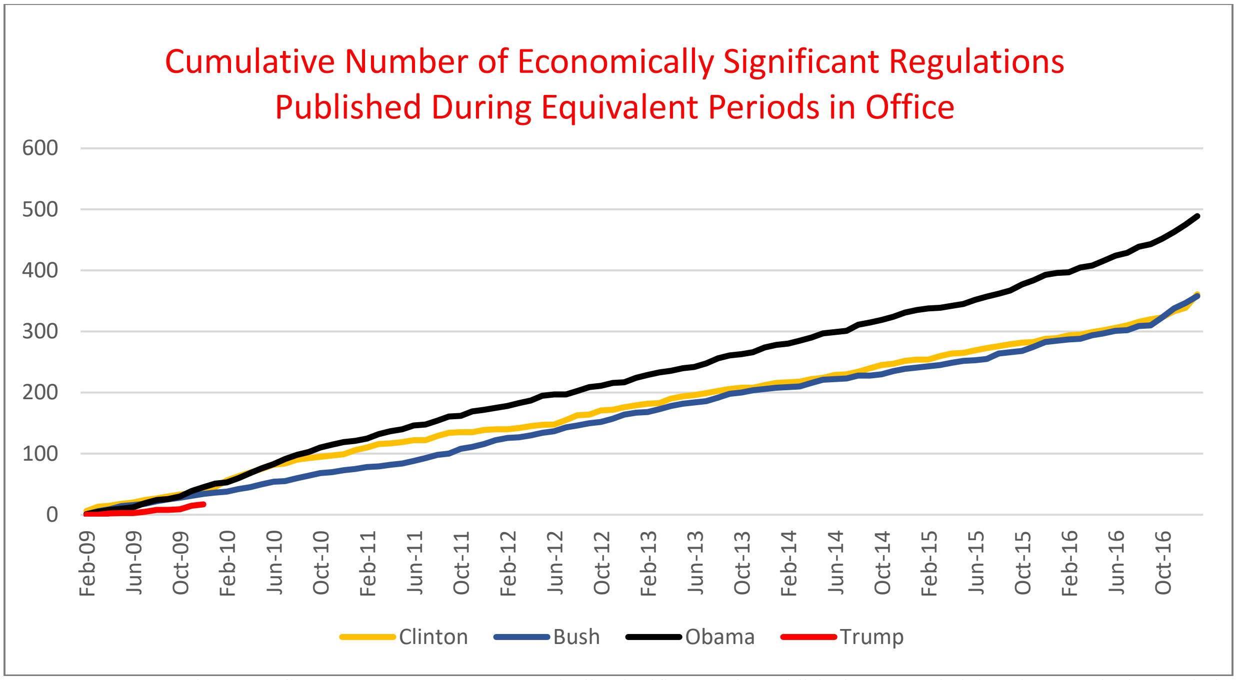
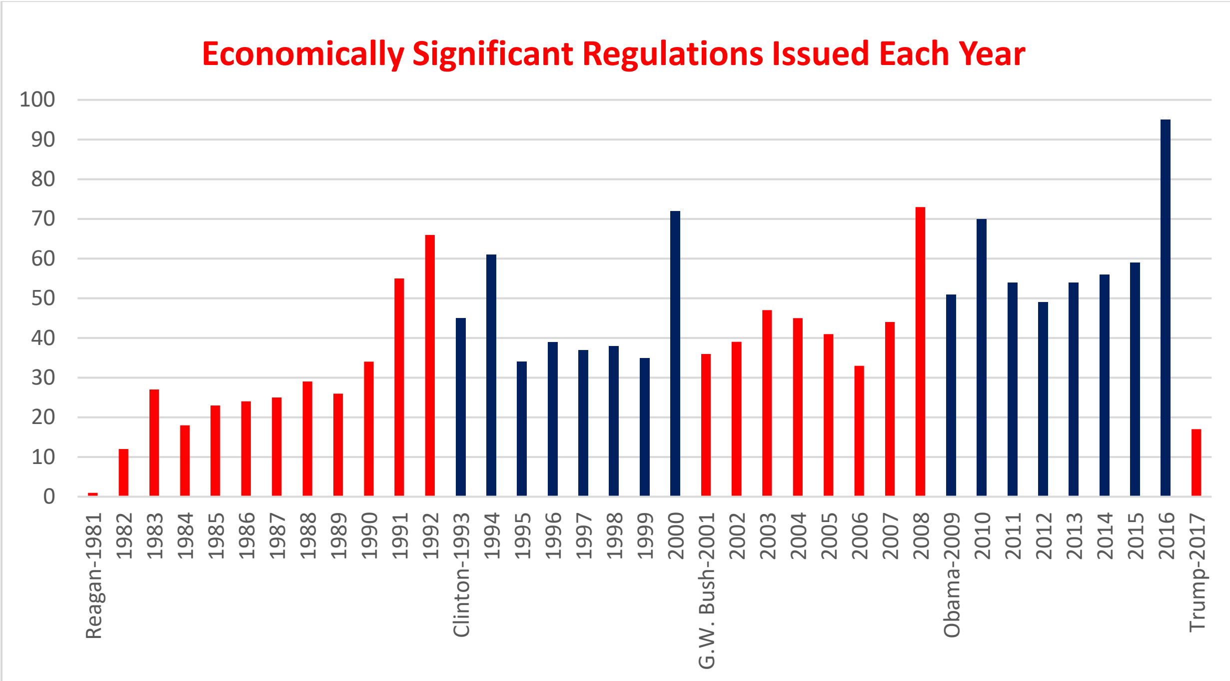
[52] James Madison, The Federalist Papers, "The Particular Structure of the New Government and the Distribution of Power Among Its Different Parts", February 1, 1788. http://avalon.law.yale.edu/18th_century/fed47.asp.
[53] Neomi Rao, Center for the Study of the Administrative State Antonin Scalia Law School, George Mason University, "Welcome to the Center for the Study of the Administrative State." https://administrativestate.gmu.edu/.
[54] Bentley Coffey, Patrick A. McLaughlin, and Pietro Peretto, Mercatus Center, "The Cumulative Cost of Regulations", April 2016. https://www.mercatus.org/system/files/Coffey-Cumulative-Cost-Regs-v3.pdf.
[55] Ibid.



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

President Obama's administration had "perhaps the most aggressive regulatory record in history."[56] The Obama administration's regulatory onslaught created $890 billion in new economic burdens on the American economy, causing 549 million hours' worth of new paperwork burdens.[57] The Obama administration issued 494 major rules with an economic impact of $100 million or more, 37% more than even President Clinton issued in his time in office. The Code of Federal Regulations, which catalogues all regulations in effect, grew to 185,053 pages at the end of 2016.[59] In contrast, the first year of President Trump's administration produced total annualized savings of $893 million. In the second year, "95 deregulatory rules are expected to be finalized."[60]

[56] Sam Batkins, American Action Forum, "Midnight Regulations Push Obama Administration's Regulatory Tally Past $890 Billion", February 2, 2017. https://www.americanactionforum.org/insight/midnight-regulations-push-obama-administrations-regulatory-tally-past-890-billion/.
[57] Ibid.
[59] The George Washington University Regulatory Studies Center, Reg Stats. https://regulatorystudies.columbian.gwu.edu/reg-stats.
[60] Dan Bosch and Dan Goldbeck, American Action Forum, "Update: Deregulation Under Trump," January 23, 2018. https://www.americanactionforum.org/insight/update-deregulation-trump/.



GW Regulatory Studies Center, Reg Stats, "Significant Regulations Issued by Presidential Year." https://regulatorystudies.columbian.gwu.edu/reg-stats#Benefits%20and%20Costs%20of%20Regulations

Last year, Congress took an important step in using the Congressional Review Act (CRA) as a tool to quickly undo some of the rules and regulations promulgated by the Obama administration in its final days. The CRA gives Congress a limited window in which it can utilize streamlined Senate procedures to nullify recently finalized regulations through passage of a joint resolution of disapproval. Most importantly, these joint resolutions are not subject to the filibuster in the Senate, and thus can be considered in the Senate with a simple majority vote.

Under the CRA, Congress generally has 60 days to pass a resolution of disapproval after the Senate, House, and GAO has all received a report from the promulgating agency containing the regulation. Prior to 2017, Congress had used the CRA to nullify a regulation only once. Last session, Congress used the CRA to undo 15 regulations created during the Obama administration.[61]

This budget supports Congress utilizing the CRA to reach back to nullify rules and regulations that were not properly reported by the promulgating agency to each chamber and GAO as required by the CRA. As the Brookings Institution points out, the plain language of the CRA requires agencies to report rules to all three entities. And, until this is done, the clock does not start to tick on the 60-day deadline for congressional action on a resolution of disapproval. [62] Looking at "significant rules" (those having an economic impact of at least $100 million), the Brooking Institution found "348 significant rules with apparent reporting deficiencies to one or more of the GAO, House, and Senate, out of a total of 3,197 significant rules—slightly more than 10 percent."[63] Congress can and should review these rules and use the CRA as appropriate.

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[61] The George Washington University Regulatory Studies Center, "Congressional Review Act Tracker 2017," Updated 11/1/2017. https://regulatorystudies.columbian.gwu.edu/sites/g/files/zaxdzs1866/f/CRA%20Tracker%2011-01-2017.pdf.
[62] Philip A. Wallach and Nicholas W. Zeppos, Brooking Institution, "How powerful is the Congressional Review Act?," April 4, 2017. https://www.brookings.edu/research/how-powerful-is-the-congressional-review-act/.
[63] Ibid.

Further, this budget supports updating the CRA to augment Congress's ability to undo bureaucratic regulations. Namely, the CRA's expedited procedures should not be limited to the current 60-day window after an agency completes reporting of a rule. At any time, Congress should be able to quickly nullify the regulations of which it disapproves. It makes no sense for it to be easier for the executive branch to effectively create legislation than for the legislative branch to undo it.

> **"It's time for Congress to reassert its authority and bring accountability back to the regulatory process."**
>
> –RSC Chairman Mark Walker

On President Trump's first day in office, the administration issued a memorandum that froze all of the previous administration's pending regulations, halting $181 billion in pending rules.[64] Then, on January 30, 2017, the president issued an Executive Order on Reducing Regulation and Controlling Regulatory Costs that requires all agencies to identify two existing regulations to repeal for each new regulation it proposes to promulgate.[65] On February 24, 2017, President Trump issued a follow-up Executive Order designed to help reign in overregulation.[66] This order required heads of agencies to establish a Regulatory Reform Office (RRO) to oversee regulatory reform initiatives and form a task force within each agency to report a plan to implement regulatory reforms within 90 days.

These executive actions to stem the tide of overregulation are positive steps that will continue to alleviate the burden on businesses, families, and individuals. And based on the fact that President Trump's Administration issued the fewest number of significant rules since the second year of the Reagan Administration, he is taking the endeavor seriously.

But, ultimately it is Congress's duty to take the next steps to reign in the administrative state. As RSC Chairman Mark Walker put it, "it's time for Congress to reassert its authority and bring accountability back to the regulatory process."[67]

For this reason, the RSC Budget includes the Article I Regulatory Budget Act, sponsored by RSC Chairman Mark Walker, to allow Congress to regain oversight and supremacy over the administrative state. A regulatory budget works similar to a fiscal budget. Under this proposal, Congress would establish annual caps on the costs executive branch agencies could impose on the economy through new regulations. Over time, as agencies seek to impose new regulations, they will be forced to repeal existing outdated and unnecessary rules, reducing the overall burden on the country. A regulatory budget could be tied to "Legislative Impact Accounting", which would account for the regulatory costs of proposed legislation.[68] Reviews of regulatory budgeting proposals show that they could save up to $100 billion in

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

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

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

[67] Rep. Mark Walker, "Walker: It's Time for Congress to Reassert Its Authority and Bring Accountability Back to the Regulatory Process," May 25, 2016. https://walker.house.gov/media-center/press-releases/walker-its-time-congress-reassert-its-authority-and-bring-accountability.

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

costs imposed on the economy each year.[69] More importantly, regulatory budgeting would change the way Washington works, helping to restore the proper balance of powers envisioned by the Framers and making government more accountable to the people it is supposed to serve.

The RSC regulatory reform plan would also incorporate a number of other common-sense reforms needed to restore the appropriate balance of power.

H.R. 26, the Regulations from the Executive in Need of Scrutiny (REINS) Act, would require that Congress approve of any regulations that have an annual economic impact of $100 million or more. As described by FreedomWorks, "The REINS Act brings a crucial check on executive power, reduces the influence of federal regulatory agencies, and begins to reclaim Congress' constitutional power as the sole lawmaking authority under the Constitution."[70] The REINS Act was passed by the House on January 5, 2017, but has not yet received a vote in the Senate.

Rep. Bob Goodlatte's Regulatory Accountability Act would require agencies to choose the least costly method of regulation. It passed in the House last year, but has not received a vote in the Senate.
Rep. John Ratcliffe's Separation of Powers Restoration Act, would reign in the executive branch by scaling back *Chevron*-based deference to federal agencies, by requiring de novo review of agency actions for all relevant questions of law, including constitutional and statutory interpretation. It would place judicial review back in the hands of the judiciary, and make clear the lines between judicial interpretation of law and executive enforcement of the law. This important legislation also passed the House last year, but has yet to be considered by the Senate.

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

The REVIEW Act would require a federal agency to postpone the effective start date of any high-impact rule, defined as a rule that has an annual negative economic impact of more than $1 billion, for either 60 days, or the period delineated by the authorizing statute, if provided, pending judicial review. The REVIEW Act passed the House in 2017, but has not been voted on in the Senate.

Rep. Blaine Luetkemeyer's Providing Accountability Through Transparency Act, would require each agency to include a 100-word, plain-language summary of a proposed rule when providing notice of a rulemaking

Federal agencies should be required to measure the effect of a proposed regulation on the economy and allow those affected by mandates to comment on the regulation. These reviews would increase the transparency of the true costs of federal mandates on state and local governments as well as the private sector. This proposal is based on H.R. 50, the Unfunded Mandates Information and Transparency Act, introduced by Representative Virginia Foxx.

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[69] Sam Batkins, American Action Forum, "What Would a Regulatory Budget Save? About $100 Billion", September 1, 2015. http://americanactionforum.org/insights/what-would-a-regulatory-budget-save-about-100-billion.
[70] Adam Brandon, FreedomWorks, "Key Vote YES on the REINS Act, H.R. 26", January 4, 2017. http://www.freedomworks.org/content/key-vote-yes-reins-act-hr-26.

All too often, pro-regulatory litigants, unable to enforce their will on the public through legislation, will sue federal agencies with the intention of obtaining a settlement that forces the government to take regulatory action. Unfortunately, regulatory agencies have become more than happy to cooperate with these litigants, entering into legally binding consent decrees that require a regulatory action. These settlements are negotiated behind closed doors, without the public participation required by the normal regulatory process governed by the Administrative Procedure Act, the Regulatory Flexibility Act, and the Unfunded Mandates Reform Act. In President Obama's first term, the EPA sought at least 60 settlements with advocacy groups, which resulted in more than 100 new regulations. This budget brings transparency to this sue-and-settle cabal by requiring public disclosure of the complaints against agencies, the terms of consent decrees, and attorneys' fees. Consent decrees should also be made available for public comment in the Federal Register prior to being filed with the courts. This proposal is based on H.R. 469, the Sunshine for Regulatory Decrees and Settlements Act, which passed the House but has not been voted on in the Senate.

Rather than being constantly surprised by new schemes of government control, the public should be able to know what regulations the executive branch plans to issue. Currently, the administration is statutorily required to publish the Unified Agenda of Federal Regulatory and Deregulatory Actions twice per year. Unfortunately, this is another issue where President Obama failed to provide transparency, with some reports being filed late and others not at all. Instead, to provide real transparency and regulatory certainty, federal agencies should publish monthly information about their proposed regulations. Rep. John Ratcliffe's ALERT Act would require agencies to provide detailed disclosures on regulations, including these monthly reports.

Unleashing North American Energy Production

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

Last year, the RSC's budget urged the opening up new areas of the Outer Continental Shelf for domestic energy production and repealing the ban on energy exploration in the Arctic National Wildlife Refuge. Since then, the Department of Interior has taken significant steps to permit drilling in most U.S. Continental Shelf Waters. This includes a draft Five Year Outer Continental Shelf Oil and Gas Leasing Program that would open up all but one planning area in the Artic, Pacific, Gulf of Mexico, and Atlantic.[71] Additionally, Congress passed, and the President signed into law, H.R. 1, which, in addition to cutting taxes, repealed the prohibition on development and requires the Interior Department to conduct two oil lease sales of a minimum of 400,000 acres each in the Arctic National Wildlife Refuge in Alaska.

Going further, this budget proposes that Congress allow states to develop resources on federal land within their borders and stopping the federal government from implementing any hydraulic fracturing regulations in a state that has already issued its own regulations.

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

The RSC Budget would block the Obama administration's so-called Clean Power Plan, and supports the Trump administration's plan to repeal it administratively.[72] Despite the fact the American people rejected the cap-and-trade proposal, the Obama EPA had been moving ahead with job-killing climate change regulations on new and existing power plants until a stay was granted by the Supreme Court. This regulation could cost the economy between $41 and $73 billion per year, hitting consumers in the wallet.[73]

The budget would also block other anti-energy EPA regulations, such as the Ozone rule, which has been called "the most expensive regulation of all time".[74] In July of 2017, the House passed a bill, the Ozone Standards Implementation Act of 2017, which would accomplish this, but the Senate has yet to have a vote on the measure.

Our plan also accelerates approval for liquefied natural gas (LNG) exports.

The Renewable Fuel Standard (RFS) is a program that requires fuel sold in the U.S. to contain a minimum volume of renewable fuels. However, the standard has caused a dramatic increase in the price of corn, food, and gasoline.[75] A reform of the standard would end ethanol fuel-blending mandates. This proposal mirrors Representative Bob Goodlatte's H.R. 1314, the Renewable Fuel Standard Elimination Act.

Promoting Free Trade

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

- *Free trade underpins the economic foundations of our alliances and partnerships, directly furthering America's national security interests while limiting the destructive reach of authoritarian powers.*

- *American consumers benefit from free trade through more choices and affordable goods, improving their standard of living and promoting global innovation.*

- *Tariffs on imported goods are a tax on American consumers and businesses. While certain tariffs can temporarily benefit producers, manufacturers tend to bear the burden of rising costs stemming from imposed tariffs. At least half of American imports are not finished products, but are instead input materials for U.S.-based manufacturers. Free trade reduces the cost of these input materials, thus reducing*

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

[73] William Yeatman, U.S. News and World Report, "The Clean Power Plan's Dirty Secret", January 26, 2015. http://www.usnews.com/opinion/articles/2015/01/26/obamas-epa-clean-power-plan-has-a-dirty-secret

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

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

U.S.-based businesses' production costs, which in turn promotes economic growth through additional investment in domestic jobs and manufacturing.

- *Free trade and free markets have led to the greatest reduction in global poverty in the history of mankind.*

- *Government imposed barriers to materials, labor and capital are disruptive to modern supply chains and represents liberal central-planning in its worst, most arrogant form.*

- *While we strongly disagree with the imposition of punitive tariffs, we do believe that the federal government should aggressively protect American jobs and American manufacturers from the economic devastation caused by the unfair dumping of foreign goods into American markets and barriers to American products*.[76]

These principles have allowed American industries to gain more and more market access across the globe. Free trade agreements have over time almost consistently led to the improvement of the U.S. trade balance. As recently explained in the Wall Street Journal, "Free-trade agreements help to rebalance U.S. trade. Before an FTA is in place, the U.S. is typically a more open market than its trading partners. The establishment of an FTA thus results in disproportionate structural and transparency benefits for American exporters."[77]

Perils of Tariffs and Protectionism

In 2002, temporary tariffs of 8 to 30 percent were imposed and scheduled to remain in effect until 2005. These tariffs were ruled in violation of international treaties by the World Trade Organization in 2003. At the time, the United States faced sanctions worth $2.2 billion a year. The EU responded as well with threats to impose tariffs on American produce such as oranges and U.S. automobiles, commodities located in key political states like Florida and Michigan. Canada and Mexico were exempt from the tariffs due to penalties the United States would face under NAFTA, as well as other developing countries like Argentina, Thailand, and Turkey. The tariffs were eventually withdrawn in December 2003, a mere 20 months after they were imposed. According to sources, the tariff cost the United States "200,000 jobs in businesses that buy steel, representing $4 billion."[78] Other sources including the Institute for International Economics (IIE) have estimated that as many as 26,000 jobs were lost in steel-using industries.[79] Regardless, the 2002 steel tariff represents a clear case of the government choosing winners and losers among different industries.

[76] Chairman Mark Walker, Republican Study Committee, "Steering Committee Affirms Free Trade Principles", March 7, 2018. https://rsc-walker.house.gov/news/press-releases/steering-committee-affirms-free-trade-principles.
[77] Frank Lavin and Fredrik Erixon, Wall Street Journal, "Trade Agreements Are the Answer to Trade Deficits", March 8, 2018. https://www.wsj.com/articles/trade-agreements-are-the-answer-to-trade-deficits-1520552686.
[78] ", Ethan Wolff-Mann, Senior Writer, Yahoo Finance, "President Trump's predecessors learned about tariffs the hard wayJanuary 27, 2017. https://finance.yahoo.com/news/president-trumps-predecessors-learned-about-tariffs-the-hard-way-180438688.html.
[79] Linette Lopez, Business Insider, "Here's what happened the last time the US was reckless enough to try a steel tariff", July 7, 2017. http://www.businessinsider.com/bush-steel-tariff-impact-2017-7.

According to a report by the Martin Associates, "in 2016, 83,952 direct, induced and indirect jobs in the United States [were] generated by imported iron and steel products moving via the nation's seaports."[80] A potential repeat of the 2002 tariff debacle or other protectionist measures could greatly impact the U.S. economy and threaten those jobs by creating a ripple effect in various industrial sectors that rely on steel for production. Even with exemption clauses, new tariffs could additionally endanger and weaken many of our international partnerships including with key European and South American allies.

Congressional Action

Accordingly, many Members are intensely concerned with the recent imposition of a number of tariffs. This includes tariffs on solar panels and washing machines announced in January 2018, followed by a 25 percent tariff on steel and a 10 percent tariff on aluminum imports in March, as well as a series of tariffs on approximately $50 billion worth of Chinese imports.[81] Concerns include the potential global ramifications of a trade war which could result in market instability, dramatic increase in price of many consumer goods and in hurting the American farmer who are heavily dependent on exports. According to the Trade Partnership, the 2018 steel and aluminum tariffs could "result in a net loss of nearly 470,000 U.S. jobs after accounting for positive impacts on U.S. steel and aluminum producers."[82]

Article 1, Section 8 of the United States Constitution endows Congress with the sole authority to impose tariffs. However, for the past 100 years, Congress has been ceding more and more control over the imposition of tariffs to the executive branch. As is the case with reining in the powers of federal agencies, this budget would reassert congressional authority in the realm of trade. Several proposals have been introduced, including Representative Warren Davidson's H.R. 5281, the Global Trade Accountability Act of 2018, which seeks to establish a congressional review process on the imposition of duties or tariffs by the executive branch by identifying eight specific provisions in statute that were ceded to the executive branch to raise tariffs, duties, and tariff-rate quotas. The legislation would allow several exemptions or temporary authority for unilateral trade actions for 90 days without congressional approval if the president determines that the action is necessary due to a national emergency, an imminent threat to health or safety, the enforcement of criminal laws, or for national security. H.R. 5281 would take a step in the right direction by regaining Congress's power enshrined in our Constitution "to regulate Commerce with foreign Nations."

Scaling Back Dodd Frank to Ensure Financial Choice

Republicans in Congress have long fought to claw back the burdensome requirements of the Dodd-Frank Act. The RSC Budget is committed to rolling back the onerous provisions of the disastrous law that has made it harder for business to create jobs for Americans.

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[80] Martin Associates, "The 2016 National Economic Impact of Imported Iron and Steel Products on the U.S. Marine Transportation System and the U.S. Economy", September 2017. http://www.aiis.org/wp-content/uploads/2017/09/AIISExecSummarymartinassociates9-11-2017rc-cleanjmfinal.pdf.
[81] Office of United States Trade Representative, "Under Section 301 Action, USTR Releases Proposed Tariff List on Chinese Products," April 2018. https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/april/under-section-301-action-ustr.
[82] Dr. Joseph Francois and Laura M. Baughman, The Trade Partnership, "Policy Brief, Round 2: Trading Partners Respond, The Estimated Impacts of Tariffs on Steel and Aluminum", March 13, 2018, The Trade Partnership, http://tradepartnership.com/wp-content/uploads/2018/03/232RetaliationPolicyBrief.pdf.

The RSC Budget includes H.R. 10, the Financial CHOICE Act, proposed by Chairman Jeb Hensarling, which would serve as a big first step in ridding America of some of Dodd Frank's strictest requirements.[83] It would remove the government's ability to fully dismantle and bailout a failing bank. The legislation would make it easier for small banks to once again lend to their communities by alleviating some of the restrictions Dodd-Frank forced upon them and would eliminate the exceedingly complicated Volcker Rule that limits the investments that financial firms are able to hold.[84] Finally, the legislation would deter firms from engaging in illegal or reckless activities by imposing stricter penalties against bad actors. The House passed the Financial CHOICE Act in June 2017, but it has not yet been voted on in the Senate. In contrast, the Senate has now passed legislation that takes a much more limited approach to reforming Dodd-Frank, that fails to include even many bipartisan aspects of the CHOICE Act that have been passed by the House with the support of Democrats. The Senate should pass the CHOICE Act and send it to the President to be signed into Law.

The Dodd-Frank financial reform law created the Consumer Financial Protection Bureau (CFPB) as a new financial regulator with wide authority. The legal structure of the CFPB "is designed precisely to insulate it from political accountability. It is a design better suited for a government of unlimited powers conducive to tyranny rather than to a government of limited powers conducive to freedom."[85] During its brief existence, the CFPB has dramatically expanded its reach with little transparency and accountability. Acting Director Mick Mulvaney has brought more respectable leadership to the agency and has taken steps to rein it in, such as by requesting a transfer of $0 from the Federal Reserve to fund the CFPB for the Second Quarter of FY 2018, and instead relying on unobligated balances to carry out its work.[86] Ultimately, however, the CFPB, with its "government knows best" philosophy, should be eliminated.

Spur Investment in Local Businesses

The RSC Budget allows more capital to flow to Main Street to spur investment. It does this by providing regulatory relief to community banks and credit unions, so local financial institutions can more effectively lend to small businesses and invest in their own communities. The burdens of overregulation are ultimately born by consumers in the form of higher fees, diminished access to capital, and a slower economic recovery.[90] This proposal also removes unnecessary regulations that inhibit investment in businesses. American businesses must have the ability to obtain loans to expand. It is time to get the government off the backs of our job creators so we can rebuild an America that works.

This budget embraces those who participate in the innovative sharing and gig economy. The old, entrenched special interests have done their best to squash new competition using government regulations. The widespread popularity of on-demand companies – linking consumers and service providers – has shown that the market is hungry for new, innovative solutions. Good ideas will rise to supply that demand. Government should remove barriers to entry for these services and allow the best concepts to thrive.

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[83] House Financial Services Committee, The Financial Choice Act. http://financialservices.house.gov/choice/.
[84] Shawn Tully, Fortune, "This Congressman Could Turn the Dodd-Frank Financial Reforms Upside Down", November 15, 2016. http://fortune.com/2016/11/15/jeb-hensarling-trump-dodd-frank/.
[85] Scott Johnson, Powerline, "Understanding The Administrative State", February 27, 2017. http://www.powerlineblog.com/archives/2017/02/understanding-the-administrative-state.php.
[86] CFPB Acting Director Mick Mulvaney, Letter to The Honorable Janet L. Yellen, Re: Funds Transfer Request, FY 2018 Quarter 2, January 17, 2018. https://files.consumerfinance.gov/f/documents/cfpb_fy2018_q2_funding-request-letter-to-frb.pdf.
[90] Sam Batkins, Meghan Milloy, American Action Forum, "The Most Expensive Dodd-Frank Rule Adds to Law's Burden", November 10, 2015. http://americanactionforum.org/research/the-most-expensive-dodd-frank-rule-adds-to-laws-burden.

In a similar vein, government should reduce the burden of outrageous occupational licensing requirements. For instance, barbers and interior designers face stricter licensing requirements than emergency medical technicians.[91] Thirty percent of jobs now face government-imposed licensing requirements, up from five percent in the 1950's.[92] These licensing requirements are especially burdensome to families of military servicemen and women, who are 10 times as likely to move between states. Most of the military spouses that work in these fields need to be relicensed upon moving.[93] Removing barriers to entry into the labor force will allow more people to get to work, help our military families, and improve our nation's economy.

While the problem of overburdensome occupational licensing laws are mostly caused at the state level, there are some steps Congress can take to help. The Restoring Board Immunity Act of 2017, introduced by Rep. Darrell Issa, would provide state occupational licensing boards antitrust exemptions, but only if the board and the state adopt policies and laws to use less restrictive alternatives to occupational licensing.

The federal government should not force online retailers to collect sales taxes from customers located in other states. According to the Supreme Court, retailers must only collect and remit sales taxes in locations where they have a physical presence. States with sales taxes already have ways to require citizens to remit the sales taxes legally owed due to out of state purchases. These states should not use the power of the federal government to impose burdens on businesses located outside their jurisdiction. This type of intervention would only reduce competition between business models and between state tax policies.

The Supreme Court has heard oral argument in *South Dakota v. Wayfair*, a case that could overturn Supreme Court precedent on this issue, namely the physical-presence requirement established in prior Supreme Court jurisprudence. If Congress does enact legislation in response to a decision in this case, it must promote tax competition among the states and avoid expansion of cross-border regulation.

Get Unions off the Backs of Job Creators and Employees

The RSC Budget fully repeals Davis-Bacon, which requires prevailing wages to be paid for all government contracting jobs. Removing this job-killing requirement would allow taxpayer dollars to go further for infrastructure projects. This commonsense policy would save taxpayers billions of dollars, according to CBO.[97] While working to fully repeal Davis-Bacon, Congress could enact the Responsibility in Federal Contracting Act, introduced by Rep. Paul Gosar, which would require prevailing wage rates to be more accurately calculated by the Bureau of Labor Statistics (BLS).

All people have a right to work and enjoy the fruits of their labor. Unfortunately, unions have been granted monopolies around the country by the federal government, allowing them to restrict who is allowed to work in certain jobs if a person refuses to pay the union. Twenty-eight states have enacted right to work laws, but that leaves millions of Americans under an unjust system. To correct this problem, Congress should enact the National Right-to-Work Act, introduced by Rep. Steve King.

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[91] James Pethokoukis, American Enterprise Institute, "The terrible economic burden of occupational licensing", April 21, 2014. https://www.aei.org/publication/the-terrible-economic-burden-of-occupational-licensing/.
[92] Melissa S. Kearney, Brad Hershbein and David Boddy, Brookings Institution, "Nearly 30 Percent of Workers in the U.S. Need a License to Perform Their Job: It Is Time to Examine Occupational Licensing Practices", January 27, 2015. http://www.brookings.edu/blogs/up-front/posts/2015/01/26-time-to-examine-occupational-licensing-practices-kearney-hershbein-boddy.
[93] Shoshana Weissmann & C. Jarrett Dieterle, Wall Street Journal, January 31, 2018
[97] Congressional Budget Office, "Repeal the Davis-Bacon Act", December 8, 2016. https://www.cbo.gov/budget-options/2016/52225.

This budget also prohibits federal employees from using official, taxpayer-paid time for union activity. The OPM estimated that in FY 2012, taxpayers paid more than $157 million in official time for employees to conduct union activities.[98] During FY 2014, "[a]gencies reported that bargaining unit [labor union] employees spent a total of 3,468,170 hours performing representational duties on official time."[99]

In addition, this budget allows employers of workers operating under a union contract to award bonuses and pay raises to employees without having to get permission from union bosses. This proposal is based on Representative Todd Rokita's Rewarding Achievement and Incentivizing Successful Employees (RAISE) Act.

The Obama-era National Labor Relations Board's (NLRB) Joint Employer ruling would pull companies into collective bargaining negotiations with employees of companies they have a contract with. This could have an adverse effect on franchisees by increasing their liability for workers they do not actually employ. In December 2017, the NLRB issued a decision overturning the joint employer ruling. However, this decision was eventually vacated in February 2018, which resulted in a reinstatement of the joint employer ruling. This budget would undo the NLRB's ruling, replacing it with the effective standard that had been in place for decades.

Embrace Free Markets, Show Favoritism to None

Conservatives believe in free markets and free citizens. We want to end government intervention into the economy that picks winners and losers, distorts markets, and makes us less free and less prosperous. We oppose programs that only serve to help already powerful special interests.

> **Conservatives want to end government intervention into the economy that picks winners and losers, distorts markets, and makes us less free and less prosperous.**

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

Ex-Im boasts a disturbing culture of corruption and misconduct that has led to numerous criminal indictments in the last several years. Their lending standards often lack transparency and consistency. The bank is the 'Enron' of the federal government, a poster child for the worst of Washington's corruption and mismanagement.[105] We believe American businesses are capable of competing in a free and open market.

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[98] United States Office of Personnel Management, "Labor-Management Relations in the Executive Branch", October 2014. https://www.opm.gov/policy-data-oversight/labor-management-relations/reports/labor-management-relations-in-the-executive-branch-2014.pdf.

[99] United States Office of Personnel Management, "Official Time Usage in the Federal Government: Fiscal Year 2014," March 2017. https://www.opm.gov/policy-data-oversight/labor-management-relations/reports-on-official-time/reports/2014-official-time-usage-in-the-federal-government.pdf.

[105] Rep. Bill Flores and Sen. Mike Lee, Washington Examiner, "End Ex-Im Bank, the government's Enron", May 21, 2015. http://www.washingtonexaminer.com/end-ex-im-bank-the-governments-enron/article/2564796.

Because supporters of an expanded Ex-Im Bank have blocked President Trump's qualified nominee to lead the Bank, the ability of the Bank to approve export subsidies has been limited. Because of this, some have even proposed to change the law so that Bank staff can approve large subsidies backed by the taxpayers even if the Board of Directors does not have a quorum. While the work continues to repeal it, conservatives will oppose these efforts to bail out the Ex-Im Bank.

Eliminating Ex-Im will directly save the taxpayers hundreds of millions of dollars, according to CBO.[106] More importantly, the bank's demise will mark a return to the principles of free enterprise and competition so essential to the American miracle of unprecedented prosperity.

[106] Congressional Budget Office, "Budgetary Impact of Reauthorizing the Export-Import Bank", July 24, 2015. https://www.cbo.gov/publication/50430.

EMPOWERING ALL AMERICANS TO ACHIEVE ECONOMIC OPPORTUNITY, UPWARD MOBILITY AND SELF-SUFFICIENCY

Transform Safety Net Programs to Encourage Earned Success

Too many Americans are trapped on the bottom rungs of the economic ladder. Conservatives believe that every American deserves the opportunity to improve their economic circumstances, escape from poverty, and achieve their full potential. This notion that every American has the God-given right to the pursuit of happiness is embodied in our Declaration of Independence. Instead of trapping individuals in a cycle of poverty, government should remove obstacles and encourage all citizens to rise and achieve their potential. Welfare reform is about hope, not judgement. Reform should also prioritize the beneficiaries originally envisioned when federal welfare programs were created. When these programs are expanded to include new populations that go beyond the programs' original intent, it is often the neediest beneficiaries that suffer most from the additional strain placed on finite resources.

In the 115th Congress, the Republican Study Committee continues to lead the way toward turning this positive vision into action. The RSC Empowerment Initiative is a task force of RSC members focused on combating poverty and reforming the welfare system to empower individuals, families, and communities. In 2016, the Empowerment Initiative submitted a comprehensive plan to combat poverty to Speaker Ryan's Poverty, Opportunity, and Upward Mobility Task Force.[109] Many of those proposals put forward by the RSC were included in the final A Better Way agenda.[110]

In April 2018, President Trump issued an Executive Order Reducing Poverty in America by Promoting Opportunity and Economic Mobility.[111] This Executive Action requires the Secretaries of the Treasury, Agriculture, Commerce, Labor, Health and Human Services, Housing and Urban Development, Transportation, and Education to review the welfare programs administered by their respective departments to ensure the applicable regulations are aimed at getting Americans back into the workforce and self-sufficiency. The principles laid out by the president's Executive Order mirror those that have been laid out by the RSC's Empowerment Initiative. As RSC Chairman Walker stated upon the release of the Executive Order, "Now it is up to Congress to pass legislation to promote earned success through the dignity of work. We need to eliminate marriage penalties, allow flexibility for the states, fight fraud and recognize the importance of civil society in fighting poverty."[112]

The reforms recommended by this budget build upon the Empowerment Initiative's work and would restore the opportunity to pursue prosperity for millions of Americans.

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[109] Republican Study Committee, "RSC's Empowerment Initiative Details Anti-Poverty Agenda", April 25, 2016. https://rsc-walker.house.gov/policy-solutions/america-without-faith-project.

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

[111] Executive Order Reducing Poverty in America by Promoting Opportunity and Economic Mobility, April 10, 2018. https://www.whitehouse.gov/presidential-actions/executive-order-reducing-poverty-america-promoting-opportunity-economic-mobility/.

[112] Representative Mark Walker, Republican Study Committee, "Chairman Walker on President Trump's Workforce Development Executive Order," April 10, 2018. https://rsc-walker.house.gov/news/press-releases/chairman-walker-president-trumps-workforce-development-executive-order.

We Know What Doesn't Work

In his 1964 State of the Union address, President Lyndon Johnson declared a War on Poverty and launched the modern federal welfare system. He stated his agenda's "aim is not only to relieve the symptom of poverty, but to cure it and, above all, to prevent it."[113] This is a laudable goal, and it should be the focus of our safety-net programs.

But by any measure, Johnson's big-government welfare state has been a failure. The programs created by the federal government decades ago did little to address the root causes of poverty and the lack of upward mobility. The many expansions and redundant iterations of this Washington-centric model have delivered equally disappointing results. Instead, these government programs focus on alleviating only the material symptoms of poverty, rather than fostering the conditions that allow individuals to escape it. Decades of expansion have worked to increase the scope of dependency created by these programs.

As the RSC's first Executive Director, Dr. Ed Fuelner wrote, "when we consider how big government affects human beings — we find many victims of its policies not among the rich, but among the poor."[114]

The amount of money that our nation has spent on welfare programs, and the rate at which it has increased, is staggering. Between 1965, when the War on Poverty was declared, and 2016, "total means-tested welfare spending by federal and state governments cost taxpayers roughly $27.8 trillion in constant FY 2016 dollars." [115] Welfare spending in real terms has increased 12-fold since the mid-1960's.[116] Overall, the Congressional Research Service has identified 92 different federal programs meant to assist low-income people, on which the federal government spent $878 billion in FY 2016.[117] When spending by the states is added in, governments spend more than $1 trillion each year on welfare programs.[118] During President Obama's term covering FY 2009 – 2016, the federal government spent more than $6.2 trillion on welfare programs, with annual spending growing by more than 24 percent from the 2009 level.[119]

With all the taxpayer money that is spent on programs supposedly intended to help people lift themselves out of poverty, one would expect that they are more effective than simply throwing money at the problem. However, federal welfare spending in 2015 could have been used to write a $19,665 check to each of the 43 million individuals below the poverty line.[120] In 2015, the poverty threshold for one person was $12,082.[121] This demonstrates the ineffectiveness of our nation's welfare programs in addressing the root causes rather than the symptoms of poverty, and in being so inefficient they lose money along the way. These statistics are even more concerning considering that official census poverty rates have remained

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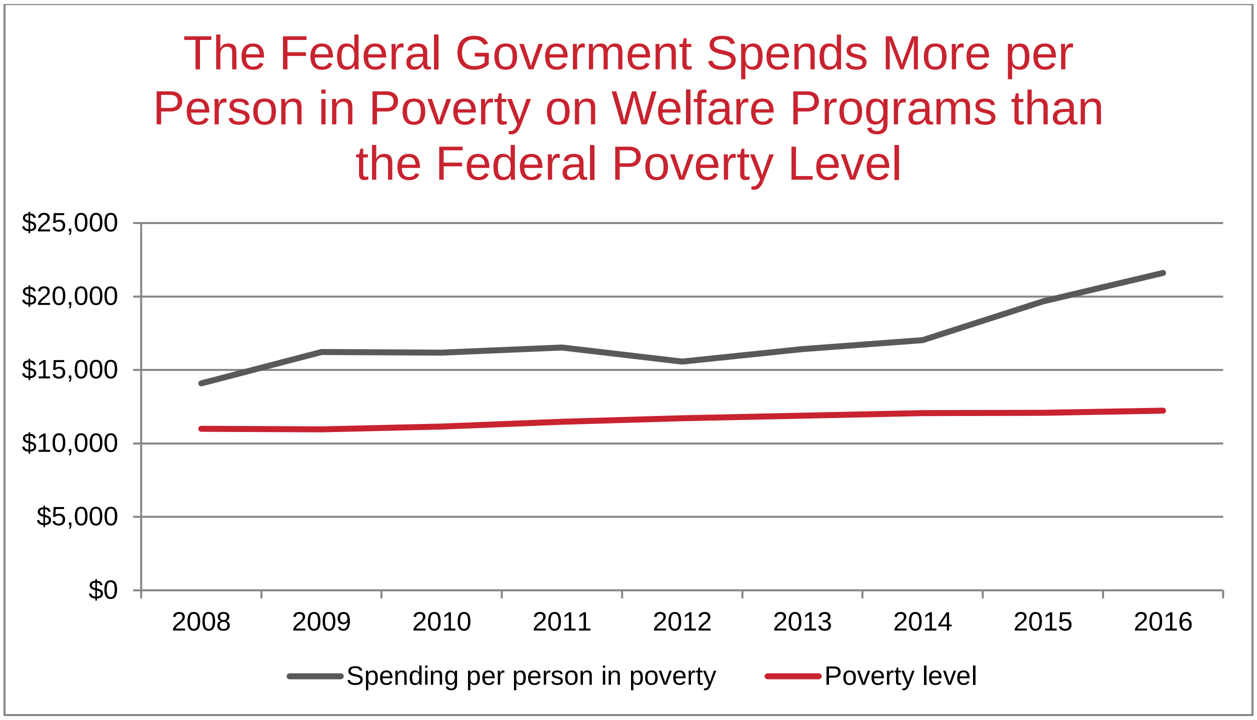
[113] President Lyndon Johnson, "Annual Message to the Congress on the State of the Union", January 8, 1964. http://www.presidency.ucsb.edu/ws/?pid=26787.
[114] Edwin J. Feulner, Ph.D., "Heritage Foundation", No Friend of the Poor", April 11, 2017. http://www.heritage.org/poverty-and-inequality/commentary/no-friend-the-poor.
[115] Robert Rector and Vijay Menon, the Heritage Foundation, "Understanding the Hidden $1.1 Trillion Welfare System and How to Reform It." https://www.heritage.org/sites/default/files/2018-04/BG3294_4.pdf.
[116] Ibid.
[117] Gene Falk, Karen Lynch, and Jessica Tollestrup, Congressional Research Service, "Federal Spending on Benefits and Services for People with Low Income: In Brief ", February 6, 2018. https://fas.org/sgp/crs/misc/R45097.pdf.
[118] Robert Rector and Vijay Menon, the Heritage Foundation, "Understanding the Hidden $1.1 Trillion Welfare System and How to Reform It." https://www.heritage.org/sites/default/files/2018-04/BG3294_4.pdf.
[119] Gene Falk, Karen Lynch, and Jessica Tollestrup, Congressional Research Service, "Federal Spending on Benefits and Services for People with Low Income: In Brief ", February 6, 2018. https://fas.org/sgp/crs/misc/R45097.pdf.
[120] Author calculation. Poverty figure from U.S. Census Bureau, "Income and Poverty in the United States: 2015", Table 3, "People in Poverty by Selected Characteristics: 2014 and 2015", September 2016. https://www.census.gov/data/tables/2016/demo/income-poverty/p60-256.html.
[121] U.S. Census Bureau, "Income and Poverty in the United States: 2015", "Poverty Thresholds for 2015 by Size of Family and Number of Related Children Under 18 years", September 2016. https://www.census.gov/data/tables/2016/demo/income-poverty/p60-256.html.

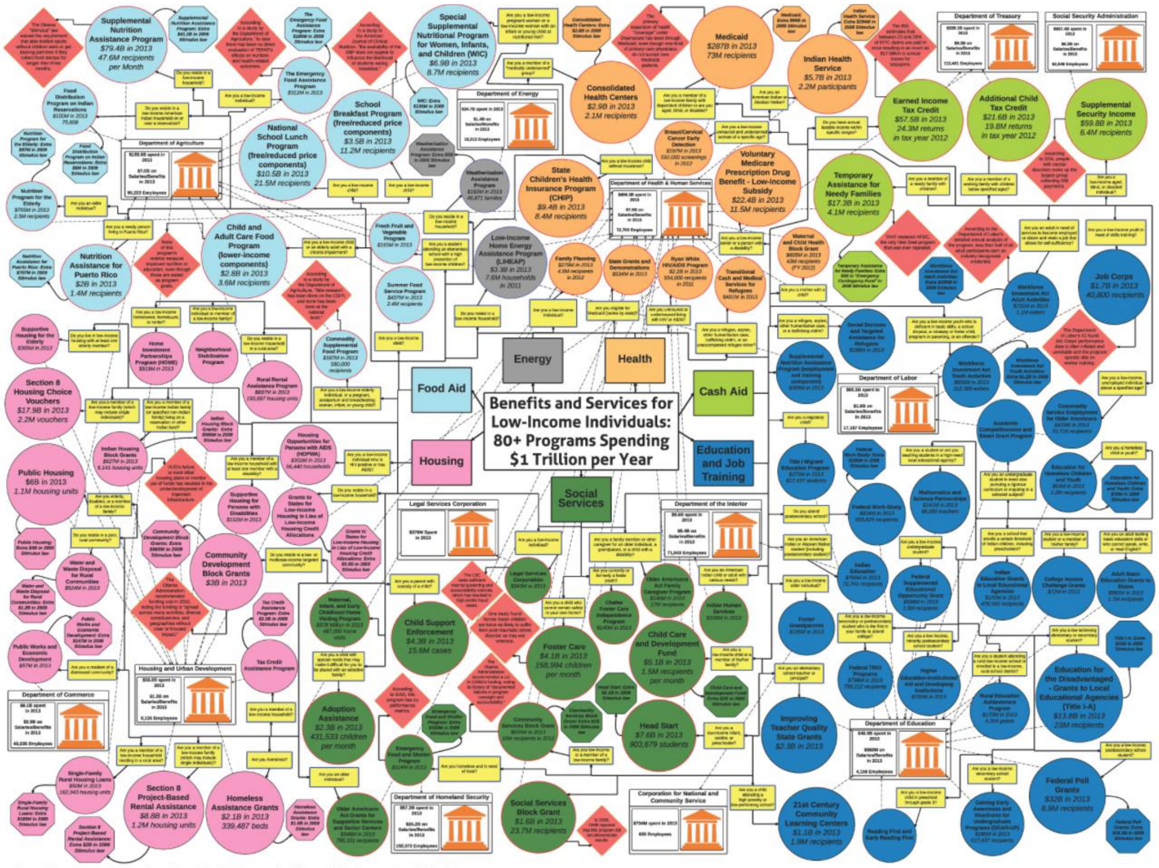
relatively steady since the start of the War on Poverty in 1965.[122] Some might argue that these Census statistics only include five percent of total welfare spending as income. But, that argument misses the point that anti-poverty programs should not be designed to simply pay for people to not be poor, but to help make it so that individuals can sustain themselves above the poverty line.



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

This system is a mess. The War on Poverty has spawned an enormous federal government bureaucracy that has absorbed resources that could be better spent helping people, and it has prevented reform by enshrining a political class of vested interests. Worst of all, this labyrinth of programs, offices, and paperwork is confusing for those who are forced to navigate it in their time of need.

[122] Department of Health and Human Services, "Poverty in the United States: 50-Year Trend sand Saftey Net Impacts," (Figure 4. Percentage of Population in Official Poverty. 1964-2014). https://aspe.hhs.gov/system/files/pdf/154286/50YearTrends.pdf#page=11.



Source: House Ways and Means Committee staff, using Congressional Research Service reports and other data.

House Ways and Means Committee, "Chairman Boustany: Better Coordinating Welfare Programs to Serve Families in Need", November 3, 2015. http://waysandmeans.house.gov/chairman-boustany-better-coordinating-welfare-programs-to-serve-families-in-need/.

The current welfare system entices people to become dependent on government and behave in ways that keep them there. The Department of Health and Human Service's Sixteenth Report to Congress on Welfare Indicators and Risk Factors included a study of new welfare recipients that shed light on this pattern. Between 2008 and 2012, the department found that 20.5 percent of Temporary Assistance for Needy Families (TANF) recipients, 46.3 percent of SNAP recipients, and 46.1 percent of Supplemental Security Income (SSI) recipients collected benefits for more than a year at a time.[123] The vast majority of those receiving benefits over a year eventually went on to eclipse the 21 month mark.[124]

Families become trapped in these programs, limiting their upward mobility. In 2013, five percent of the U.S. population received more than half of their income from the TANF, SNAP or SSI programs, just 0.3 percentage points below the post-recession high. After Welfare Reform was enacted, the Dependency Rate had fallen to just three percent in 2000.[125] Studies have shown that children whose parents receive welfare benefits are more likely to become dependent themselves when they become adults.[126]

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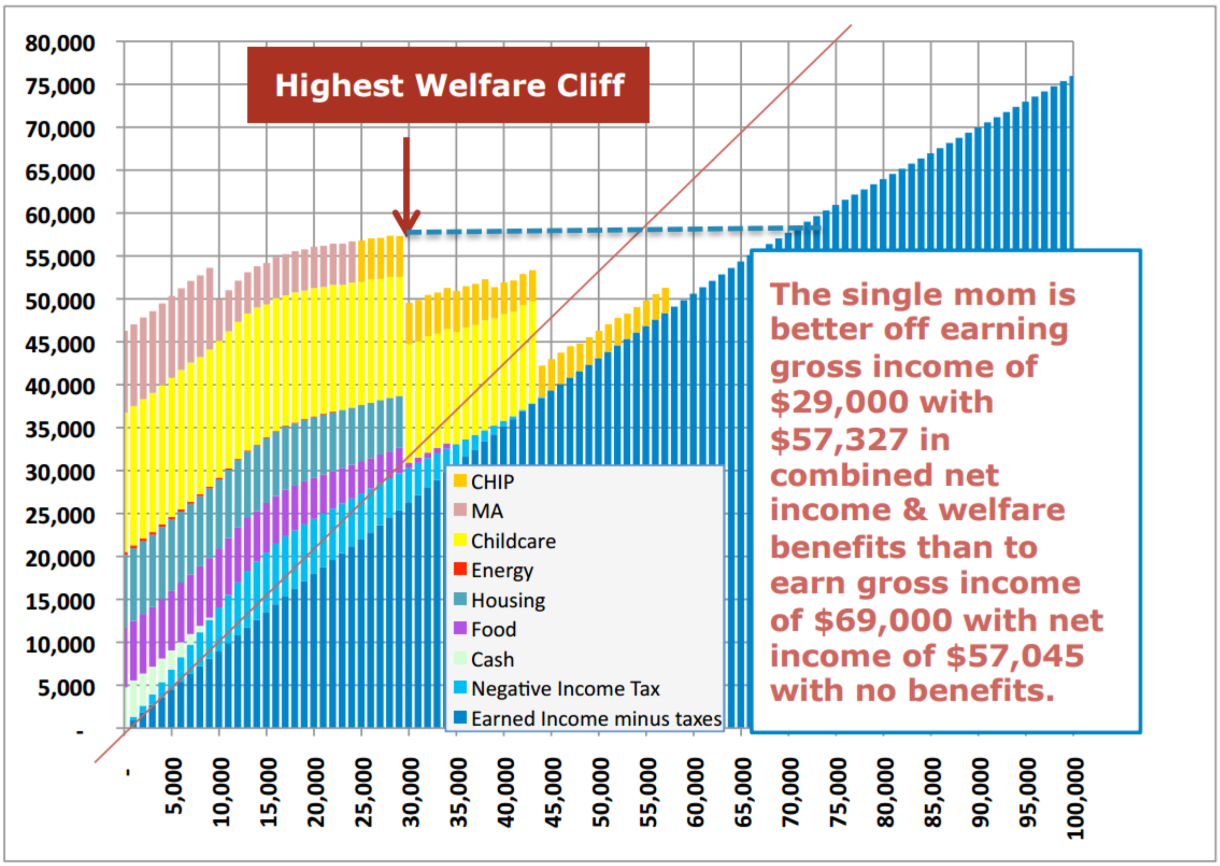
[123] U.S. Department of Health and Human Services, "Welfare Indicators And Risk Factors, Sixteenth Report To Congress", Figure 13, September 1, 2017. https://aspe.hhs.gov/pdf-report/welfare-indicators-and-risk-factors-sixteenth-report-congress.
[124] Ibid.
[125] U.S. Department of Health and Human Services, "Welfare Indicators And Risk Factors, Fifteenth Report To Congress", Figure 2, August 22, 2016. https://aspe.hhs.gov/pdf-report/welfare-indicators-and-risk-factors-fifteenth-report-congress.
[126] FamilyFacts, "Breaking the Cycle of Welfare Dependence. http://familyfacts.org/briefs/46/breaking-the-cycle-of-welfare-dependence.

The problem is described by Yuval Levin as "The poor are more isolated – economically, culturally, and socially – than they used to be in America… It is a function of entrenched, intergenerational poverty that isolates too many lower-income Americans from even middle-class economic, cultural, and social opportunities and norms."[127] This cycle perpetuates a negative feedback loop of economic and social poverty, and deprives our nation of the bright potential these individuals might otherwise pursue. With the reforms proposed by this budget, the RSC aims to break down these barriers that have isolated too many of our fellow citizens from the opportunities they deserve.

Part of the reason the system encourages dependence is because of the high marginal costs imposed on beneficiaries when they take steps to become financially independent — sometimes described as the "welfare cliff." A study conducted by Pennsylvania's Secretary of Public Welfare showed that a single mother could actually end up better off with a job that pays $29,000 and receiving welfare payments than she would be if she had a job that paid $69,000.[128]



Gary Alexander, Secretary of Public Welfare, Commonwealth of Pennsylvania, Testimony before the Senate Budget Committee, February 13, 2013. http://www.budget.senate.gov/democratic/public/_cache/files/920da599-e6a4-4a6c-93ca-e4dec6da40db/gary-alexander.pdf.

This situation is unacceptable. While the Left defends this failed and outdated system, real families and communities are hurting. Conservatives believe that throwing money at a problem without actually fixing

[127] Yuval Levin, *The Fractured Republic*, 2016. P. 126.
[128] Gary Alexander, Secretary of Public Welfare, Commonwealth of Pennsylvania, Testimony before the Senate Budget Committee Hearing on "The Impact of Federal Budget Decisions on Families and Communities", February 13, 2013. https://www.budget.senate.gov/imo/media/doc/Short%20Testimony%2002-13-13.pdf.

it is not an act of compassion. Compassion means helping individuals escape from poverty and climb the ladder of opportunity. That requires pursuing the reforms we know will work.

We Know What Works

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

Now states are replicating this success by enacting their own welfare reforms. According to research by the Foundation for Government Accountability, in the last two years alone, 34 states have enacted welfare reforms that will allow 4.5 million people to be freed from welfare dependency over the next four years, and save taxpayers $92 billion over the next decade.[129]

Individuals respond to incentives. That is why it is important to design a proper system of policies that reinforce positive behaviors while not rewarding negative choices. In the same 1964 speech in which he launched the War on Poverty, President Johnson said that "very often a lack of jobs and money is not the cause of poverty, but the symptom."[130]

Obtaining work and keeping a job takes effort, perseverance, commitment, sacrifice, prioritization, and personal responsibility. Government assistance programs should encourage these positive values. Earned success is not easy, but we believe that every person has the potential to achieve it. It is demeaning to low-income Americans to believe – as the modern Left does - that they do not have the ability to succeed and therefore require perpetual subsidization of their basic needs.

Conservatives reject the idea that government can solve every problem for every individual. Poverty is not something that can be regulated away by Washington bureaucrats or even by officials from a state agency. But we believe that government can and should create an environment where the right incentives are in place to promote positive results for our fellow citizens. That is why this budget puts forward these important reforms.

Big Government is Not the Solution

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

While most aspects of our modern society are becoming more decentralized and personalized, responding better to people's needs and desires, government has lagged far behind. Because it has remained highly

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[129] Foundation for Government Accountability, "10 Facts You Need to Know about FGA's Success in the States". https://thefga.org/our-impact/.
[130] President Lyndon Johnson, "Annual Message to the Congress on the State of the Union", January 8, 1964. http://www.presidency.ucsb.edu/ws/?pid=26787.

centralized and outmoded, Washington is often so out of touch with the realities facing the poor, and federal bureaucrats are frequently not in the best position to help those truly in need.

A better system would be to take advantage of the natural relationships of those institutions that make up civil society. The concept of subsidiarity – "that nothing should be done by a larger and more complex organization which can be done as well by a smaller and simpler organization" – should be a central guiding principle to our efforts to reform and modernize the welfare system.[131]

As described by Pope John Paul II in *Centesimus Annus*:

> "Malfunctions and defects in the Social Assistance State are the result of an inadequate understanding of the tasks proper to the State… By intervening directly and depriving society of its responsibility, the Social Assistance State leads to a loss of human energies and an inordinate increase of public agencies, which are dominated more by bureaucratic ways of thinking than by concern for serving their clients, and which are accompanied by an enormous increase in spending. In fact, it would appear that needs are best understood and satisfied by people who are closest to them and who act as neighbours to those in need. It should be added that certain kinds of demands often call for a response which is not simply material but which is capable of perceiving the deeper human need. One thinks of the condition of refugees, immigrants, the elderly, the sick, and all those in circumstances which call for assistance, such as drug abusers: all these people can be helped effectively only by those who offer them genuine fraternal support, in addition to the necessary care."[132]

The economic changes in modern America have been "intense and challenging. But the cultural transformations have run much deeper".[133] As a result, many Americans have become detached from the core social institutions that have made America the great country that it is: family, work, religion, and community.[134] To address poverty and the lack of mobility, "we must revitalize the institutions that will enable vulnerable Americans to rise."[135]

While civil society has faced significant challenges in recent times, and remains in need of renewal, it is still a more appropriate and able means to provide the support mechanisms that we all need to get through life than does the one-size-fits-all system of the federal government. After 40 years of a failed government-centered approach, "it is the institutions of community and civil society – standing between the individual and the state – that turn out to be the most needful in our time."[136]

Recognizing this, the RSC launched the America Without Faith Project in 2016.[137] This project aims to shine a spotlight on the work that the faith-based community is doing to assist the poor and break the cycles of poverty in their communities. The project includes both aggregate, top-level statistics, as well as on-the-ground anecdotes and examples from Congressional districts around the country of successful faith-based initiatives.

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[131] David A. Bosnich, Acton Institute, Religion & Liberty: Volume 6, Number 4, "The Principle of Subsidiarity", July 20, 2010. https://acton.org/pub/religion-liberty/volume-6-number-4/principle-subsidiarity.
[132] John Paul II, "Centesimus Annus - Encyclical Letter", May 1, 1991. http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html.
[133] Yuval Levin, *The Fractured Republic*, 2016, pg. 147.
[134] Ibid., pg. 73.
[135] Ibid., pg. 126.
[136] Ibid., pg. 181.
[137] Republican Study Committee, "What would America look like, if we were a nation without Faith?". https://rsc-walker.house.gov/policy-solutions/america-without-faith-project.

There are an estimated 350,000 congregations in the United States spanning hundreds of religions, each with their own unique belief systems, their own traditions, and their own priorities.[138] Studies have shown the vast majority of congregations serve in some capacity as a community safety net for those in need, providing services ranging from food and shelter, to counseling and daycare.[139] Coupled with America's congregations are the nation's faith-based organizations, which annually provide an estimated $20 billion of privately donated funds for social services, benefiting over 70 million Americans each year.[140] Though exact calculations vary, it is clear that places of worship and faith-based organizations step up to provide vital resources to those in need in ways our government does not and cannot.[141]

Engaging with civil society and organizations on ways people can, and do, help their fellow man is an integral part of the RSC's efforts to fight poverty.

The Importance of Families in Civil Society

At the center of civilization is the institution of the family. As described by Yuval Levin, "The family is the core character-forming institution of every human society. It is the primary source of the most basic order, structure, discipline, support, and loving guidance that every human being requires. It is simply essential to human flourishing, and its weakening puts at risk the very possibility of a society worthy the name."[142]

One of the most important predictors of whether a family lives in poverty is whether the mother and father remain married. In 2016, 35.6 percent of families headed by a single mother with no husband present and 17.3 percent of families headed by single fathers without a wife present lived in poverty. In contrast, only 6.6 percent of married-couple families lived in poverty.[143] Single mothers are also much more likely to be trapped in dependence on welfare programs. "In 2012, 78.9% of families headed by a single female received at least one need-tested benefit."[144]

Unfortunately, more and more children are facing a higher likelihood that they will grow up in poverty as more and more parents reject marriage. Accordingly, "reducing nonmarital childbearing is one of the explicit goals that were stipulated in the 1996 welfare reform law."[145]

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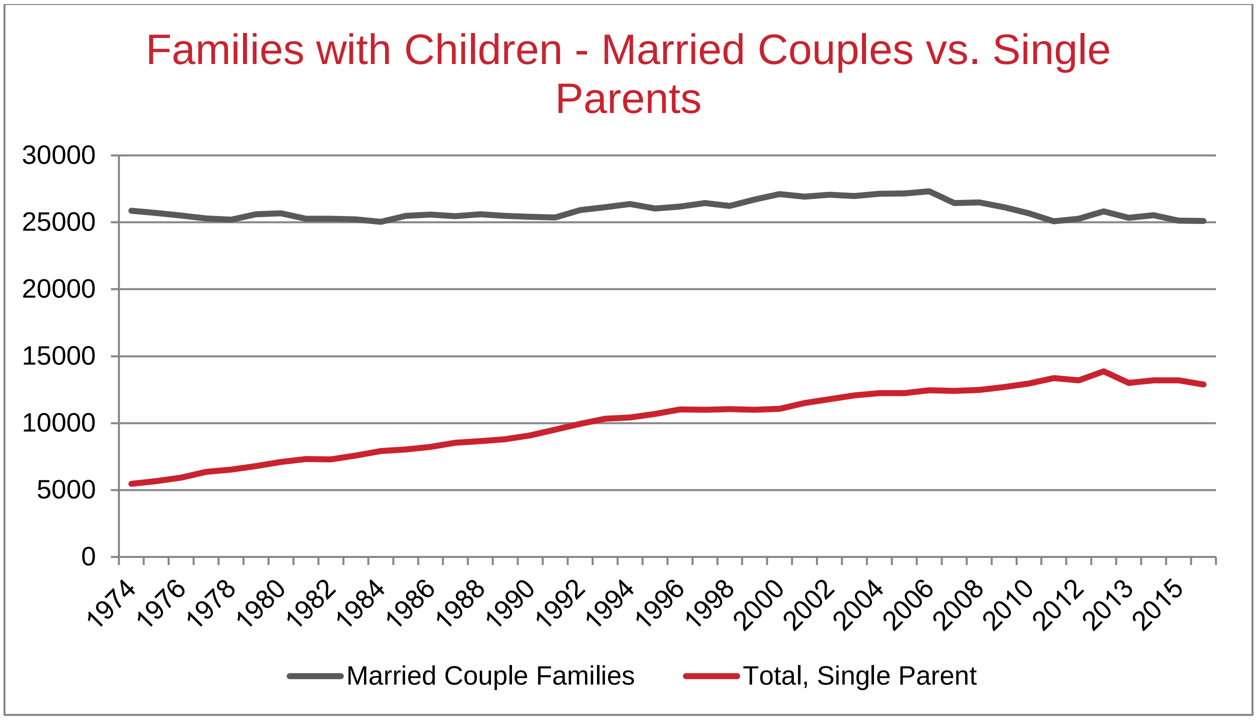
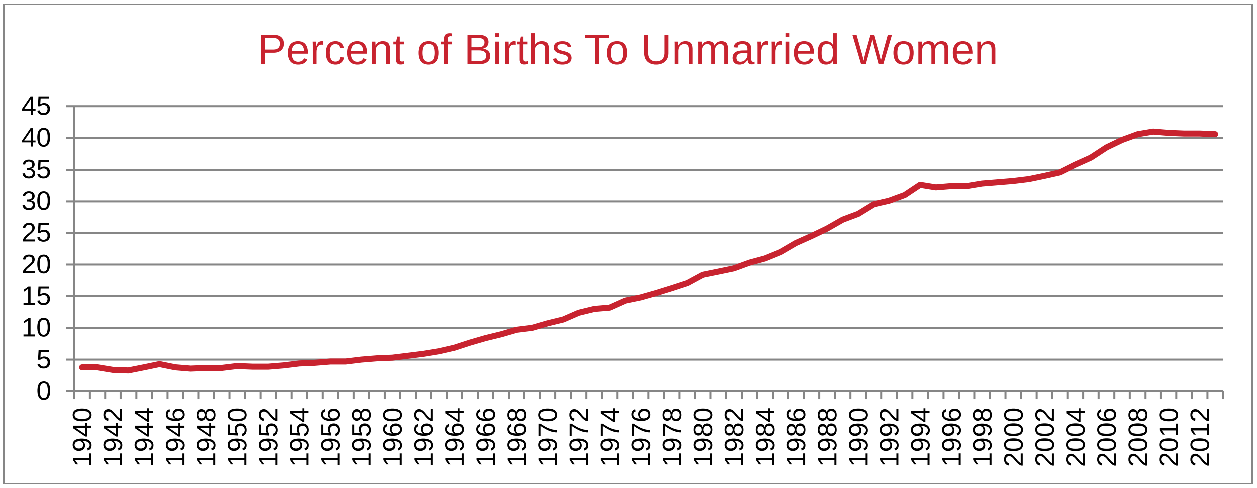
[138] Association of Statisticians of American Religious Bodies, "U.S. Religion Census 2010: Summary Findings", May 1, 2012. http://www.rcms2010.org/press_release/ACP%2020120501.pdf.
[139] Insights into Religion, "Congregations And Social Service". http://www.religioninsights.org/congregations-and-social-service.
[140] Byron R. Johnson with Ralph Brett Tompkins and Derek Webb, Baylor Institute for Studies of Religion, Baylor University, "Objective Hope: Assessing the Effectiveness of Faith-Based Organizations: A Review of the Literature". http://www.baylorisr.org/wp-content/uploads/ISR_Objective_Hope.pdf.
[141] Carl S. Dudley, Faith Communities Today, "Reaching Out". http://faithcommunitiestoday.org/reaching-out.
[142] Yuval Levin, *The Fractured Republic*, 2016. P. 155.
[143] U.S. Census Bureau, "Historical Poverty Tables: People and Families - 1959 to 2016", "Table 4. Poverty Status of Families, by Type of Family, Presence of Related Children, Race, and Hispanic Origin". https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-people.html.
[144] Angela Rachidi, American Enterprise Institute, "New CRS report sheds light on need-tested government programs", January 21, 2016. https://www.aei.org/publication/new-crs-report-sheds-light-on-need-tested-government-programs/.
[145] Carmen Solomon-Fears, Congressional Research Service, "Teen Pregnancy Prevention: Statistics and Programs," October 26, 2016." http://www.crs.gov/reports/pdf/RS20301#page=5.



U.S. Census Bureau, "Historical Poverty Tables: People and Families - 1959 to 2016, Table 4. Poverty Status of Families, by Type of Family, Presence of Related Children, Race, and Hispanic Origin", September 8, 2017. https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-people.html

In 2016, 39.8 percent of all babies born in the United States were born out of marriage, 1.57 million in total.[146] In stark contrast, when the War on Poverty began in 1965, only 7.7 percent of children were born outside of marriage.[147]



Carmen Solomon-Fears, Congressional Research Service, "Nonmarital Births: An Overview", July 30, 2014. http://www.crs.gov/Reports/R43667.

[146] Joyce A. Martin, M.P.H.; Brady E. Hamilton, Ph.D.; Michelle J.K. Osterman, M.H.S.; Anne K. Driscoll, Ph.D.; and Patrick Drake, M.S., Division of Vital Statistics, Center for Disease Control, "Births: Final Data for 2016," January 31, 2018. https://www.cdc.gov/nchs/data/nvsr/nvsr67/nvsr67_01.pdf.
[147] Carmen Solomon-Fears, Congressional Research Service, "Nonmarital Births: An Overview", July 30, 2014. http://www.crs.gov/Reports/R43667.

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

Eliminate the Marriage Penalties

Unfortunately, the current system of means-tested welfare programs punishes those who marry. Some of the largest welfare programs, like Medicaid, TANF, and SNAP all contain a marriage penalty.[148] If a low-income person receiving government assistance marries an employed person, their welfare benefits would often be reduced or eliminated, sometimes by an amount larger than income of the employed spouse. It has even been said that "for most couples on welfare, getting married is among the more expensive decisions they will face as newlyweds, saying 'I do' will reduce welfare benefits, on average, by 10 percent to 20 percent of their total income."[149]

These policies encourage broken families and exacerbate poverty.[150] The RSC recommends that committees of jurisdiction take steps to eliminate these penalties against the single best antipoverty measure: marriage and a stable family structure.

Work Requirements for Earned Success

The virtues of personal responsibility and initiative are central to the American identity. Arthur Brooks, the President of the American Enterprise Institute, has written that "work gives people something welfare never can." [151] Work is not a punishment, as those on the Left often mistakenly believe. Rather, work instills a sense of purpose, self-worth, self-sufficiency, and dignity that cannot be duplicated. The happiness that work provides is not due to money earned, but instead from the "value created in our lives and the lives of others – value that is acknowledged and rewarded."[152]

The positive impact of work has also been described as, "another crucial means of shaping us for liberty. Like the family, it has an obvious material utility, enabling us to support ourselves and our families financially. But work also buttresses dignity, inculcates responsibility, encourages energy and industry and rewards reliability. It can help form us into better human beings and better free citizens."[153]

What do we mean by work? Thomas Jefferson perhaps described our understanding of the meaning of "work" when he wrote in the Declaration of Independence that all men are endowed by their Creator with the right to the Pursuit of Happiness, and that governments are instituted among men to secure this and other natural rights. In our consumerist culture, we can often only comprehend the idea of work as simply effort expended for a wage that allows for the purchase of material objects. While other contemporary

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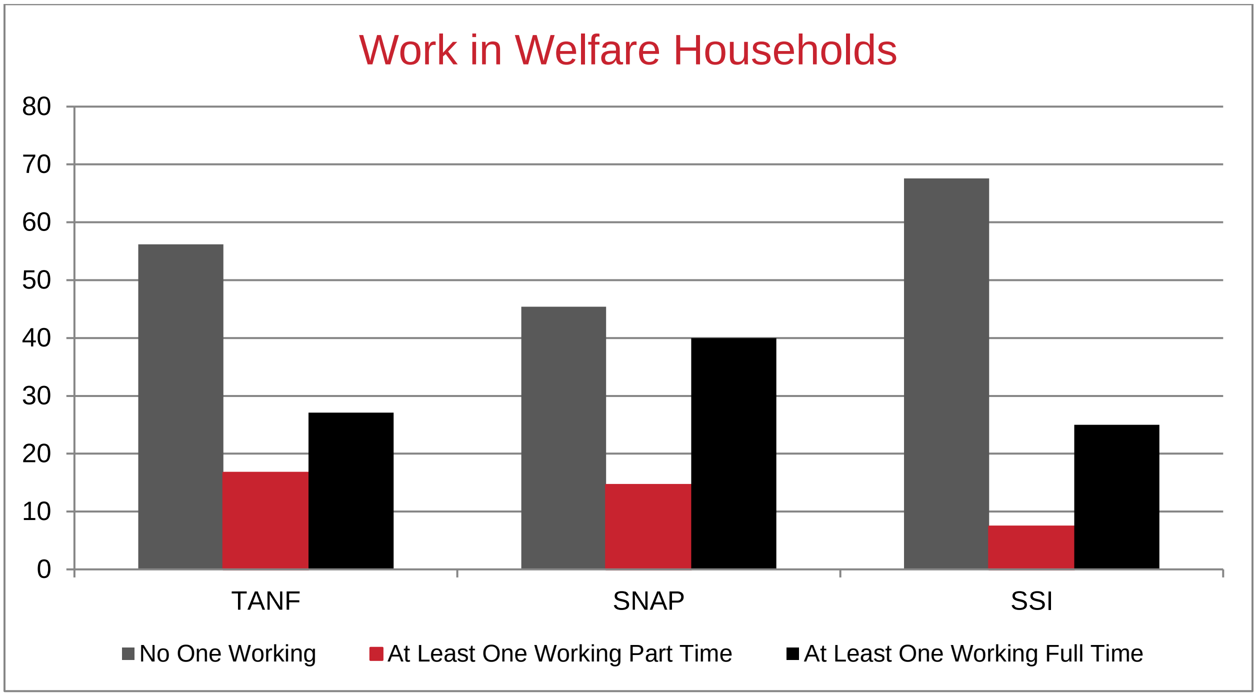
[148] W. Bradford Wilcox, Joseph Price, and Angela Rachidi, American Enterprise Institute, "Marriage Penalized: Does Social-Welfare Policy Affect Family Formation?" https://ifstudies.org/ifs-admin/resources/marriage-penalty-hep-2016.pdf#page=3
[149] Sam Brownback and David Blankenhorn, Wall Street Journal, "End the Welfare Marriage Penalty", May 13, 2008. http://www.wsj.com/articles/SB121063787788786833.
[150] Angela Rachidi, American Enterprise Institute, "New CRS report sheds light on need-tested government programs", January 21, 2016. https://www.aei.org/publication/new-crs-report-sheds-light-on-need-tested-government-programs/.
[151] Arthur Brooks, *The Conservative Heart*, page 96, 2015.
[152] Ibid., pg. 32.
[153] Yuval Levin, *The Fractured Republic*, 2016. P. 204.

descriptions of man's natural rights often included the right to property along with the rights of life and liberty, as was often the case, Jefferson had a more complete and true understanding of the concept. Work can mean different things to different people. Work can be a traditional job, but work could also be volunteering at a church or community organization or obtaining an education. The one thing all types of work have in common is that they require an individual to put forth effort and energy to achieve a desired result. When that effort is expended, the worker reaps the rewards of earned success. Work is happiness pursued.

Today's massive welfare state has all the wrong incentives. It discourages work and the positive effects of earned success.



U.S. Department of Health and Human Services, "Welfare Indicators and Risk Factors, Sixteenth Report to Congress", Figure 3, September 1, 2017. https://aspe.hhs.gov/system/files/pdf/257521/WelfareIndicators.pdf.

We know that welfare reform has been successful. In 2013, Kansas, under the leadership of Governor Sam Brownback, instituted work requirements and time limits for able-bodied adults without dependents on food stamps and created a tracking system to monitor the results. These reforms reduced the number of able-bodied adults on food stamps by 75 percent, most of who are now employed and earning more than the benefits they once received.[154] Similarly, Maine, under Governor Paul LePage, required able-bodied adults receiving food stamps to take a job, participate in job training, or perform six hours of community service per week. Within three months, the "caseload of able-bodied adults without dependents plummeted by 80 percent."[155] After work requirements were put in place, "[e]nrollees [went] back to

[154] Jonathan Ingram, Foundation for Government Accountability, "Report: The Power of Work – How Kansas' Welfare Reform is Lifting Americans Out of Poverty", February 16, 2016. http://thefga.org/research/report-the-power-of-work-how-kansas-welfare-reform-is-lifting-americans-out-of-poverty/.
[155] Robert Rector, Rachel Sheffield, and Kevin D. Dayaratna, The Heritage Foundation, "Maine Food Stamp Work Requirement Cuts Non-Parent Caseload by 80 Percent," February 8, 2016. http://thfreports.s3.amazonaws.com/2016/BG3091.pdf#page=2.

work and their incomes more than double[d]; their increased incomes more than offset lost benefits; their time on welfare [was] cut in half".[156]

> **"After work requirements, enrollees go back to work and their incomes more than double; their increased incomes more than offset lost benefits; their time on welfare is cut in half."**

A recent survey shows that 79 percent of voters support work requirements for welfare recipients.[157]

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

This proposal is based on a simple premise—government should offer a hand up, not a just a hand out. The most effective welfare benefit is one that leads to a job. We should change the incentives of our safety-net programs, so that instead of dependency, we foster a path towards success and self-sufficiency. Everyone deserves the dignity and freedom that comes from the self-reliance provided by employment.

Prioritizing American Citizens

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

The welfare reforms of 1996 harnessed this notion by limiting welfare benefits to citizens and certain categories of legal immigrants after having been in the United States for five years. The RSC Budget would build off of these reforms to ensure that welfare funds are available for U.S. citizens and legal immigrants only after they have become United States citizens. This proposal would add certain exceptions for refugees and honorably discharged veterans.

Reform the Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is one of the largest anti-poverty programs and one of the most effective at encouraging low income individuals to move into the workforce. The program provides a refundable tax credit to low wage individuals that is tied to their earned income, meaning it increases their incentives to keep a job. Despite the relative success of the credit in fighting poverty, it could be far more effective and efficient with reform.

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[156] Foundation for Government Accountability, "Food Stamp Work Requirements". https://thefga.org/wp-content/uploads/2016/12/Food-Stamp-Work-Requirements-One-Pager.pdf.
[157] Foundation for Government Accountability, "Voters Want Work Requirements For Welfare", September 2016. https://thefga.org/wp-content/uploads/2016/12/Voters-Want-Work-Requirements-for-Welfare.pdf.

The EITC is complicated and wrought with a very high rate of over payments. Fraud in EITC claims could potentially be reduced by requiring the IRS to better verify income, requiring those claiming self-employment income to provide better documentation, allowing the IRS to cross-check TANF, SNAP, and public housing rolls to verify family size and income, and increase penalties for erroneous claims. The EITC should be entirely cut off from individuals without a work-eligible Social Security number, and also prohibited for illegal immigrants issued a Social Security number under President Obama's executive amnesty as proposed by Representative Patrick McHenry's No Free Rides Act and Representative Glenn Grothman's Preventing Illegal Immigrants From Abusing Tax Welfare Act.

The tax credit should also be simplified. Allowing the credit to be paid concurrently with a paycheck (rather than once per year under current law), in addition to reducing the difficulty of filing a claim, could help simplify the program and reduce low-income individuals' reliance on paid tax preparers, who often file fraudulent overclaims. Paying the credit over a monthly schedule will also improve monthly budgeting for Americans.

In many instances, individuals are able to stack various welfare benefits on top of one another to reach amounts that are far above what is necessary to lift them out of poverty. For instance, a parent with two dependents earning $13,853 can stack over $33,000 in benefits on top one another.[158] To minimize this effect, this budget would eliminate EITC and additional child tax credit eligibility for housing assistance beneficiaries.

The current EITC structure can impose a significant marriage penalty for low income individuals.[159] A recent study by the American Enterprise Institute concluded that these penalties "send the wrong message and might contribute to a culture that minimizes the importance of marriage."[160] The RSC recommends taking steps to reduce or eliminate these penalties.

Food Stamp Reform

The Supplemental Nutrition Assistance Program (SNAP, formerly called Food Stamps) rolls have exploded in recent years, growing 50 percent since 2008 to more than 42 million participants in 2017, while spending on the program has increased by 81 percent, to over $68 billion per year in 2017. Since 2001, enrollment in SNAP has grown by 143 percent and spending has increased by 283 percent.[161]

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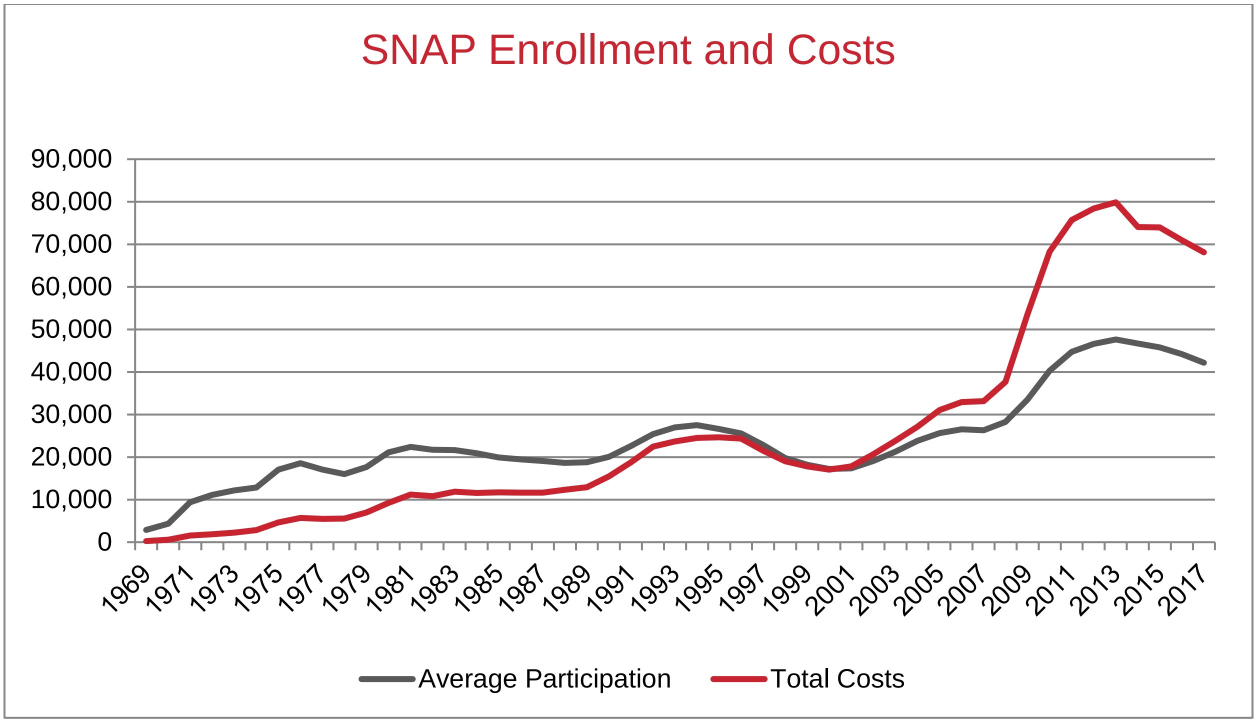
[158] Robert Rector, Heritage Foundation, "Reforming the Earned Income Tax Credit and Additional Child Tax Credit to End Waste, Fraud, and Abuse and Strengthen Marriage," November 16, 2016. http://thf-reports.s3.amazonaws.com/2016/BG3162.pdf.

[159] Kyle Pomerleau, Tax Foundation, "Understanding the Marriage Penalty and Marriage Bonus", April 23, 2015. http://taxfoundation.org/article/understanding-marriage-penalty-and-marriage-bonus.

[160] Angela Rachidi, American Enterprise Institute, "The EITC should not penalize marriage", November 16, 2015. http://www.aei.org/publication/the-eitc-should-not-penalize-marriage/.

[161] U.S. Department of Agriculture, Food and Nutrition Service, "Supplemental Nutrition Assistance Program Participation and Costs", Data as of April 06, 2018 https://fns-prod.azureedge.net/sites/default/files/pd/SNAPsummary.pdf.



U.S. Department of Agriculture, "Supplemental Nutrition Assistance Program Participation and Costs", Data as of April 6, 2018. https://www.fns.usda.gov/sites/default/files/pd/SNAPsummary.pdf.

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

Under this proposal funds would be distributed to states based on a formula that accounts for those factors in each state that drive SNAP participation such as poverty and unemployment. The formula would also consider the length of time beneficiaries remain on the rolls of each state. The Better Way Plan encouraged tying federal funding for welfare recipients to the length of time they receive benefits as a way to "give states an incentive to more quickly help a recipient succeed. This would encourage states to help those in need quickly, instead of allowing people to languish without getting the help they need."[162] This notion should be applied here and throughout mean-tested benefit programs where possible.

In addition to capping federal SNAP payments through a block grant model, this budget would phase in a state share stipulation akin to that proposed by President Trump in his budget for fiscal year 2018.[163] Under current law, states do not contribute at all to the cost of SNAP benefits. States pay about half of administrative costs, but these costs comprise only about ten percent of overall SNAP spending. Calling on states to share benefit expenses would incentivize states to carefully consider the size of the block grant they accept and administer their programs in a way that efficiently serves their neediest populations. It also recognizes that the powers of the federal government are of a limited nature, and that the primary

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[162] Speaker Paul Ryan, "A Better Way: Poverty, Opportunity, and Upward Mobility," June 2016. https://abetterway.speaker.gov/_assets/pdf/ABetterWay-Poverty-PolicyPaper.pdf.

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

responsibility for the health, safety, morals, and general welfare of a state's residents are reserved to state and local government and to the people. Analogous to the President's proposal, the state share of total SNAP spending would begin to phase in at a rate of 10 percent in 2021 and eventually plateau at 25 percent in 2024.

Many benefit programs are already funded through the appropriations process and distributed by formula, including the Housing Opportunities for Persons with AIDS program, the Community-Based Child Abuse Prevention program, the Weatherization Assistance program, the HOME Investment Partnerships Program, the Stephanie Tubbs Jones Child Welfare Services Program, and the Native American Housing Block Grants program. Unlike mandatory spending programs that are on budgetary autopilot, the programs are open to congressional analysis, review, and oversight every year through the appropriations process. In 2015, the House Appropriations Committee held more than 100 oversight hearings with federal agencies. Since Congress considers appropriations bills each year, lawmakers are able to respond to the changing needs in funding for nutrition assistance and other types of programs.

The fact that over 42 million people currently receive food stamps points to former President Obama's failure to provide opportunity for the most vulnerable in our society. Because it is the goal of this budget to move those in need of federal welfare benefits off of the assistance rolls and back into the workforce and towards self-sufficiency, funds from the grant must be used by states to establish and maintain a robust work activation program for able-bodied adults, similar to the one established by the TANF reforms. These programs will be administered by the states, and could include training and work placement activities. States should be expected to strictly enforce these requirements, as proposed by the Welfare Reform and Upward Mobility Act, introduced by former RSC Chairman Jim Jordan. The Supplemental Nutrition Assistance Program (SNAP) Reform Act of 2017, sponsored by Representative Garrett Graves, also embodies the principle of mandating work requirements for adult SNAP beneficiaries without dependents.

> **"Maine actually tracked those that cycled off SNAP and found that "within a year, these able-bodied adults saw their incomes rise by an average of 114%."**

SNAP should strictly enforce time limits for how long an individual can receive benefits without meeting certain work requirements.[164] One of the important aspects of the TANF reforms in the 1990s was the 60-month lifetime limit on federally funded benefits for an individual under that program. The SNAP law also is supposed to limit benefits for able-bodied adults without children that refuse to work, search for work, or enroll in job training to three months in any three-year period. However, that requirement has been waived in recent years.[165] In 2014, Maine reinstated this common-sense policy and began enforcing the three-month limit for able-bodied adults without dependents (ABAWDs) that refused to be "working, participating in a work program for 20 hours per week, or doing community service for roughly six hours per week." In one year, the state's ABAWD caseload fell by 86 percent.[166] More importantly, those ABAWDs who moved off welfare dependency we able to move to self-sufficiency. Maine actually tracked those that cycled off SNAP and found that "within a year, these able-bodied adults saw their incomes rise by an average of 114%."[167] According to Rasmussen Reports, "Voters strongly support

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[164] See, 7 USC 2015(o)(2)
[165] See, 7 USC 2015(o)(4)
[166] Robert Rector, Rachel Sheffield and Kevin Dayaratna, Heritage Foundation, "Maine Food Stamp Work Requirement Cuts Non-Parent Caseload by 80 Percent", February 8, 2016. http://www.heritage.org/welfare/report/maine-food-stamp-work-requirement-cuts-non-parent-caseload-80-percent.
[167] Jonathan Ingram and Josh Archambault, Forbes, "New Report Proves Maine's Welfare Reforms Are Working", May 19, 2016. https://www.forbes.com/sites/theapothecary/2016/05/19/new-report-proves-maines-welfare-reforms-are-working/#c8f06e73f6ab.

limits on food stamp recipients".[168] Under this budget, the Secretary of Agriculture would no longer be permitted to waive work requirements, as proposed by Rep. Glenn Grothman's H.R. 1760.

Loopholes in the SNAP program should be closed. For instance, the 2014 Farm Bill allows states to qualify a person for federally funded SNAP benefits if they provide the individual $20 per year in Low-Income Home Energy Assistance Program (LIHEAP) payments. Known as the "heat-and-eat" loophole, this provision allows states to spend a little and get a lot in the form of the 100 percent federally funded SNAP program. It has been reported that using this loophole, "New York will pay $6 million of LIHEAP to receive $457 million of extra food stamp dollars from the federal coffers".[169] Eligibility for welfare programs should be based on the actual needs of a recipient, rather than categorically dumping recipients into the entire behemoth of federal welfare state.

Current law requires states to limit Food Stamp benefits to only those households with assets of $3,250 or less in order to focus the program on those who are truly needy. This asset test includes cash and liquid assets like stocks, but excludes things such as primary residences, a vehicle, and education and retirement savings. But, as has too often been the case, most states have used loopholes to waive the asset test. Nationwide, as many as 4 million individuals are on welfare despite having assets above the statutory limit, and more than half of these households have assets of $20,000 or and more than 20 percent of them have assets of greater than $100,000.[170] A 2017 survey found that 71 percent of voters support asset tests for Food Stamps.[171]

As of 2016, only 27 percent of single-parent families enrolled in SNAP receive child support payments. As of 2015, eight states have mandated child support cooperation as a condition of eligibility for Food Stamp benefits. If more states adopted this policy, it could help more children in single parent households be lifted out of poverty.[172] A 2017 survey showed that 61 percent of voters support child support cooperation as a condition of welfare eligibility.[173]

States would also be required by this budget to restrict the types of food that can be purchased to only healthy options, such as those eligible in the Women, Infants, and Children (WIC) program with the addition of lean meat and poultry. According to a study for the Department of Agriculture of SNAP purchases, "20 cents out of every dollar was spent on sweetened beverages, desserts, salty snacks, candy and sugar."[174] Soft drinks ranked as the top overall commodity based on expenditures, followed by bag snacks at number 4, packaged candy at 11, ice cream at 15, cookies at 17, and cakes at 22.[175] If the taxpayers are footing the bill for the basic needs of beneficiaries, those funds should be focused on core nutritional needs, not luxury items. It is believed that this could help take a step in turning the tide on the

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[168] Rasmussen Reports, "Voters Strongly Support Limits on Food Stamp Recipients", October 23, 2014. http://www.rasmussenreports.com/public_content/politics/general_politics/october_2014/voters_strongly_support_limits_on_food_stamp_recipients.

[169] Daren Bakst and Rachel Sheffield, Heritage Foundation, "The "Heat and Eat" Food Stamp Loophole and the Outdated Cost Projections for Farm Programs", April 7, 2014. http://www.heritage.org/research/reports/2014/04/the-heat-and-eat-food-stamp-loophole-and-the-outdated-cost-projections-for-farm-programs.

[170] Foundation for Government Accountability, About Asset Tests. https://thefga.org/wp-content/uploads/2016/12/Asset-Testing-FAQ.pdf.

[171] Foundation for Government Accountability, "Voters Want Asset Testing for Food Stamp Recipients", January 2017. https://thefga.org/wp-content/uploads/2017/02/Voters-Want-Asset-Testing-for-Food-Stamp-Recipients.pdf.

[172] Foundation for Government Accountability, "About Child Support Cooperation". https://thefga.org/wp-content/uploads/2016/12/Child-Support-Cooperation-FAQs.pdf.

[173] Foundation for Government Accountability, "Voters Want Child Support Cooperation for Food Stamp Recipients", January 2017. https://thefga.org/wp-content/uploads/2017/02/Child-support-polling-one-pager.pdf.

[174] U.S. Department of Agriculture, "Foods Typically Purchased By Supplemental Nutrition Assistance Program (Snap) Households", November 2016. https://www.fns.usda.gov/sites/default/files/ops/SNAPFoodsTypicallyPurchased.pdf.

[175] Id.

obesity epidemic.[176] States would also be required to prohibit the purchase of marijuana-based products with snap benefits, as proposed by the No Welfare for Weed Act introduced by Rep. Paul Gosar.[177]

Because states administer the program but do not have the ability to reap the full savings from preventing fraud and improper payments, the SNAP program is fundamentally flawed. GAO found that in 2010, more than 473,000 households received benefits, despite the fact their incomes were over the federal eligibility limit.[178] According to the USDA, in fiscal year 2014, over $2 million in overpayments were issued.[179]

Reform should also include provisions to help crack down on the estimated $858 million in SNAP card trafficking fraud that takes place each year. According to the Department of Agriculture, "About 11.8 percent of all authorized SNAP stores engaged in trafficking" over the 2012 – 2014 period.[180] As a means of recouping administrative expenses associated with retailer applications, this budget would establish an application fee.

States should require nutrition assistance beneficiaries to present a photographic identification card when using an electronic benefit card to make a purchase. Additionally, states should limit the number of EBT cards issued to a single beneficiary each year, prohibit special pricing for food stamp users, prohibit use of food stamps outside the beneficiary's state of residence, allow voluntary return of unused amounts, cancel unused benefits left on inactive accounts after a period of time, and prohibit cash withdrawals of EBT benefits. To assist states in reducing fraud, this budget calls for expanding the National Accuracy Clearinghouse (NAC) to a nationwide scale as proposed in H.R. 4919, the SNAP Abuse and Fraud Prevention Act introduced by RSC Chairman Mark Walker. Originally a pilot program established in 2014, the NAC has been proven to reduce improper payments that occur due to beneficiaries receiving duplicative benefits in multiple States.

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

Congress should eliminate SNAP Outreach funding that simply advertises this welfare program. In 2014, 88.1 percent of eligible households received SNAP benefits, a much higher rate than other programs.[181] In 2015, the Department of Agriculture only distributed information packets to eight percent of callers to the toll-free outreach phone number.[182]

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[176] Angela Rachidi, American Enterprise Institute, "It's time to restrict sweetened beverages from SNAP", January 18, 2017. https://www.aei.org/publication/its-time-to-restrict-sweetened-beverages-from-snap/.
[177] Representative Paul Gosar, "Rep. Gosar Introduces Bipartisan Legislation, "No Welfare for Weed Act"", May 14, 2015. http://gosar.house.gov/press-release/rep-gosar-introduces-bipartisan-legislation-%E2%80%9Cno-welfare-weed-act%E2%80%9D.
[178] Government Accountability Office, "Supplemental Nutrition Assistance Program: Improved Oversight of State Eligibility Expansions Needed", July 30, 2012. http://www.gao.gov/products/GAO-12-670.
[179] United States Department of Agriculture, "Supplemental Nutrition Assistance Program Quality Control Annual Report Fiscal Year 2014," Table 7, April 2017. https://fns-prod.azureedge.net/sites/default/files/snap/SNAPQCAnnualReportFY2014.pdf.
[180] U.S. Department of Agriculture, Food and Nutrition Service, "The Extent of Trafficking in the Supplemental Nutrition Assistance Program: 2012-2014", September, 2017. https://fns-prod.azureedge.net/sites/default/files/ops/Trafficking2012-2014.pdf.
[181] U.S. Department of Health and Human Services, "Welfare Indicators and Risk Factors, Sixteenth Report to Congress", Figure 9, September 1, 2017. https://aspe.hhs.gov/system/files/pdf/257521/WelfareIndicators.pdf.
[182] Food and Nutrition Service, 2017 Explanatory Notes. http://www.obpa.usda.gov/32fns2017notes.pdf.

Housing

The federal government spends about $50 billion per year on housing assistance and development programs.[183] The two largest programs, Section 8 Housing Choice Vouchers and Project-Based Rental Assistance, provide subsidies for tenants to pay rent and for housing units to be subsidized. These programs are in much need of reform, as evidence suggests that beneficiaries "do not experience substantial improvement in education or earnings" while receiving assistance.[184] Under their current form, these programs encourage broken homes, broken communities, and low self-worth among recipients. Surely this is not to be the aim of assistance programs, but that has unfortunately been the result.

Given current federal investment in housing programs, the federal government should strive to serve people with a more efficient system by transforming the model for public housing assistance to one of real estate management assistance. Streamlining the bureaucracy, creating opportunity for upward mobility for participants, and unleashing market forces to make housing authorities more competitive and economical should be the first steps in better leveraging current public investment.

Many conservatives believe that the federal government should not play a central role in subsidizing housing, but if these programs are to exist, then they should focus on moving the poor away from dependence on federal subsidies. Recognizing the inherently local nature of housing assistance for individuals, this budget proposes instituting a state share requirement for these programs analogous to that proposed for the Supplemental Nutrition Assistance Program (SNAP).

According to the CBO, about half of housing assistance beneficiaries are able-bodied adults, but only half of that group "receive[s] the largest portion of their income from work."[185] Reform of federal public housing programs should include a minimum work activation requirement for able-bodied adults. Modest increases in income should not immediately result in a proportional decrease in subsidies, because that discourages work and self-improvement. These changes would transform these programs from a hand out to a hand up, giving encouragement and support for those who need it.

Congress should link housing assistance with the Temporary Assistance for Needy Families (TANF) program and other welfare initiatives to make it easier for beneficiaries to receive assistance and get back to work. This would also allow Congress to take a holistic view when reforming and improving welfare programs.

The current structure of public housing benefits discourages marriage. According to one study, "A single mother receiving benefits from Section 8 or public housing would receive a subsidy worth on average around $11,000 per year if she was not employed, but if she marries a man earning $20,000 per year, these benefits would be cut nearly in half."[186] This marriage penalty should be reduced or eliminated.

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

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[183] Congressional Budget Office, "Federal Housing Assistance for Low-Income Households", September 9, 2015. https://www.cbo.gov/publication/50782.
[184] House Budget Committee, "The War on Poverty: 50 Years Later," Mar. 2014. http://budget.house.gov/uploadedfiles/war_on_poverty.pdf.
[185] Congressional Budget Office, "Federal Housing Assistance for Low-Income Households", September 9, 2015. https://www.cbo.gov/publication/50782.
[186] Robert Rector, Heritage Foundation, "How Welfare Undermines Marriage and What to Do About It", November 17, 2014. http://www.heritage.org/research/reports/2014/11/how-welfare-undermines-marriage-and-what-to-do-about-it

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

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

According to the Department of Housing and Urban Development Inspector General, over 25,000 families are receiving public housing benefits despite not meeting the income guidelines. To reduce fraud, periodic reviews of beneficiaries' income should be conducted, as recommended by the Public Housing Accountability Act, introduced by Representative Bradley Byrne.[187]

State Flexibility for Supplemental Security Income (SSI)

Supplemental Security Income (SSI) is one of the largest federal welfare programs and is projected to cost $51.6 billion in FY 2018, with the cost growing to $81 billion in FY 2028.[188] SSI provides cash payments to aged, blind, or disabled persons. SSI has also been expanded beyond its original purpose to include payments to the parents of disabled children. Under the current program, states have incentives to push families to enroll on SSI.[189] Studies have shown that most children who received SSI payments end up on the program as adults.[190] Further, SSI benefits for a home with multiple single beneficiaries fail to account for economies of scale.[191] For instance, the combined living expenses of two people residing together are less than the combined living expenses of two people residing apart. SSI should account for those savings when determining benefits.

The RSC proposes giving more control of the program and its spending to states which would allow all 50 states to experiment and better serve their citizens, such as by empowering those individuals to enjoy the dignity of work and service if they are able to. Again, this budget proposes phasing in a state share that would start in 2021 at 10 percent and increase to 25 percent in 2024.

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[187] Representative Bradley Byrne, "Byrne Introduces Bill to Cut Down on Public Housing Abuse", December 1, 2015. https://byrne.house.gov/media-center/press-releases/byrne-introduces-bill-to-cut-down-on-public-housing-abuse.
[188] Congressional Budget Office, "Supplemental Security Income—CBO's June 2018 Baseline." https://www.cbo.gov/sites/default/files/recurringdata/51313-2018-04-ssi.pdf.
[189] Scott Winship, e21 at the Manhattan Institute, "A Response to Michael Hiltzik on Reforming SSI", May 30, 2014. http://www.economics21.org/commentary/response-michael-hiltzik-reforming-ssi.
[190] House Budget Committee, "The War on Poverty: 50 Years Later," Mar. 2014. http://budget.house.gov/uploadedfiles/war_on_poverty.pdf.
[191] Melissa Koenig and Kalman Rupp , Office of Policy, Social Security Administration, "SSI Recipients in Households and Families with Multiple Recipients: Prevalence and Poverty Outcomes," 2003/2004. https://www.ssa.gov/policy/docs/ssb/v65n2/v65n2p14.html.

Pilot Projects for Streamlining Programs

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

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

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

These proposals would allow states to address local needs without facing arbitrary edicts from the federal government that might make sense in some states, but not in others. They would also allow more funding to reach actual beneficiaries, rather than having so much of it absorbed by the federal bureaucracy.

Pay for Success

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

Encourage Savings

A key aspect of reforms to encourage work and independence is to allow people to keep and save more of their own money that they have earned. Universal tax-free savings accounts would allow individuals to save or invest a certain amount each year in tax-free accounts without restrictions on how these funds can be used and with simple requirements on how long savings must be maintained. While there are already a number of tax advantaged savings accounts, they are limited for specific government-favored purposes and have restrictive and complex rules and regulations. These universal accounts would allow families the flexibility to build up their nest eggs and save for a large purchase, such as a home, car, education, health expenses, or even a “rainy day” emergency fund.

Expand Access to Retirement Accounts

Allowing several small businesses to pool retirement plans would expand access to retirement savings to more workers. This proposal would lower management fees and administrative costs, and make it easier for a small business without a human resources department to offer this important benefit. This idea has bipartisan support. Last year's RSC Budget urged elimination of the Obama Department of Labor's proposed Fiduciary Rule in order to allow these smaller pooled accounts to access valuable investment advice and management, further enhancing the ability of small employers to help their employees prepare for retirement successfully. Since that time, a federal appeals court has vacated the rule and the Department of Labor has announced it will indefinitely halt enforcement of the rule.[192]

Measure Success and Failure

All too often, those with ulterior motives demand that the government continue to spend more and more on programs that simply do not achieve the results promised. Part of the funding for each welfare program could be set aside to conduct independent evaluations of the program, so policy makers and the public can see what works and what should be reformed and eliminated.

Eliminate "Performance Bonuses" that Jeopardize Program Integrity

Some welfare programs include "bonus payments" to states that may be well intentioned, but can unfortunately have the effect of harming the integrity of the programs. For instance, a bonus payment aimed at rewarding efficient administration of a program could have the unintended consequence of incentivizing state agencies to not actively investigate and reduce instances of improper payments. The SNAP program has reportedly payed performance bonuses for expanding enrollment.[193] Performances bonuses should be thoroughly reviewed and eliminated if they jeopardize the integrity of programs.

End Categorical Eligibility

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

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

Focus School Lunch Subsidies for Those Who Actually Need Them

The RSC proposes to consolidate funding for child nutrition programs into a single block grant. This would include funding for the National School Lunch Program, School Breakfast Program, Child and Adult Care Food Program, Summer Food Service Program, and Special Milk Program. The block grant would give states control over where best they believe these funds overall should be allocated. This model

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[192] Brian O'Shea, U.S. Chamber of Commerce, "Fiduciary Fallout: Court Strikes Down Labor Department's Fiduciary Rule," March 20, 2018. https://www.uschamber.com/series/above-the-fold/fiduciary-fallout-court-strikes-down-labor-department-s-fiduciary-rule.
[193] Lars Larson, "Oregon Gets $5 Million In 'Bonuses' For Expanding And Servicing The Welfare State", CNSnews, September 29, 2011. http://cnsnews.com/blog/lars-larson/oregon-gets-5-million-bonuses-expanding-and-servicing-welfare-state.

is designed to encourage states to administer the consolidated grant funds efficiently and reduce any redundancies and deviations from promoting child nutrition among truly needy families.

One instance of deviating from the goal of benefiting truly needy families occurs in both the National School Lunch Program and the School Breakfast Program. These programs are known for providing free and reduced meals at school to children from low-income families. Schools receive up to $3.33 for each free lunch served to children under 130 percent of the federal poverty level (FPL), $2.93 for each reduced-price lunch served to children between 130 percent and 185 percent of the FPL, $2.04 for free breakfasts, $1.74 for reduced price breakfasts, $.86 for free afterschool snacks, and $.43 for reduced price afterschool snacks.[194] Schools also receive commodities with a value of $.23 for each lunch served and can receive an additional $.06 for each lunch if they comply with certain nutritional guidelines.[195]

However, the School Lunch and Breakfast Programs also provide subsidies for "Full Price" meals served to those from families above 185 of the FPL. According to CBO, "in the 2016–2017 school year, federal subsidies are generally 59 cents for each lunch, 29 cents for each breakfast, and 7 cents for each snack".[196] Many conservatives may believe these subsidies, which average about $1 billion annually over the next decade, for those with the means to otherwise pay their own way are out of line with what the goals of the program should be.

Further, the "school lunch and breakfast programs are subject to widespread fraud and abuse."[197] According to the GAO, the estimated improper payment rates for the Lunch and Breakfast Programs in FY 2013 totaled 15.7 and 25.3 percent, respectively.[198] States in conjunction with the Department of Agriculture must take steps to address this problem.

Fighting Fraud

A disappointing consequence of the federal government spending so much on assistance programs is the predictable fraud that occurs. According to GAO, fraud is rampant in the Food Stamp program.[199] While not all improper payments are a result of fraud, improper payment rates are a useful indicator of fraud levels. The Earned Income Tax Credit (EITC) is plagued with a high improper payment rate at 23.87 percent in 2017 equaling over $16 billion.[200] The IRS "paid out at least $5.9 billion in improper payments" for the Child Tax Credit in 2013.[201] Medicaid's improper payment rate of over 10% is

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[194] U.S. Department of Agriculture, "School Programs Meal, Snack And Milk Payments To States And School Food Authorities", Effective from: July 1, 2016 - June 30, 2017. https://www.fns.usda.gov/sites/default/files/cn/SY2015-16table.pdf.
[195] Congressional Budget Office, "Eliminate Subsidies for Certain Meals in the National School Lunch, School Breakfast, and Child and Adult Care Food Programs", December 8, 2016. https://www.cbo.gov/budget-options/2016/52180.
[196] Congressional Budget Office, "Eliminate Subsidies for Certain Meals in the National School Lunch, School Breakfast, and Child and Adult Care Food Programs", December 8, 2016. https://www.cbo.gov/budget-options/2016/52180.
[197] Chris Edwards, Cato Institute, Downsizing the Federal Government, "Food Subsidies", May 26, 2016. https://www.downsizinggovernment.org/agriculture/food-subsidies.
[198] Government Accountability Office, "School-Meals Programs USDA Has Enhanced Controls, but Additional Verification Could Help Ensure Legitimate Program Access", Table 2, May 2014. http://www.gao.gov/assets/670/663258.pdf.
[199] Fox News, "Food stamp fraud rampant: GAO report", August 22, 2014. http://www.foxnews.com/politics/2014/08/22/food-stamp-fraud-rampant-gao-report.html.
[200] Department of the Treasury, September 2017. https://paymentaccuracy.gov/program/earned-income-tax-credit/.
[201] Kim Dixon, Politico, "IG: Billions lost to potential child tax credit fraud", December 10, 2014. http://www.politico.com/story/2014/12/child-tax-credit-fraud-113425.

staggering considering annual expenditures eclipse $565 billion in FY 2016."[202] And the SSI program has reportedly sent benefit checks to Mexico City.[203]

These errors, waste, and fraud do not just cost taxpayers money; it diverts resources away from helping those who need it most. With our entitlement programs facing dire financial futures and more Americans receiving welfare benefits than ever before, we can't afford to waste money simply because the federal bureaucracy writes checks to the wrong people, or for the wrong amount.

The agencies – at both the federal and state levels - that administer the dozens of welfare programs owe it to the American people to do better. They should stop the scam by following a simple process that has stronger verification on the front end, better monitoring during the receipt of benefits, and stronger enforcement that removes those who are ineligible from the rolls quickly. Upon an application for benefits, agencies can and should stringently verify and crosscheck the criteria for eligibility, such as income, residency, identity, employment, citizenship status, and if the person is already receiving benefits, to ensure that the applicant is actually eligible for the program. Once a beneficiary is enrolled, the agency should regularly conduct reviews of the beneficiary's eligible information, including by crosschecking other government datasets. Finally, if the agency determines that a beneficiary is no longer eligible, the beneficiary should be removed from the rolls, and the agency should refer those who knowingly break the law to authorities for prosecution.[204] At all times, agencies need to remember that their mission is to keep people out of the welfare dependency trap and to move people to a productive life of self-sufficiency and earned success; under no circumstance should success at a welfare agency be measured by how many can be kept on the rolls and government employees should be held accountable for doing their jobs with appropriate diligence.

> **"At all times, agencies need to remember that their mission is to keep people out of the welfare dependency trap and to move people to a productive life of self-sufficiency and earned success; under no circumstances should success at a welfare agency be measured by how many people can be kept on the rolls."**

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

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

The Tax Cuts & Jobs Act created a new $500 credit for dependents not eligible for the child tax credit. This budget would apply the same principles for which it has advocated with respect to the child tax

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[202] House Oversight and Government Reform Committee, "Uncovering Waste, Fraud, and Abuse in the Medicaid Program", April 25, 2012. https://oversight.house.gov/wp-content/uploads/2012/04/Uncovering-Waste-Fraud-and-Abuse-in-the-Medicaid-Program-Final-3.pdf.

[203] Hebert London, The American Spectator, "The Fraud in Our Entitlement System", February 2, 2012. http://spectator.org/articles/36133/fraud-our-entitlement-system.

[204] Jonathan Ingram, Foundation for Government Accountability, "Stop the Scam How to Prevent Welfare Fraud in Your State", April 2, 2015. https://thefga.org/download/StoptheScam-PreventWelfareFraud-Paper-final.pdf.

credit to the new $500 dependent credit. Accordingly, it would require work eligible Social Security numbers for parents and children in order to be eligible for the credit.

States should also be encouraged to withhold benefits from individuals who test positive for illegal drugs, as provided by Representative David Rouzer's Drug Testing for Welfare Recipients Act. In March 2017, Congress and President Trump took an important step in this direction by enacting a Congressional Review Act resolution disapproving an Obama Department of Labor regulation that had actually blocked states from even performing limited drug testing for certain welfare applicants.[205]

[205] House Committee on Ways and Means, "Brady Applauds New Law Strengthening Unemployment Insurance System", March 31, 2017. https://waysandmeans.house.gov/brady-applauds-new-law-strengthening-unemployment-insurance-system/.

REAL HEALTH CARE REFORM

Repealing Obamacare

The "Affordable Care Act" - better known as Obamacare - fundamentally changed the U.S. health care delivery system, inserting government bureaucrats between patients and their doctors and mandating that all Americans purchase a government-approved health insurance product or face stiff tax penalties enforced by the Internal Revenue Service (IRS). In addition, Obamacare got in the way of efforts to reform medical safety-net programs because it expanded an already overburdened and ineffective Medicaid system.

On May 4, 2017, the House successfully passed the American Health Care Act, a reconciliation measure to repeal and replace key parts of Obamacare. While the Senate has – so far - unfortunately been unable to pass the House bill or another repeal and replace measure, Congress still acted to dismantle a number of significant pieces of the flawed health care law.

Most importantly, the Tax Cuts and Jobs Act of 2017 repealed Obamacare's individual mandate, a key victory and step towards achieving conservative goals of repealing and replacing Obamacare. Repealing the individual mandate restores a fundamental freedom to all Americans: the ability to make one's own decisions regarding health care matters, free from the albatross of federal mandates and restrictions.

As part of the Bipartisan Budget Act of 2018, Congress repealed the Independent Payment Advisory Board (IPAB) established under Obamacare to task a board of 15 unelected bureaucrats with developing proposals to "reduce the per capita rate of growth in Medicare spending." Many conservatives harbored grave concerns about the amount of power given to the IPAB, and the constitutional implications of removing Medicare spending decisions from Congress. The Trump administration has also taken important steps, including stopping the unconstitutional funding of Cost Sharing Reductions (CSR), stopping the bailout payments to insurance companies for which Congress had never provided an appropriation, and using their lawful authority to roll back some of the regulatory burdens imposed by the Obama Administration.

Obamacare is a failed experiment and cannot be reformed; it must be fully repealed. The law has destroyed competition in the marketplace, leading to an increase in consolidation in the insurance industry and fewer choices for consumers. It has also narrowed provider networks, while increasing out-of-pocket costs to levels that are unaffordable for many families. It levied a host of new disruptive taxes, such as the medical device tax, on health care innovators and individuals.

Under Obamacare, average premiums for health insurance in the individual market increased by 105 percent nationwide between 2013 and 2017, and more than 200 percent in some states.[206] Major insurers have fled the Obamacare market, leaving many Americans with the Hobson's choice to "shop" for insurance in a market with only one option available, or in some cases to be deprived of even the take-it-or-leave-it opportunity, as not a single plan is available to them.[207] Is it any wonder that more than ten million fewer people enrolled in coverage than projected?

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

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

The RSC Budget fully repeals Obamacare and its distortionary and destructive tax increases. Doing so reduces Obamacare spending by more than one trillion dollars over ten years and follows through on the commitment by House conservatives to reverse the unconstitutional takeover of the nation's health care system. In addition to returning personal decisions about health care choices to patients and their doctors, the repeal of Obamacare would raise economic output by boosting the supply of labor and incentivizing capital investment. Obamacare decreases many people's incentive to work through tax credits and subsidies that decrease as incomes increase and create an implicit tax on additional earnings. In fact, Obamacare's subsidy cliff is so steep that if you earn just one dollar more than the threshold, you could end up paying thousands more for your health insurance.[210] Repealing Obamacare will not only benefit the future of health care delivery in America, but will reinvigorate our currently stagnant labor market.

Finishing the Job

Opposition to Obamacare goes hand-in-hand with a recognition that challenges have long existed in the health insurance market. Rising costs, limited access to coverage, and a serious need for medical malpractice reform were concerns that existed before and continue after Obamacare's enactment. The big government "solutions" enacted through Obamacare only made these issues worse. Although some Republicans have sought to bail out Obamacare through massive increases to federal spending, due to legitimate concerns about the harm Obamacare is having on their constituents, these efforts are misguided. The problem lays in the structure of Obamacare itself. Any reform must recognize this and not try to "save" Obamacare or simply try to replicate its unworkable framework. The RSC Budget would prohibit any Obamacare bailout.

Republicans must stay focused on completing the job of fully repealing Obamacare and replacing it with real health reform. The RSC's American Health Care Reform Act (AHCRA) can and should provide the model for a patient-centered system that increases access to health care, lowers costs, improves choice, promotes competition, and gets government bureaucrats out of the business of making health decisions.

Congress should also consider additional reforms to our tax code that allow families and individuals to deduct health care costs, much like employers can under current law. This change would ensure equality by providing all Americans with a standard deduction for health insurance and allowing them the freedom to find a health insurance plan tailored to the needs of the enrollee.

Conservatives must continue to push for full repeal of the intrusive, burdensome government dictates imposed by Obamacare that have increased premiums for most Americans, creating a hardship for many families. Instead of a bureaucratic system centered in Washington, the federal government should get out of the way and return the power to regulate insurance markets to the states, where it belongs.

In order to increase choice among insurance plans and increase access to more affordable options, consumers should be able to purchase health insurance across state lines, like they can with virtually any other products. This would replace Washington mandates with interstate competition, driving down costs by encouraging plans to compete with each other to provide access to high-quality care.

The McCarran-Ferguson Act should be reformed to restore the application of federal antitrust laws to the business of health insurance in order to provide for competition and protect consumers. The insurance

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

industry's longstanding exemption from the Sherman and Clay Acts – laws enacted to prevent unfair competition – was intended to help a then-burgeoning industry set sustainable premiums, and is no longer necessary in a mature market.

Medical liability reform would address runaway costs caused by frivolous lawsuits and defensive medicine. The proposal included in AHCRA protects states' policy choices while improving patient care and lowering the cost of medicine by encouraging doctors to practice evidence-based medicine.

Small businesses should be able to pool together to leverage lower cost health insurance on behalf of their employees. By allowing multiple small businesses to band together to form a larger insurance pool, Association Health Plans will make health insurance more affordable and more accessible.

Congress should also consider taking additional steps to increase access to affordable health care beyond those included in the AHCRA, for example, strengthening short-term limited duration plans, which may provide an important alternative to Obamacare's regulatory regime, and enacting policies like those advanced by Rep. Joe Barton to increase access to lower cost medicines. Some conservative health policy experts have additionally been working on an Obamacare replacement plan based on additional flexibility for states that could provide a path forward in the Senate.

Better Results for Medicaid and CHIP

As a quasi-voluntary state-federal partnership, Medicaid traditionally subsidized health care services for the most vulnerable Americans, including individuals with disabilities, low-income children, low-income seniors, and pregnant women. Medicaid is the largest federal means-tested welfare program and accounts for 40 percent of the over $800 billion in annual federal means-tested spending. Federal funding for Medicaid has grown substantially, from $14 billion in 1980, to $118 billion in 2000, to $375 billion in 2017, to a projected $655 billion in 2028.[211] Despite spending that continues to climb at an unsustainable rate, Medicaid continues to fail beneficiaries.

Research has shown patients covered by Medicaid are more likely than the uninsured to have poor health outcomes, such as an increased instance of death after a major surgery.[212] A landmark randomized controlled trial in Oregon compared similar populations of low income, able-bodied Medicaid enrollees with non-enrollees. The study found that "Medicaid increased health care utilization, reduced financial strain, and reduced depression, but produced no statistically significant effects on physical health or labor market outcomes."[213] These are not the type of results we should be getting for more than one-half trillion dollars in government spending each year.

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

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[211] Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," April 9, 2018. https://www.cbo.gov/publication/53651.
[212] Avik Roy, Testimony Before The United States Congress House Committee on Energy & Commerce Subcommittee on Health, February 1, 2017. http://docs.house.gov/meetings/IF/IF14/20170201/105498/HHRG-115-IF14-Wstate-RoyA-20170201.pdf
[213] The Oregon Health Insurance Experiment, "Overview". http://www.nber.org/oregon/index.html.

To make matters worse, Obamacare provides an inflated contribution for Medicaid expansion. Both the federal government and states finance Medicaid by contributing a certain percentage of payments for covered services. For traditional Medicaid populations, the federal payment can range from 50 to 83 percent, with states paying the balance. While this gives all states an incentive to prevent frivolous or unproductive Medicaid spending, Obamacare's Medicaid expansion was initially entirely financed by federal taxpayers. The federal share phased down to 95 percent beginning in 2017, and will decrease slightly to 90 percent by 2020, where it will remain indefinitely until Obamacare is repealed. As a result, states are perversely incentivized to increase Medicaid spending for able-bodied adults, for which they receive a 9-to-1 payout from the federal government, while devoting proportionally less resources to traditional, more vulnerable Medicaid populations like the poor and disabled.

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

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

The RSC proposes to combine Medicaid and SCHIP funding into a single, streamlined block grant at pre-Obamacare levels, with states also having the option to receive a per-capita-cap allotment for their Medicaid population, similar to the policy advanced by the House in the American Health Care Act of 2017. This commonsense proposal, modeled after the State Health Flexibility Act, would provide states with budgetary certainty as well as maximum flexibility to address the unique health care needs of their most vulnerable citizens. This proposal would also maintain a state share component, but would be smaller than with other means tested programs in this budget and would be phased in at the end of the ten-year window. This would be an improvement on the current design, where federal requirements may hamstring state attempts to tailor both programs to the specific needs of their residents, because to do so they must maneuver through a bureaucratic maze of rules and mandates. Under current law, states may petition the federal government for exemptions, but doing so can take years – and millions of dollars – to get a decision.

States have a proven track record of innovation, and when granted flexibility, can develop new solutions to improve patient care and meet their citizens' health care needs, while ensuring taxpayer funds are used wisely. Governors and state legislatures are closer to patients in their states and know better than Washington bureaucrats where there are unmet needs and opportunities to cut down on waste, fraud, and abuse. Moreover, when states are enabled to be flexible in administering the programs, successful policies will likely be mimicked by other states that may have struggled to achieve that same level of success. Of course, no state is exactly like another, but we know a one-size-fits-all approach only yields higher costs and decreased care for recipients.

In addition to answering governors' calls for more flexibility, a block grant would get rid of budgeting gimmicks such as provider taxes that unnecessarily increase federal spending without improving patient outcomes. Through provider taxes, states use revenue collected from providers to increase payment rates for those same providers, requiring the federal government to match a higher payment rate, which then inflates providers' bottom lines, as well as overall Medicaid spending. These taxes do not merely shift costs from the state to the federal government, instead they have been shown to inflate overall Medicaid spending in what can only be described as a racket.[215]

Importantly, this budget proposes work activation for able-bodied, working-age beneficiaries, similar to the successful Temporary Assistance for Needy Families (TANF) reforms established in the 1990s. This proposal would ensure that an able-bodied, working-age adult would only qualify for Medicaid if they are actively seeking employment or participating in an education, training, or other applicable community engagement program. Expanding work requirements to Medicaid will allow more people to escape poverty while also providing them with a hand up in their time of need. In January 2018, using existing authorities, the Trump administration issued guidance allowing them to institute work requirements for able-bodied, working-age beneficiaries.[216] Since, Arkansas, Indiana, and Kentucky have all been approved to institute such requirements, and seven other states have applications pending.[217] This is a step forward that should be followed by Congressional action.

Finally, this budget would prioritize fighting fraud within the Medicaid program. In 2017, $36.7 billion was spent on improper payments, up from $17.5 billion in 2014.[218] Improper payments went to deceased beneficiaries, as well as providers that were excluded from federal health programs due to fraud, theft, or tax evasion. Federal funds should be prohibited from providing coverage to individuals who have not provided evidence of their eligibility, including proof of their legal immigration status.

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

[215] Brian C. Blase, Mercatus Center, "Medicaid Provider Taxes: The Gimmick That Exposes Flaws with Medicaid's Financing", February 2016. http://mercatus.org/sites/default/files/Blase-Medicaid-Provider-Taxes-v2.pdf.
[216] Brian Neal, Director, Centers for Medicaid & CHIP Services, "Re: Opportunities to Promote Work and Community Engagement Among Medicaid beneficiaries," January 11, 2018. https://www.medicaid.gov/federal-policy-guidance/downloads/smd18002.pdf.
[217] Kaiser Family Foundation, "Medicaid Waiver Tracker: Which States Have Approved and Pending Section 1115 Medicaid Waivers?," April 9, 2018. https://www.kff.org/medicaid/issue-brief/which-states-have-approved-and-pending-section-1115-medicaid-waivers/.
[218] Government Accountability Office, "Medicaid: Additional Actions Needed to Help Improve Provider and Beneficiary Fraud Controls", May 2015. http://www.gao.gov/assets/680/670208.pdf.

SAVING MEDICARE

Reinforce Medicare's Commitment to Seniors

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

This budget recognizes that the U.S. is facing unprecedented demographic challenges. Medicare currently covers more than 58 million people - 49 million seniors and 9 million disabled Americans at a cost of $715 billion in Fiscal Year 2017.[219] With an average of 10,000 baby boomers reaching retirement age every day, the program is only expected to grow.[220] By 2024, 60 percent of baby boomers will be receiving Medicare benefits.[221] As such, the number of working-age individuals paying into Medicare lags behind the number of individuals reaching retirement age.

Further contributing to Medicare's impending bankruptcy is the fact that the average beneficiary will receive far more in benefits than they will pay in payroll taxes. Even according to research from the left-leaning Urban Institute, a single female with average earnings that turns age 65 in 2020 will receive $257,000 in lifetime Medicare benefits net of premiums while only contributing $77,000 in total Medicare taxes.[222] Because this problem is embedded into the design of the current Medicare system, it only gets worse as time goes on. As CBO states, "under the assumption that all scheduled benefits are paid, real average lifetime benefits (net of premiums paid) for each birth cohort as a percentage of lifetime earnings will generally be greater than those for the preceding cohort."[223]

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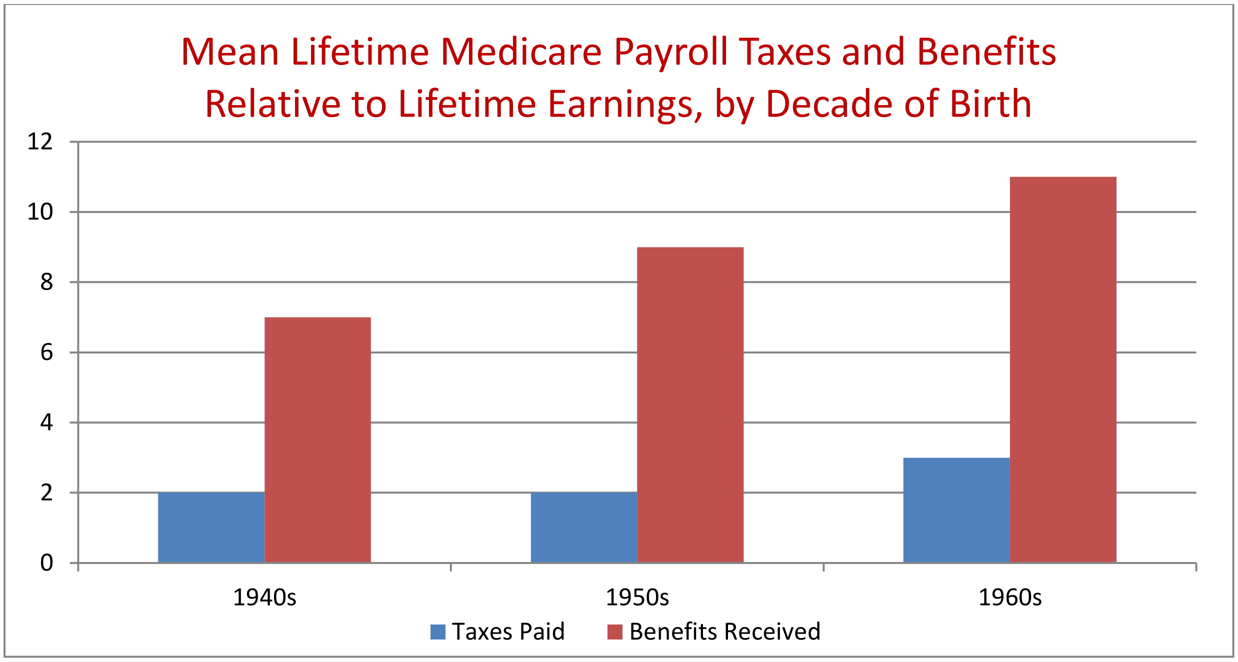
[219] Patricia Davis, Congressional Research Service, "Medicare Primer", March 16, 2017. http://www.crs.gov/reports/R40425.
[220] Russell Heimlich, Pew Research Center, "Baby Boomers Retire", December 29, 2010. http://www.pewresearch.org/fact-tank/2010/12/29/baby-boomers-retire/.
[221] Doug Elmendorf, Congressional Budget Office, "Comments About CBO's Projections for Federal Health Care Spending", March 10, 2014. https://www.cbo.gov/publication/45175.
[222] C. Eugene Steuerle and Caleb Quakenbush, Urban Institute, "Social Security and Medicare Lifetime Benefits and Taxes 2015 Update", September 2015. http://www.urban.org/research/publication/social-security-and-medicare-lifetime-benefits-and-taxes.
[223] Congressional Budget Office, "The 2015 Long-Term Budget Outlook", June 16, 205. https://www.cbo.gov/publication/50250.



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

According to the Medicare Trustees, expenditures from the Hospital Insurance (HI) Trust Fund exceeded receipts each year between 2008 and 2015.[224] According to the Congressional Research Service, "In 2016, the HI Trust Fund ran a small surplus. It is expected to continue to do so through 2022. After that time, expenditures are expected to again exceed income, with trust fund assets making up the difference, until the asset balance is depleted in 2029."[225] The Congressional Budget Office's (CBO) projection is even more dire, projecting that the HI Trust Fund will be exhausted in 2026.[226] Once the Trust Fund balance is exhausted, current law requires that benefits be reduced for all beneficiaries to eliminate the amount spending would otherwise exceed receipts. Absent reforms, spending from the Trust Fund will exceed receipts by $71 billion in 2026, $81 billion in 2027, and $120 billion in 2028.[227]

That means that for many current and future beneficiaries, the Medicare system as we know it today does not exist. Reforming Medicare is a necessity.

Making this task all the more important is the fact that Medicare is one of the primary drivers of the increases in federal spending and increases in debt. As Paul Winfree, President Trump's former Director of Budget Policy and Deputy Director of the Domestic Policy Council, stated in a 2016 research paper, "The federal budget is unsustainable. This unsustainability is driven by 2 percent of all spending accounts—primarily public health care programs administered by the Department of Health and Human Services", including Medicare.[228] In 2015, for the first time, spending on federal health programs

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[224]The Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, "The 2017 Annual Report of The Boards of Trustees of The Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds", July 13, 2017. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2017.pdf.
[225] Patricia Davis, Congressional Research Service, "Medicare: Insolvency Projections," August 16, 2017. https://fas.org/sgp/crs/misc/RS20946.pdf.
[226] Medicare - Congressional Budget Office's April 2018 Baseline, April, 2018. https://www.cbo.gov/sites/default/files/recurringdata/51302-2018-04-medicare.pdf.
[227] Ibid.
[228] Paul Winfree, Heritage Foundation, "Causes of the Federal Government's Unsustainable Spending", July 7, 2016. http://www.heritage.org/budget-and-spending/report/causes-the-federal-governments-unsustainable-spending.

outpaced spending on Social Security, becoming the largest category of federal spending. After Social Security, Medicare is the second largest single program in the entire federal budget. Without reform, Medicare spending will continue to grow at an unsustainable rate, threatening beneficiaries' access to health care and putting the entire country at risk of a fiscal crisis.

Saving Medicare presents policymakers, health care professionals, and the nation with a daunting challenge. Unless we take steps to strengthen Medicare's financial footing and improve the program's quality of care, Medicare will not be in a position to help current or future beneficiaries and we will default on our promises to generations of Americans.

That is why this budget puts forward common sense proposals to reform Medicare to give seniors more options and better care, and to update the program to reflect advances in the economy and medical technology, all with the added benefit of reducing costs for both beneficiaries and the federal government.

Premium Support

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

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

Unlike traditional Medicare and its maze of bureaucracy, a reformed Medicare would incentivize health care plans and providers to deliver high-quality services at a better value. CBO estimates that this type of approach would lower beneficiary premiums by six percent as compared to Part B premiums.[229]

> **CBO estimates that this type of approach would lower beneficiary premiums by six percent as compared to Part B premiums.**

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

Experts on both sides of the political aisle agree that providing Medicare enrollees with greater choice, increasing competition among insurance plans to reduce costs for seniors, and improving quality of care

[229] Congressional Budget Office, "A Premium Support System for Medicare: Analysis of Illustrative Options", September 18, 2013. https://www.cbo.gov/publication/44581.

would substantially improve Medicare's long-term fiscal outlook, protecting the program for both current and future beneficiaries. This reform will help render Medicare solvent in the long term while helping to lower costs for seniors.

Simplify Traditional Medicare by Combining Parts A and B

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

The current structure of Medicare Part A and B reflects the way health insurance was structured when Medicare was created in 1965 and is outdated, often resulting in wasted dollars for enrolled seniors and taxpayers. These reforms will streamline Medicare to make it easier for seniors to navigate and help restore the program's finances.

Medigap Reform

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

Moreover, this arrangement has the unfortunate side effect of encouraging utilization of health services that may not improve health outcomes and increasing overall costs, leaving taxpayers on the hook for increased Medicare spending. The Medicare Payment Advisory Commission (MedPAC) found that Medicare spends 33 percent more on a person who enrolls in supplemental coverage.[230] According to a study by the Government Accountability Office (GAO), Medicare enrollees who are subject to lower cost-sharing requirements spend more on medical care than those without supplemental coverage.[231]

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

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

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[230] Steven Hayward, Heritage Foundation, "Double Coverage: How It Drives Up Medicare Costs for Patients and Taxpayers", June 4, 2013. http://www.heritage.org/health-care-reform/report/double-coverage-how-it-drives-medicare-costs-patients-and-taxpayers.
[231] Government Accountability Office, "Medicare Supplemental Coverage Medigap and Other Factors Are Associated with Higher Estimated Health Care Expenditures", September 2013. http://www.gao.gov/assets/660/657956.pdf.

Phase in an Increase for Premiums and Means Testing

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

This budget would slowly phase in an increase to the standard premium, so that over time beneficiaries would pay for more of the coverage they receive. This is in line with the original intent of the program: When Medicare was enacted in 1965, President Lyndon B. Johnson stated that seniors and the government would contribute "an equal amount" to the Part B premium.[232] The taxpayer-funded share of premiums, however, is now 75 percent. In 2018, Congress passed legislation that would require individuals making more than $500,000 per year and married couples filing jointly who make more than $875,000 per year to pay 85 percent of their Medicare Part B and D premiums, a five percent increase relative to previous requirements. In addition to slowly adjusting the bottom income threshold downward by approximately one-third, this budget would expand the 2018 reform to unsubsidize premiums of beneficiaries in this income bracket, similar to a proposal that passed the House in 2017. Parts B and D funding comes mostly from premiums paid by beneficiaries and general revenues, not the payroll tax like Part A. These commonsense reforms would help preserve the Medicare system for seniors over the long-term and move the program toward its original intent.

Adjust the Medicare Eligibility Age to Reflect Life Expectancy

Since Medicare's creation in 1965, advances in science and medical technology have increased average life expectancy. This is a great miracle, but it does put additional stresses on the solvency of the Medicare program. As a result, the amount of time a Medicare beneficiary is expected to be covered by the program has increased from 14.6 years in 1965 to over 19 years in 2015.[233]

As beneficiaries continue to live longer, the ratio of workers to retirees shrinks. In 1965 there were 4.5 workers per Medicare beneficiary. That number shrunk to 3.3 workers in 2011, 3.1 in 2015, and is expected to continue to decrease to 2.3 workers per beneficiary by 2030.[234] This trend threatens Medicare as a whole, since current workers' contributions to Medicare are not set aside for their own use, but instead these contributions are paying for current beneficiaries. As baby boomers enter Medicare, the increased beneficiary population will put significant financial strain on Medicare and will continue to threaten the solvency of the program.

To address the increased demands on Medicare, this budget proposes increasing the age of Medicare so that it is aligned with the normal retirement age for Social Security and will ensure Medicare remains available for future generations.

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

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

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

Standardizing Medicare Reimbursement Across Delivery Sites

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

Address Waste, Fraud, and Abuse

Since 1990, Medicare has been flagged as one of the government programs most vulnerable to waste, fraud, and abuse due to its size, complexity, and historical mismanagement. While there has been headway made with reducing Medicare improper payments, the scope of the problem is remains enormous. The Centers for Medicare and Medicaid Services estimate that Medicare suffered from over $36 billion in improper payments in FY 2017.[235] In 2016, the Department of Justice brought charges against individuals involved with a $1 billion Medicare fraud and money laundering scheme in what was described as "the largest single criminal health care fraud case ever brought against individuals by the Department of Justice".[236]

To preserve the longevity of programs that millions of Americans rely on, steps must be taken to root out fraud and increase the integrity of federal health programs.

Limit Medicare's Responsibility for "Bad Debt"

Medicare reimburses hospitals and certain other providers for 65 percent of the "bad debt" incurred when they are unable to collect required out-of-pocket payments from Medicare beneficiaries. Historically, this policy was intended to eliminate the incentive for providers to shift the costs of bad debt to private insurance plans, but according to the Congressional Budget Office, there is limited evidence of such cost shifting.[237] Additionally, private payers generally do not reimburse providers for bad debt. This budget would reduce the share of bad debt for which providers may be reimbursed to 25 percent in order to encourage providers to communicate better with Medicare beneficiaries about the costs of proposed treatments and any applicable alternatives, and work to recover bad debt by establishing payment plans and other such methods that make it easier for the beneficiary to fulfil his or her commitments.

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[235] Department of Health and Human Services, Centers for Medicare & Medicaid Services, "CMS's 2017 Medicare Fee-For-Service improper payment rate is below 10 percent for the first time since 2013," November 15, 2017. https://blog.cms.gov/2017/11/15/cmss-2017-medicare-fee-for-service-improper-payment-rate-is-below-10-percent/.

[236] U.S. Department of Justice, "Three Individuals Charged in $1 Billion Medicare Fraud and Money Laundering Scheme", July 22, 2016. https://www.justice.gov/opa/pr/three-individuals-charged-1-billion-medicare-fraud-and-money-laundering-scheme.

[237] Congressional Budget Office, Options For Reducing The Deficit: 2017 TO 2026, "Reduce Medicare's Coverage of Bad Debt," December 8, 2016. https://www.cbo.gov/budget-options/2016/52238.

Reform Graduate Medical Education Financing

In 1965, Congress included financing for graduate medical education (GME) in Medicare with intent that it be a temporary program until a more appropriate financing mechanism was found.[238] More than 50 years later, the federal government provides more than $10 billion in mandatory funding for GME through Medicare and Medicaid annually, with about 90 percent of this funding coming from Medicare.[239] In addition, the Health Resources and Services Administration (HRSA) operates the Teaching Health Center GME and Children's Hospital GME programs, which respectively provide mandatory and discretionary GME funding.

Federal financing of GME is in need of reform because a lack of transparency and accountability make it difficult to track whether the system reflects the true costs of providing graduate medical education. Stakeholders have raised concerns that certain Medicare GME payments may be more than twice as high as related costs.[240] This budget would make the mandatory graduate medical education programs discretionary and relocate responsibility for their operation to a common agency in order to improve oversight and accountability into the program.

[238] O'Shea, John, Reforming Graduate Medical Education in the U.S., December 29, 2014. http://www.heritage.org/health-care-reform/report/reforming-graduate-medical-education-the-us.
[239] Congressional Budget Office, Options for Reducing the Deficit: 2017 to 2026, December 8, 2016. https://www.cbo.gov/budget-options/2016/52240.
[240] MedPAC, Graduate Medical Education Payments, February 20, 2015. https://www.nhpf.org/uploads/Handouts/Miller-slides_02-20-15.pdf.

MAKE SOCIAL SECURITY SOLVENT AGAIN

Social Security was established more than 80 years ago in 1935, to help safeguard workers against the threat of poverty in their retirement. The program has grown to become the federal government's largest single program. Today, more than 50 million retirees and their families collect Social Security benefits.[241]

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

According to the Social Security Trustees, the Social Security Old-Age and Survivors Insurance (OASI) Trust Fund will be depleted in 2035. When the Trust Fund is depleted, Social Security beneficiaries would only receive about 77 percent of benefits.[242] CBO projects it will be depleted in 2031.[243] This result is unconscionable and it is incumbent upon the Congress to prevent this predictable crisis.

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

In 1945, there were 41.9 workers to cover each Social Security beneficiary. By 1960, there were only 5.1 workers per beneficiary. Today, there are only 2.8 workers paying taxes to cover a growing number of beneficiaries. By 2025, the Social Security Actuary projects that there will be only 2.4 workers per beneficiary.[244] This trend will continue to put increasing financial pressure on Social Security.

Most Social Security beneficiaries draw down more in benefits than they pay into the system in payroll taxes. According to the CBO, the average beneficiary in the middle quintile of lifetime earners born in the 1970's is scheduled to receive 49 percent more in inflation-adjusted Social Security benefits than he will pay in inflation-adjusted Social Security payroll taxes – even counting the taxes paid both by the worker and the employer.[245] A program that consistently pays out more in benefits than it takes in cannot be self-sustaining and must be reformed.

In signing the Social Security Act into law, President Franklin Delano Roosevelt said that the program "will act as a protection to future Administrations against the necessity of going deeply into debt to furnish relief to the needy."[246] Roosevelt's prediction has not prevented the government in incurring $21 trillion in debt since that time and spending trillions on welfare programs. It is clear that Social Security is

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[241] Social Security Administration, Office of the Chief Actuary, Fact Sheet on The Old-Age, Survivors, And Disability Insurance Program, January 31, 2017. https://www.ssa.gov/oact/FACTS/fs2016_12.pdf.
[242] William Morton and Wayne Liou, Congressional Resarch Service, "Social Security: What Would Happen If the Trust Funds Ran Out?," RL33514, September 12, 2017. https://fas.org/sgp/crs/misc/RL33514.pdf.
[243] Congressional Budget Office, "The 2017 Long-Term Budget Outlook", March 30, 2017. https://www.cbo.gov/publication/52480.
[244] Social Security Administration, 2017 OASDI Trustees Report, Table IV.B3.—Covered Workers and Beneficiaries, Calendar Years 1945-2095. https://www.ssa.gov/oact/TR/2017/tr2017.pdf.
[245] Congressional Budget Office, CBO's 2016 Long-Term Projections for Social Security: Additional Information, December 21, 2016. https://www.cbo.gov/publication/52298.
[246] Franklin D. Roosevelt: "Statement on Signing the Social Security Act.," August 14, 1935, The American Presidency Project. http://www.presidency.ucsb.edu/ws/?pid=14916.

need of reform, and this budget proposes specific changes that would update it to protect the program and those retirees who rely on it over the long term.

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

Representative Sam Johnson, an original Founder of the Republican Study Committee, serves as Chairman of the House Ways and Means Subcommittee on Social Security. After serving in the House of Representatives since 1991, and previously 29 years in the Air Force including enduring nearly seven years of torture as a prisoner of war, Representative Johnson recently announced that he would retire at the end of this term in Congress. Representative Johnson was awarded the first ever RSC Member of the Year Award for 2017 in recognition of his character, sacrifice, and service.[247]

Sam Johnson is an American Hero.

In his letter announcing his departure, Johnson stated "I've made it a mission of mine to make sure that Social Security is there not just for today's seniors, but for tomorrow's workers."[248]

On December 8, 2016, Representative Johnson introduced H.R. 6489, the Social Security Reform Act of 2016, legislation designed to complete his mission of ensuring solvency for Social Security. This legislation was the only bill introduced in the 114th Congress that would have made the Social Security Trust Fund permanently solvent without massive tax increases.[249]

In culmination of Representative Sam Johnson's service to the country he loves, the sacrifices that he has made, and the bravery he has shown in the face of unthinkable challenges, the RSC Budget calls for the enactment of Social Security Reform Act to save Social Security.

Social Security Reform Act for Solvency

The goal of the Social Security Reform Act is to ensure the long-term solvency of Social Security for this generation and future generations. It does so by modernizing the program, phasing out antiquated elements, and bringing together a number of common sense ideas to make the system work better for today's workers and retirees. Many of the specific policies included in this legislation have bipartisan support and have been included in proposals put forward by Members of Congress on both sides of the aisle and well-respected non-partisan organizations.[250]

Adjust the Retirement Age to Reflect Longevity

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

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[247] Representative Mark Walker, Republican Study Committee "Rep. Sam Johnson Awarded RSC Member of the Year Award," December 13, 2017. https://rsc-walker.house.gov/news/press-releases/rep-sam-johnson-awarded-rsc-member-year-award.
[248] Representative Sam Johnson, An announcement concerning my future plans, January 6, 2017. http://samjohnsonforcongress.com/an-announcement-concerning-my-future-plans/.
[249] Social Security Administration, Office of the Chief Actuary, Proposals Affecting Trust Fund Solvency. https://www.ssa.gov/oact/solvency/index.html.
[250] Representative Sam Johnson, "Hot Topic: Social Security Reform Act". http://samjohnson.house.gov/hot-topic-2/.

The Social Security Reform Act would continue this gradual increase of the normal retirement age at a rate of three months per year until it reaches 69 for those reaching age 62 in 2030. The proposal would maintain the early retirement age at 62 to protect those who may need to choose to begin drawing down benefits prior to reaching the full retirement age. The RSC Budget recognizes that, due to Congressional inaction, the Social Security Reform Act's retirement age increase would need to be extended, likely to age 70, to achieve long-range sustainable solvency.

This adjustment would realign the Social Security full retirement age to account for increases in life expectancy since the program's creation. As noted by the Social Security Administration, since the program first began paying monthly Social Security benefits in 1940, the average life expectancy for men reaching the normal eligibility age has increased from 77 to over age 84. For women, the average life expectancy has increased to nearly age 87 from 79. "And those are just averages. About one out of every four 65-year-olds today will live past age 90, and one out of 10 will live past age 95."[251]

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

To ensure that the purchasing power of benefits stays constant each year, the Social Security cost of living adjustment (COLA) increases the dollar amount of benefits by a formula tied to inflation. The formula uses an old index, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), which overstates the true effects of inflation according to economists and the CBO.[252] This outdated formula contributes to the current program's impending bankruptcy.

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

Further, the Social Security Reform Act would focus these COLAs on the beneficiaries who need them the most, not the retirees still earning significant incomes. Specifically, the proposal would not provide a COLA for retirees with incomes above $85,000 ($170,000 filing jointly), the same levels as Medicare income-adjusted premiums under current law and affecting only about six percent of beneficiaries.[253]

Modernize the Benefit Formula for New Retirees

The Social Security Reform Act would modernize the formula Social Security uses to calculate the level of monthly checks for new retirees so that workers who had lower levels of average lifetime earnings get higher benefits than under current law while slowing the rate of growth for those that had higher levels of average earnings.

The RSC Budget would institute the phase-in for beneficiaries becoming initially eligible in 2024 to account for the time that has elapsed since introduction of the proposal. Other provisions with later effective dates would be delayed in the same way. According to the Social Security Actuary, under this

[251] Social Security Administration, Calculators: Life Expectancy. https://www.ssa.gov/planners/lifeexpectancy.html.
[252] Rob McClelland, Congressional Budget Office, "Differences Between the Traditional CPI and the Chained CPI", April 19, 2013. https://www.cbo.gov/publication/44088.
[253] Juliette Cubanski and Tricia Neuman, Kaiser Family Foundation, Medicare's Income-Related Premiums: A Data Note, June 3, 2015. http://kff.org/medicare/issue-brief/medicares-income-related-premiums-a-data-note/.

change, "51 percent of worker beneficiaries would have a higher [Primary Insurance Amount (PIA)] than under current law, and 49 percent would have a lower PIA."[254]

Protecting the Most Vulnerable in Old Age

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

The proposal would provide a new minimum benefit for workers with more than 10 years of covered earnings for beneficiaries becoming newly eligible in 2024. To provide additional assistance to elderly retirees, beginning in January 2024, the proposal would provide an addition to monthly benefits for all beneficiaries who have been eligible for at least 20 years.

According to the Social Security Actuary, the Social Security Reform Act would provide a representative low-wage earner retiring in 2050 with 38 percent higher benefits than would otherwise be payable under current law.[255] These important reforms would provide real benefits to those most in need while ensuring the solvency of the program.

Supporting Work

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

The Social Security Retirement Earnings Test (RET) withholds benefit payments to those who have elected early retirement and earn above a certain limit. There is no earnings test once the normal retirement age is reached. The proposal would eliminate the RET for all beneficiaries beginning in 2020. This would allow workers to receive early retirement benefits without penalty while they continue working.

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

Under current law, beneficiaries with a combined income (defined as adjusted gross income plus nontaxable interest plus one-half of Social Security benefits) above $25,000 ($32,000 filing jointly) are required to pay federal income taxes on the Social Security benefits they receive. This taxation of benefits

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[254] Stephen C. Goss, ASA, MAAA, Chief Actuary, Social Security Administration, Office of the Chief Actuary, "Estimates of the Financial Effects on Social Security of H.R. 6489, the "Social Security Reform Act of 2016," introduced on December 8, 2016 by Representative Sam Johnson", December 8, 2016. https://www.ssa.gov/oact/solvency/SJohnson_20161208.pdf.

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

creates a cliff-effect that disincentives work, as well as creates a marriage penalty. The proposal would begin to phase out the benefit tax and end the marriage penalty beginning in 2045.

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

Other Reforms

Overpayment Debt Recovery

In FY 2016, the Social Security Administration (SSA) paid out nearly $2 billion in overpayments to social security and disability insurance beneficiaries. To ensure that as much of these funds are recovered for the sake of the long term solvency of the programs, this budget would make sure that overpayment debt is not dischargeable in bankruptcy. This proposal is based on the Social Security Debt Recovery Act of 2017, introduced by Representative Sam Johnson. Additionally, this budget would call on Congress to institute a time limit on repayment plans at a length that maximizes recovery and a minimum monthly payment of 15 percent of one's monthly benefit.

Consider the Interests of Younger Workers

Just six percent of Millennials believe they will "receive Social Security benefits at levels enjoyed by current retirees".[257] While it is important to keep in mind the interests of those in and near retirement, policy makers should also take into account the perspective of an 18 or 23-year-old just entering the workforce.

The current structure of Social Security is unfair to young workers in that there is no way for the program to pay out benefits at levels that have been promised. At a time when almost any aspect of life is customizable, requiring all young workers to participate in a one-size-fits-all government-run retirement program does not make sense. According to a 2017 survey, "fifty-four percent of Millennial [sic] support changes to Social Security that allow younger people to choose not to receive Social Security in exchange for a lower payroll tax," and "52 percent of all adults have greater trust in themselves than in government to meet their needs in retirement".[258] Americans now have access to a wide variety of savings and investment options – many of which are accessible simply at the touch of a button - and this budget includes proposals to expand the possibilities. Further, most retirees would in fact be better off if they invested their own money in effectively risk-free Treasury bonds than they are under the current system. Those with higher risk tolerances could earn significantly more than their cumulative Social Security benefits, even if those benefits could in fact be paid in full.

While this budget does not make any specific changes in this regard, it is worth considering proposals that would provide younger workers additional options and the freedom to choose how to save their own money for retirement.

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[257] Pew Research Center, "Millennials in Adulthood", March 7, 2014. http://www.pewsocialtrends.org/2014/03/07/millennials-in-adulthood/.
[258] Clay Sutton, Generation Opportunity, "Survey Shows Americans Open to Transforming Social Security", April 4, 2017. http://blog.generationopportunity.org/articles/2017/04/04/survey-shows-americans-open-transforming-social-security/.

Provide Congressional Oversight of Totalization Agreements

A totalization agreement is a bilateral agreement between the United States and another country to coordinate their Social Security and similar programs.[259] These agreements eliminate the need to pay Social Security taxes in both countries when a U.S. firm sends its workers to the other country, and protect workers' eligibility for benefits when they divide their careers between two countries. However, these benefits come at the expense of the Social Security programs of the U.S. and its partner countries. The U.S. currently has totalization agreements in force with 26 countries and several others that have been signed, but have not yet entered into force. In December 2016, more than $53 million in benefits were paid by the U.S. Social Security programs to more than 225,000 individuals covered by totalization agreements.

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

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

We Cannot Tax Our Way Out of the Problem

The Left's "solution" for our looming Social Security crisis is the same as it is for every other fiscal problem: raise taxes. The hard reality is that we cannot tax our way out of the impending bankruptcy of Social Security. Payroll taxes have increased 20 times since the program's inception, significantly increasing the payroll tax rate from its original two percent to the current 12.4 percent.[260] These tax increases have not kept Social Security solvent in the face of overwhelming demographic and economic forces.

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

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

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[259] Social Security Administration, U.S. International Social Security Agreements. https://www.ssa.gov/international/agreements_overview.html.
[260] Social Security Administration, Social Security and Medicare Tax Rates. https://www.ssa.gov/oact/progdata/taxRates.html.

The Need to Act Now

Unless we take action, the Social Security Trust Fund will be depleted by 2035. If that occurs, all current beneficiaries, whether they are wealthy or poor, face a 25 percent benefit cut.[261] The depletion date is only 17 years away, meaning most seniors that turn 65 today face a benefit cut unless reforms are made. The fact remains that promised Social Security benefits cannot actually be paid under current law, since the program will not have enough cash to make good on its obligations.

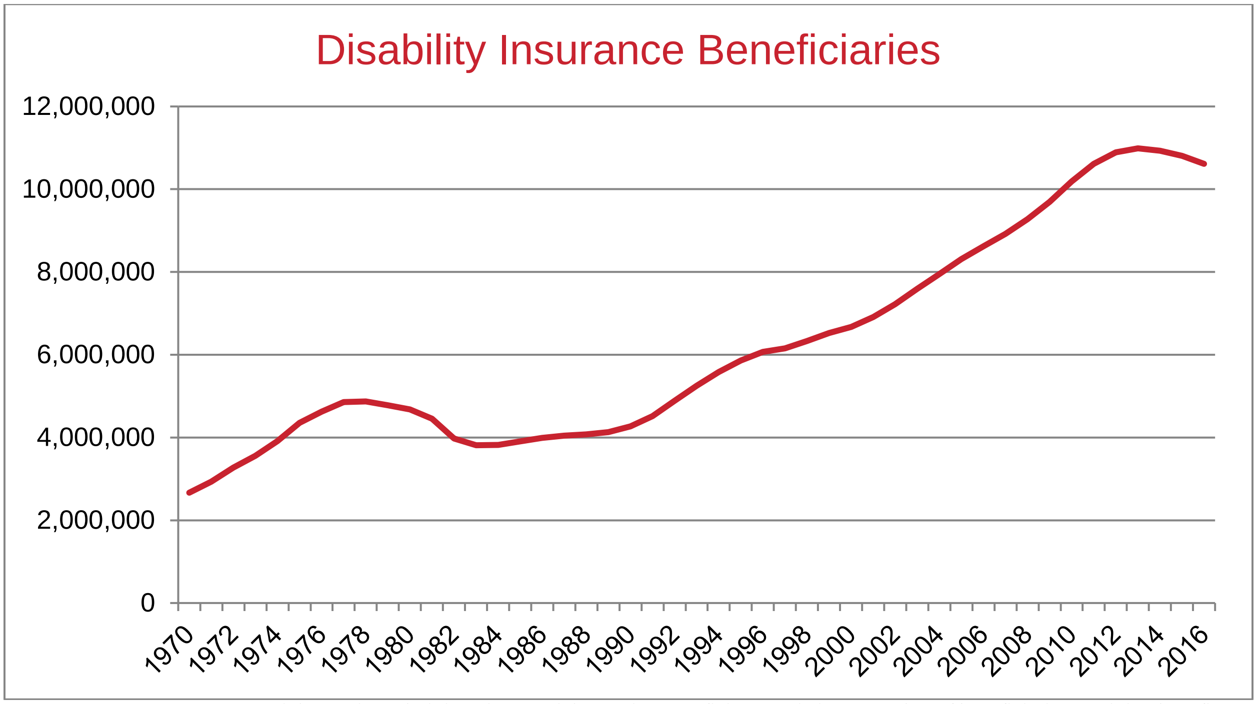
Implementing the reforms in this budget would allow future retirees who have the ability to save for their own retirement to do so. Importantly, these reforms would still protect those who need the program as a safety net.

[261] Social Security and Medicare Boards of Trustees, A Summary Of The 2017 Annual Reports, July 2017. https://www.ssa.gov/oact/TRSUM/index.html.

RESCUING DISABILITY INSURANCE

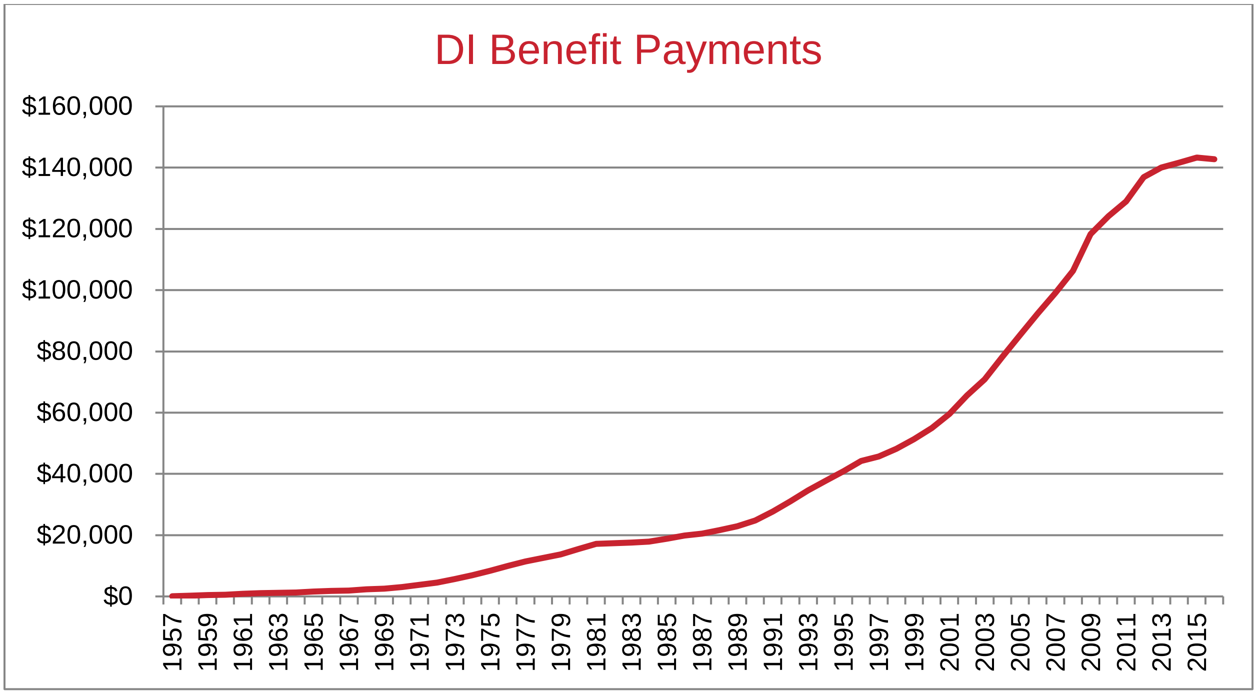
The Social Security Disability Insurance (DI) program is in serious trouble. Social Security DI costs have exceeded revenue since 2005, resulting in ever-larger drawdowns from the trust fund created to ensure the program's stability. The Social Security Trustees now project that the Disability Insurance Trust Fund will be depleted in 2028.[262] The Congressional Budget Office (CBO) projects that under current law the DI Trust Fund will be exhausted in FY 2025.[263]

In just a few short years, disabled beneficiaries will face an immediate seven percent across-the-board cut in benefits unless a permanent solution can be enacted. DI's insolvency will become a crisis unless the president and Congress take decisive action soon - and the longer we wait, the more it will cost to fix the problem. This challenge is apparent in the charts below: the number of disabled Americans and the annual benefit payments from the DI Trust Fund have skyrocketed over time.



Social Security Administration, Social Security Beneficiary Statistics, "Number of beneficiaries receiving benefits on December 31, 1970-2017". https://www.ssa.gov/oact/STATS/OASDIbenies.html.

[262] Social Security and Medicare Boards of Trustees, "A Summary Of The 2017 Annual Reports", July 2017. https://www.ssa.gov/oact/TRSUM/index.html.
[263] Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028", April 9, 2018. https://www.cbo.gov/publication/53651.



****Vertical scale is measured in millions.**

Social Security Administration, Disability Insurance Benefit Payments, "Annual benefits paid from the DI Trust Fund, by type of benefit, calendar years 1957-2016". https://www.ssa.gov/oact/STATS/table4a6.html.

Over the past 20 years, enrollment in DI has almost doubled. Just in the last decade, enrollment has increased by 17 percent. At the same time, the labor force participation rate has fallen to the lowest levels since the 1970's.[264] This means that there are fewer tax-paying workers supporting a growing non-working population – a recipe for disaster and economic stagnation.

Facing projections that the DI Trust Fund would imminently be depleted, a temporary patch was enacted as part of the Bipartisan Budget Act of 2015 (BBA15). While the BBA15 did include some minor reforms, the most important provision of the law implemented President Obama's plan to temporarily reallocate a portion of the payroll tax originally meant for the Social Security Old Age and Survivors Insurance (OASI) Trust Fund to the DI Trust Fund. Congress's punt was typical and irresponsible, only delaying the inevitable necessity of making reforms to prevent a crisis within DI. This provision effectively bailed out the DI program temporarily, staving off the imminent insolvency of the program, but leaving the Social Security fund vulnerable by accelerating its own impending bankruptcy in 2035.

Opportunity for Reform

The last few years have proved there are many good ideas available to tackle the looming insolvency of the DI Trust Fund head on. Reputable think tanks, such as the Mercatus Center and the Heritage Foundation, published proposals with innovative solutions and brought Members of Congress, staff, and experts together to discuss the problem. The McCrery-Pomeroy SSDI Solutions Initiative was formed, and several papers detailing how to improve the DI program were presented at its conference. Congress

[264] U.S. Department of Labor Bureau of Labor Statistics, Labor Force, Statistics from the Current Population Survey, (Seas) Labor Force Participation Rate, Data extracted on: April 8, 2018.

and the new administration should use the short reprieve provided by the BBA15 to put forward permanent reforms to ensure the survival and success of this program for the long term.

At the beginning of the 115th Congress, the House adopted a rule change put forward by Representative Sam Johnson to protect Social Security by requiring any DI reform proposal to not harm the DI and OASI funds on a combined basis. This crucial condition for reform will ensure that Congress cannot simply take the easy way out, forestalling the current crisis by accelerating a larger entitlement bankruptcy.

At a broader level, DI's impending bankruptcy should serve as the proverbial "canary in the coal mine," alerting us to the dire need to reform all of our safety net programs. Congress must take steps to secure the future of the important DI program and the continued benefits for the program's beneficiaries.

Encourage Work

The Americans with Disabilities Act requires employers to make reasonable accommodations for disabled employees. Despite these required accommodations, the employment rate among those with disabilities has fallen by nearly half in the last 25 years.[265]

Because of the DI program's current design, beneficiaries can become trapped in the program, unable to earn a living even if they get healthier and want to return to work. Surveys of DI beneficiaries have shown that 40 percent of those receiving benefits are interested in working. However, only 0.5 percent of beneficiaries actually leave the rolls each year because they begin earning from work.[266] Beneficiaries face a "cash cliff" because they will be removed from the rolls if they earn above a set amount, creating a powerful incentive for beneficiaries to ignore employment opportunities.

The BBA15 required the Social Security Administration (SSA) to establish a new demonstration project that would allow beneficiaries to work while avoiding this cash cliff. Under this demonstration project, participating beneficiaries would see their benefits reduced by $1 for every $2 earned from work above a threshold. The DI program should build on these reforms to encourage the program's beneficiaries to find work as they are able, and allow them the opportunity to return to self-sufficiency.

Workplace Incentives

It is better for employers and their employees when individuals can stay in the workforce in some capacity. One possibility is a demonstration project to incentivize workplace accommodations and allow the SSA to vary the employer-side DI payroll tax for companies based on how many of their employees go onto the program in a way that is revenue neutral in the aggregate. This reform would be similar to what is now done under the Unemployment Insurance system.

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[265] Congressional Budget Office, Policy Options for the Social Security Disability Insurance Program, July 2012. https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/43421-DisabilityInsurance_print.pdf.
[266] Representative Sam Johnson, "Johnson Statement: Hearing on Encouraging Work Through SSDI," Jun. 19, 2013. http://waysandmeans.house.gov/johnson-statement-hearing-on-encouraging-work-through-the-social-security-disability-insurance-program/.

Require Social Security Disability Insurance Applicants to Have Worked In Recent Years

In general, applicants for DI must have worked in five of the last ten years to be eligible for benefits. That means that someone who has not worked in the last five years could be eligible for DI benefits. To focus the program on people who leave the workforce because of a new disability, applicants could be required to have worked in four of the past six years. This reform should be paired with others that make it easier for disabled Americans to stay in the work force, such as those outlined above.

Needs Based Period of Benefits and Return to Work

Six percent of those who undergo a full medical review under a Continuing Disability Review (CDR) are deemed medically recovered enough to stop receiving benefits.[267]

When SSA is planning its CDRs, it identifies those beneficiaries who are expected to medically recover, such as those who have conditions that could be overcome with medical and rehabilitative treatment. [268] About five percent of beneficiaries are listed as "medical improvement expected" and 60 percent are listed as "medical improvement possible."[269]

However, once a person with such a condition has been awarded DI benefits, they have less of an incentive to seek possible treatments and recovery options. As a result, fewer individuals are able to recover their full mobility and work capacity, a goal antithetical to the approach our government should take for the temporarily disabled. The temporarily disabled risk spiraling into a state of permanent disability and dependence, and will continue on the program indefinitely, receiving an average of $300,000 in benefits over their lifetime.

To help encourage individuals to seek the most effective treatments, SSA should be able to award DI benefits for a limited, need-based time period for this population of applicants where medical recovery is anticipated. The period of the award could be varied by the likelihood of recovery. At the end of the initial award period, the beneficiary could reapply for benefits under an expedited reinstatement process if the beneficiary feels they are still unable to conduct gainful employment.

By encouraging recovery and return to work, this reform seeks to improve conditions and create new opportunities for DI beneficiaries. This proposal is based on the Social Security Disability Insurance Return to Work Act, introduced by Rep. French Hill.

Update Eligibility Rules

If we want the DI program to still be available for those it was created to help, we must ensure that only the truly disabled are eligible to receive benefits. Unfortunately, the criteria to determine eligibility has not been amended to reflect advances in medicine, technology, and the labor market, leading GAO to

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[267] Kim Hildred, Pam Mazerski, Harold Krent, Jennifer Christian, "Transitional Benefits for a Subset of the Social Security Disability Insurance Population", McCrery-Pomeroy SSDI Solutions Initiative. http://ssdisolutions.org/sites/default/files/hildredmazerskikrentchristian.pdf.
[268] Carolyn Colvin, Acting Commissioner of the Social Security Administration, "Letter to The Honorable Joseph R. Biden", October 23, 2014. https://www.ssa.gov/legislation/FY%202012%20CDR%20Report.pdf.
[269] Alexandra Constantin, Julia Porcino, John Collins and Chunxiao Zhou, "Data-Driven Solutions for Improving the Continuing Disability Review Process", Mcrery-Pomeroy SSDI Solutions Initiative. http://ssdisolutions.org/sites/default/files/constantinporcinocollinszhou.pdf.

designate federal disability programs, including the DI program, as "high risk."[270] Many of the medical criteria have not been updated since the 1980's, when the qualification standards were expanded. A large percentage of applicants suffer from mental or musculoskeletal problems, which can be difficult to diagnose. Making a diagnoses and ability-to-work determination can be subjective and can vary from one adjudicator to the next.

Many DI beneficiaries are now awarded benefits based on the "Medical-Vocational Grid" rather than meeting a specific condition on the "Listing of Impairments".[271] The grid uses various factors (including age, education, skills levels, and English language proficiency) to determine if a person is disabled instead of focusing on whether a person can perform work in the modern or local economy. This has led to egregious oversights, including an instance where the SSA awarded benefits to individuals in Puerto Rico because they only spoke Spanish, despite the fact that "Spanish is the predominant language spoken in the local economy."[272]

This budget recommends that eligibility standards be updated to reflect the advances in science and medicine that have taken place in the last 30 years and these updated standards to be more uniformly applied.

Fight Fraud

Fraud and abuse in the DI program has been widely reported. Under the leadership of Chairman Sam Johnson, the Ways and Means Subcommittee on Social Security has held more than a dozen hearings on the DI program over the last several years. Many of these hearings have focused on large-scale fraud found in DI, including the case of more than 100 retired New York police officers and firefighters who were accused of collecting $21 million in fraudulent benefits.[273] Another scheme in Puerto Rico involved doctors providing fraudulent medical evidence, with more than 70 claimants submitting false claims aided by a non-attorney representative.[274] While these high profile cases grab the headlines, the more mundane instances that build up to billions of dollars over time are just as important. These can be as simple as a woman withholding work or marriage status, a man working under his child's identity, or a son failing to report a father's death.[275]

Each instance of fraud that goes undetected can cost the taxpayers more than $300,000, an amount equal to the average lifetime benefit for a DI recipient.[276] Between FY 2012 and FY 2016, the SSA estimates that it paid out $5.8 billion in overpayments.[277] This level of improper payments is an outrageous cost to

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[270] U.S. Government Accountability Office, 2017 High Risk Report, "Improving and Modernizing Federal Disability Programs". http://www.gao.gov/highrisk/improving_federal_disability/why_did_study.
[271] Mark J. Warshawsky and Ross Marchand, Mercatus Center, Modernizing the SSDI Eligibility Criteria: A Reform Proposal That Eliminates the Outdated Medical-Vocational Grid, April 28, 2015. http://mercatus.org/publication/modernizing-ssdi-eligibility-criteria-eliminates-medical-vocational-grid.
[272] Elizabeth Harrington, Washington Free Beacon, "Feds Consider Puerto Ricans Disabled Because They Speak Spanish," April 6, 2015. http://freebeacon.com/issues/feds-consider-puerto-ricans-disabled-because-they-speak-spanish/.
[273] William K. Rashbaum and James C. Mckinley Jr., New York Times, "Charges for 106 in Huge Fraud Over Disability", January 6, 2014. https://www.nytimes.com/2014/01/08/nyregion/retired-new-york-officers-and-firefighters-charged-in-social-security-scheme.html.
[274] Representative Sam Johnson "Johnson Opening Statement: Hearing on Preventing Disability Scams," Feb. 26, 2014. http://waysandmeans.house.gov/johnson-opening-statement-hearing-on-preventing-disability-scams/.
[275] Social Security Administration, Office of the Inspector General, "Social Security Fraud: Concealing Facts from SSA," February 16, 2017. https://oig.ssa.gov/newsroom/blog/feb16-concealing-facts.
[276] Office of the Inspector General, Social Security Administration "Disability Fraud Probe Leads to Arrests in Puerto Rico," Aug. 21, 2013. http://oig.ssa.gov/audits-and-investigations/investigations/disability-fraud-probe-leads-arrests-puerto-rico.
[277] Social Security Administration, Reducing Improper Payments. https://www.ssa.gov/improperpayments/RSDI_progInfo.html.

the taxpayer. It is imperative that the SSA do a better job of preventing fraud and abuse of DI, so that this program can exist for those who truly need the benefits.

The BBA15 prohibits the consideration of medical evidence from unlicensed individuals or doctors convicted of fraud when a determination about a disability claim is made. This policy should be updated to prohibit any individual who has been convicted of a felony from providing evidence for the determination of a disability claim.

Conduct Anti-Fraud Reviews

The SSA has the authority to conduct periodic reevaluations called continuing disability reviews (CDR) to determine whether beneficiaries continue to meet the definition of disability. To preserve the DI program for those who truly need it, only those who actually qualify should be allowed to draw benefits. The SSA should amend its award letter to clearly specify that DI benefits are contingent upon continued medical impairment. This is a commonsense reform that has also been proposed by the Bipartisan Policy Center Disability Insurance Working Group.[278] The reform will provide clarity to beneficiaries that the award will be discontinued dependent upon a CDR indicating the individual is no longer disabled.

According to the SSA, these reviews are one of the most cost-effective tools for improving program integrity. Every dollar spent on reviews between 1996 and 2011 generated $10 in future program savings.[279] The Budget Control Act provides an adjustment to the statutory discretionary spending caps, permitting funding increases for program integrity activities such as CDRs. The Appropriations Committee should prioritize and fully fund CDRs within the spending caps.

Better use of technology should be implemented across the entire SSA. For instance, CDR mailers should be replaced with online questionnaires. SSA should also take advantage of advances in “big data” for data analytics and prioritizing backlogged CDR cases.[280] A recent GAO study found that “SSA could increase savings by refining its selection of cases for disability review”.[281]

Prohibit Double Dipping

In 2010, 117,000 individuals received more than $850 million in payments from both the DI program and Unemployment Insurance (UI) benefits.[282] These two programs are meant to serve mutually exclusive populations: DI is for individuals who are unable to work and UI is for individuals temporarily unemployed. Individuals should not be allowed to draw benefits from both programs at the same time. GAO identified this issue as one where program improvements can be made, and former President Obama endorsed a similar approach in his budgets.

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[278] Bipartisan Policy Center, “Improve the SSDI Program and Address the Impending Trust Fund Depletion”, August 25, 2015. http://bipartisanpolicy.org/library/ssdi-program/.
[279] William Morton, Congressional Research Service, “Social Security Disability Insurance (SSDI) Reform: An Overview of Proposals to Manage the Growth in the SSDI Rolls”, January 9, 2015. http://www.crs.gov/Reports/R43054.
[280] Alex Constantin, Julia Porcino, John Collins, and Chunxiao Zhou, “Data-Driven Solutions for Improving the Continuing Disability Review Process”, McCrery-Pomeroy SSDI Solutions Initiative. http://ssdisolutions.org/sites/default/files/constantinporcinocollinszhou.pdf .
[281] Government Accountability Office, “Social Security Disability SSA Could Increase Savings by Refining Its Selection of Cases for Disability Review”, February 2016. http://www.gao.gov/assets/680/675168.pdf.
[282] Government Accountability Office, “Income Security: Overlapping Disability and Unemployment Benefits Should be Evaluated for Potential Savings”, Aug. 30 2012. http://www.gao.gov/products/GAO-12-764.

This proposal is based upon the Social Security Disability Insurance and Unemployment Benefits Double Dip Elimination Act, an Initiative put forward by Representative Sam Johnson.

Protect Beneficiaries from Unscrupulous Lawyers

The vast majority of claimants who appeal their denied initial applications are represented throughout the process by an attorney. While representation may help some individuals navigate their way through what can be a complicated process, the way DI attorneys are paid creates perverse incentives to game the system at the expense of recipients. An audit from the SSA Office of the Inspector General on attorney representation at the initial application stage found that only 37 percent of representatives assisted the client throughout the claim process, 41 percent helped only with filing the claim, while 22 percent appeared to provide no assistance at all.[283]

Unlike other legal cases, the clients in DI cases do not directly pay their attorneys. Instead, the SSA will withhold the attorney's fees from the successful claimant's award and transmit the fees to the lawyer. The SSA also provides reimbursement for attorney travel fees.[284] After a claimant wins an appeal, SSA awards the individual the benefits back-dated to when he originally would have been awarded them and pays out a lump sum. If the beneficiary had attorney representation, SSA deducts 25 percent of that amount (up to the maximum allowable fee of $6,000) for the attorney's fee.[285]

This arrangement guarantees the attorneys easy access to the money they are owed, but sets a bad precedent by taking financial decisions out of the hands of disabled clients.

The longer an appeal takes, the larger the back-dated award will be for a successful claimant. Because the attorney gets paid as a percentage of the lump sum award up to a maximum dollar amount, he has a direct financial incentive to ensure the award is as close to the maximum fee as possible. This "pay-for-delay" scenario is in direct conflict with the interests of the claimant, who is disabled and has been unable to earn a living since before his original application for benefits. The claimant would presumably want to receive the benefits owed and begin receiving a regular benefit check.[286] If the power of the purse was left in the hands of the client, instead of the government, it would give them more authority over the services provided by the attorney.

Additionally, closing the case record to new evidence after a reasonable period of time would prevent attorneys with bad intentions from drawing out a pending disability claim.

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[283] Rachel Greszler, Heritage Foundation, "Time to Cut Out the SSA as Middleman in SSDI Representation", November 24, 2015. http://www.heritage.org/research/reports/2015/11/time-to-cut-out-the-ssa-as-middleman-in-ssdi-representation.

[284] Jeffrey S. Wolfe and David W. Engel, Regulation, "Restoring Social Security Disability's Purpose", Spring 2013. http://object.cato.org/sites/cato.org/files/serials/files/regulation/2013/3/v36n1-11.pdf.

[285] See, 42 U.S.C. 406(b) & 1383(d)(2).

[286] David Engel, Dale Glendenning, and Jeffrey Wolfe, "Transitional Benefits for a Subset of the Social Security Disability Insurance Population", McCrery-Pomeroy SSDI Solutions Initiative. http://ssdisolutions.org/sites/default/files/engelglendeningwolfe_0.pdf.

Appeals Process Reforms

Administrative Law Judges (ALJs) hear appeals from DI applicants who have their initial application and reconsideration for benefits denied. ALJs face a huge task: as of March 2015, the SSA faced a backlog of about 1 million claims awaiting a decision, according to the SSA Office of Inspector General.[287]

While it is important to quickly resolve the pending cases, it is equally important to decide them correctly and fairly. However, it appears that once an appeal reaches an ALJ, a claim is far more likely to be awarded than the facts of the case would justify. According to research from the Mercatus Center, "ALJs have a greater incentive to award benefits than to deny them because denials are subject to judicial appeal, and because denials must be fully documented, which takes longer, whereas decisions and drafting of approvals are typically quick."[288] There have even been reports of an ALJ that awarded nearly every appeal under consideration.[289]

Congress should require the SSA to conduct periodic reviews of ALJ decisions to ensure the integrity of the process. It should also reinstate the reconsideration review state in the ten states where it does not exist to require a second look by the State Disability Determination Services (DDS) before the case is sent to an ALJ. Other changes Congress should consider include cutting the deadline to file an appeal to one month instead of two, instituting a cooling off period that would prohibit people from reapplying within 12 months of a denial, and the adopting formal rules for hearing procedure, as exist in other court settings.[290]

Medicare and Retirement Eligibility

Under current law, DI beneficiaries under age 65 are automatically enrolled in Medicare after 24 months of receiving benefits. This budget proposes to increase the waiting period for Medicare eligibility to 60 months after receipt of DI benefits for those under age 65.

This proposal is based on Rep. David Schweikert's Preserving and Reforming SSDI (PAR-SSDI) Act of 2016. This legislation also includes a number of other commonsense reforms to preserve DI that are described throughout this budget, including:

- Remove the lack of English proficiency as a disability.
- Require the submission of all medical evidence related to a DI claim.
- Require medical evidence to be submitted by a licensed health care provider.
- Prohibit double dipping in the DI and Unemployment programs.
- Use the more accurate Chained-CPI in calculating cost of living increases (COLA).

This budget also proposes separating retirement and disability benefit eligibility. Under current law, individuals that have reached 62 years old, and are eligible for early retirement benefits can also apply for disability benefits with the hope that they will receive those benefits until they reach full retirement age

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[287] Social Security Administration Office of the Inspector General, "The Social Security Administration's Efforts to Eliminate the Hearings Backlog", September 2015. http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-12-15-15005.pdf.
[288] Mark J. Warshawsky and Ross A. Marchand, Mercatus Center, "Reforming the System of Review by Administrative Law Judges in Disability Insurance", September 2015. http://mercatus.org/sites/default/files/Warshawsky-Reforming-DI-Review.pdf.
[289] Damian Paletta, Wall Street Journal, "Disability-Claim Judge Has Trouble Saying 'No'", May 19, 2011. http://www.wsj.com/articles/SB10001424052748704681904576319163605918524.
[290] David Engel, Dale Glendenning, and Jeffrey Wolfe, "Transitional Benefits for a Subset of the Social Security Disability Insurance Population", McCrery-Pomeroy SSDI Solutions Initiative. http://ssdisolutions.org/sites/default/files/engelglendeningwolfe_0.pdf.

and then transferred to that program. This proposal would end DI eligibility for those that have reached 62 years old and therefore eliminate the incentive that currently exists for individuals to game the application process by applying for DI at the same time they apply for retirement benefits with the idea that they could receive higher benefits.

Utilize Private Disability Insurance

Private disability insurance offers better benefits and better return to work results for beneficiaries at a cheaper cost than DI.[291] Employers that offer long-term disability insurance often work with the employee and the insurance company to provide workplace accommodations in the event a covered employee becomes disabled. These plans also have comprehensive disability management programs that can help rehabilitate individuals and prepare them to reenter the labor force when possible. About 40 million private sector workers are covered by these types of plans.[292]

Steps should be taken to promote more workers to adopt private disability coverage, as well promote better integration of private insurance with the government-run DI system.[293] Congress should investigate the benefits that would accrue from allowing individuals to purchase private disability insurance with pre-tax dollars.

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291 David F. Babbel and Mark F. Meyer, "Expanding Private Disability Insurance Coverage to Help the SSDI Program", McCrery-Pomeroy SSDI Solutions Initiative. http://ssdisolutions.org/sites/default/files/babbelmeyer.pdf.

292 Charles River Associates, for America's Health Insurance Plans, "Private Disability Insurance and Return-to-Work: Cost Savings to SSDI and Other Federal Programs", September 26, 2013. http://www.ahip.org/PrivateDIReturntoWork92013/.

293 Rachel Greszler, Heritage Foundation, "Private Disability Insurance Option Could Help Save SSDI and Improve Individual Well-being", July 20, 2015. http://www.heritage.org/research/reports/2015/07/private-disability-insurance-option-could-help-save-ssdi-and-improve-individual-well-being.

BALANCING THE FEDERAL BUDGET – OTHER MANDATORY

The federal government is drowning in red ink. The national debt has exploded to more than $21 trillion. The current path is unquestionably unsustainable. Add in the exponential interest payments that come with runaway debt, and the dire reality of our fiscal situation becomes clear. By Fiscal Year 2028, CBO projects that net interest spending will almost triple in nominal terms and double as a percentage of GDP. Just the interest we will owe on our debt is expected to total more than $6.8 trillion over the next ten years. Unless we implement bold reforms, in a few years our nation will spend more on interest payments than it does on our national defense, and not long thereafter, these borrowing costs will swamp the entire budget.

Fifty years ago, mandatory spending consumed only one-third of the federal budget; now it has grown to comprise two-thirds of our spending each year. These programs are on budgetary autopilot and receive little congressional review and almost no annual oversight.

On the current path, the next generation of Americans will see mandatory spending consume all government revenues, leaving nothing for defense, infrastructure, and other national priorities. Over time, these programs will drag us further down into debt. Soon, the debt and associated interest payments will have grown so large that we will have little choice but to eliminate wide swaths of essential government functions or risk a sovereign debt crisis such as that now gripping Venezuela. Inaction is not an option, and every day of delay only makes a solution more difficult and draconian.

This budget puts forward sensible reforms that put spending back on a path toward solvency while refocusing government on its core constitutional activities and reducing spending by more than $12.4 trillion over the next ten years compared to current policy. By taking reasonable action today, we can not only prevent fiscal disaster and its associated suffering, but also restore a brighter future and abundant opportunity for generations to come.

Agriculture

Farm Bill

In 2018, Congress has the opportunity to implement significant reforms to programs administered by the United States Department of Agriculture given that many programs authorized by the previous so-called Farm Bill are scheduled to expire at the end of 2018. This is a chance for Congress to change the status quo. That could be accomplished by decoupling nutrition and farm subsidy programs, instituting work requirements into, and block granting, the Supplemental Nutrition Assistance Program (SNAP), and reducing antiquated agricultural subsidies. These priorities, explained in detail below and elsewhere in this budget, were also outlined in a letter sent by RSC Chairman Mark Walker to House Agriculture Committee Chairman Mike Conaway on November 28, 2017.[294]

[294] RSC Chairman Rep. Mark Walker, letter to Chairman Mick Conaway, November 28, 2017. https://rsc-walker.house.gov/files/uploads/RSC%20Farm%20Bill%20Letter%20-%2011.29.17.pdf.

Decouple Farm Subsidy Programs from Nutrition Subsidy Programs

Congress has reauthorized farm program spending and nutrition program spending (commonly known as "Food Stamps") together in the same legislation for decades. This unlikely pairing assures increased spending for both programs by combining two disparate political interests that would cost far less on their own. In 2013, the House of Representatives decoupled these two issues, only to see them forced back together in the conference committee with the Senate.[295] In fact, about 80 percent of the spending in the final farm bill went towards nutrition rather than agriculture programs. This budget proposes that farm subsidies and nutrition subsidies be considered separately, each on their own merits, in future reauthorizations.

End Commodity Subsidy Programs

Under current law, the taxpayers provide subsidies for wheat, oats, and barley, corn, grain sorghum, long grain rice, medium grain rice, dry peas, pulse crops (lentils, small chickpeas, large chickpeas), soybeans, other oilseeds (sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed), peanuts, upland cotton, extra-long staple cotton, wool, mohair, honey, milk, and sugar. This system of central-planning based subsidies dates back to the New Deal's Agricultural Adjustment Act of 1933, which was ruled unconstitutional in 1936 because "regulation and control of agricultural production are beyond the powers delegated to the Federal Government."[296] Despite the fact that "agricultural subsidies have never made economic sense", farm subsidies continue today.[297]

The 2014 Farm Bill created two new general farm support programs, allowing producers to choose their preferred taxpayer-provided subsidy:

- The Price Loss Coverage (PLC) pays farmers when the nationwide average price for a commodity falls below a reference price set in law (even if a particular farmer sells his crop for a higher price).

- The Agriculture Risk Coverage (ARC) shallow loss program pays farmers when revenues fall below their recent levels.

Unfortunately, these two programs are now estimated to cost almost $20 billion more than originally projected when the programs were created in 2014.[298] This is just another example of how it is impossible for government to accurately predict and control market conditions. As described in *Farms and Free Enterprise*, "A fundamental problem with all commodity programs is that they attempt to supplant the natural workings of the marketplace with the wisdom of Washington."[299]

[295] See, H.R.2642, the Agricultural Act of 2014 (P.L. 113-79).
[296] *United States v. Butler*, 297 U.S. 1 (1936). https://supreme.justia.com/cases/federal/us/297/1/case.html.
[297] Chris Edwards, Downsizing the Federal Government, "Agricultural Subsidies", October 7, 2016. https://www.downsizinggovernment.org/agriculture/subsidies.
[298] Taxpayers for Common Sense, "House Agriculture Committee Looks to Milk Taxpayers", February 24, 2017. http://www.taxpayer.net/library/article/house-agriculture-committee-looks-to-milk-taxpayers.
[299] Josh Sewell, Heritage Foundation, "Farms and Free Enterprise: A Blueprint for Agricultural Policy", September 1, 2016. http://www.heritage.org/agriculture/report/farms-and-free-enterprise-blueprint-agricultural-policy.

These commodity subsidy programs are unsustainable. Eliminating these programs would save taxpayers more than $50 billion over ten years.[300]

Washington subsidies are not the only, most efficient, or proper source for farmers to mitigate risk inherent to their industry. Well-regulated futures, swaps, and insurance markets provide abundant opportunity for market participants to reduce exposure to negative price movements and other risks, while maintaining the valuable information that improves the efficiency and competitiveness of the agriculture industry. These free market solutions will provide better long-term outcomes for farmers and will eliminate the absurd status quo that forces the U.S. taxpayer to be on the hook for the federal government's politically driven speculation.

Eliminate the Sugar Program

The federal government's sugar program is one of the most egregious examples of crony capitalism and drives up costs for consumers. The program consists of both price supports and production limits for domestic sugar producers, as well as import restrictions and tariffs for imported sugar. Because of these restrictions, the price of domestic sugar is about twice that of the world market price.[301] According to CBO, eliminating the sugar program would save $76 million over ten years. However, the savings would be much greater for American consumers, and would come with the added benefit of restoring the efficiencies of free enterprise, competition, and individual choice to a large US market. H.R. 4265, the Sugar Policy Modernization Act of 2017, introduced by Representative Virginia Foxx, would bring much needed reforms to the sugar program.

Eliminate the Milk Program

"The U.S. dairy market is a complex tangle of subsidies and price supports."[302] Even the market for a commodity as basic as milk is not free from massively inappropriate government interference. The 2014 Farm Bill established two new programs, the Margin Protection Program (MPP) and the Dairy Product Donation Program (DPDP), which respectively makes payments to farmers when margins fall below certain amounts and requires the government to purchase and distribute dairy products when margins fall below a certain level. Additionally, there are a number of other dairy subsidy programs, including the Livestock Gross Margin for Dairy Cattle program (LGM-D), Dairy Import Tariff Rate Quotas (TRQs), and milk marketing orders. Further, the 1949 Dairy Price Support Program remains permanent law, which will once again create a "milk cliff" when the MPP expires at the end of 2018.[303]

This central planning does not work, as proven by the USDA being forced to purchase $30 million worth of dairy products to alleviate a "cheese glut".[304] Instead, the milk market should be governed by the common sense laws of supply and demand. In addition to benefiting consumers and producers alike,

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[300] Congressional Budget Office (CBO), USDA's Mandatory Farm Programs-CBO's April 2018 Baseline. https://www.cbo.gov/sites/default/files/recurringdata/51317-2018-04-usda.pdf.
[301] Justin Sykes, Americans for Tax Reform, "Top Five Reasons to End U.S. Sugar Subsidies", November 15, 2015. https://www.atr.org/top-five-reasons-end-us-sugar-subsidies.
[302] Citizens Against Government Waste, "Critical Waste Issues for the 115th Congress". https://www.cagw.org/critical-waste-115th.
[303] Randy Schnepf, Congressional Research Service, "Dairy Provisions in the 2014 Farm Bill (P.L. 113-79)", September 15, 2014. http://www.crs.gov/Reports/R43465.
[304] Nan Swift, National Taxpayers Union, "Free Markets Best for America's Moo Cows", October 14, 2016. http://www.ntu.org/governmentbytes/detail/free-markets-best-for-americas-moo-cows.

eliminating federal dairy subsidy programs will save taxpayers $1.6 billion over the next decade.[305] Once again, the private market is more than capable of providing the risk-mitigation benefits claimed by dairy program supporters without foisting speculative risk onto taxpayers.

Eliminate Agriculture Marketing Orders and Check-off Programs

The federal government currently operates 29 marketing orders for different fruits, vegetables, and specialty crops. These agreements, which date back to the market intrusions of the New Deal, allow the government to collude with segments of certain industries to restrict the supply of food to consumers. The cartels created by the agreement are given tools such as volume controls, minimum quality standards, and packaging requirements.[306]

The USDA also operates 22 "Research & Promotion" programs, better known as check-off programs. These programs impose a mandatory fee on the sale of covered commodities which are used to fund promotional activities of the relevant Research & Promotion Program board. The result of these arrangements is that producers are taxed using the force of government to fund advertising activities they might not otherwise be willing to pay for and may not actually benefit from. This, in turn, results in increased prices for consumers.

Beginning in FY 2019, both marketing orders and check-off programs should be eliminated.

Reform Crop Insurance

The Federal Crop Insurance Program provides subsidized insurance for farmers to protect them from losses due to poor crop yields or lower than expected prices. Farmers only pay about 40 percent of premiums for crop insurance, with the taxpayers picking up the remaining 60 percent. While the insurance policies are offered by private companies, the federal government reimburses them for administrative costs and reinsures them to guarantee against losses. As described in *Farms and Free Enterprise*, "'crop insurance' is less about insurance and more about providing subsidies to farmers".[307]

This budget would make a modest reform to the crop insurance program by reducing subsidies to 30 percent of premium costs and eliminating the government's reimbursement to crop insurance companies for administrative expenses. This would save taxpayers more than $47 billion over the next ten years.[308] Over time, the federal government should transition out of subsiding crop insurance, and instead allow the free market to meet the demand for this financial product.

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[305] Congressional Budget Office (CBO), USDA's Mandatory Farm Programs-CBO's April 2018 Baseline. https://www.cbo.gov/sites/default/files/recurringdata/51317-2018-04-usda.pdf.
[306] Daren Bakst, Heritage Foundation, "The Federal Government Should Stop Limiting the Sale of Certain Fruits and Vegetables", September 29, 2015. http://www.heritage.org/research/reports/2015/09/the-federal-government-should-stop-limiting-the-sale-of-certain-fruits-and-vegetables.
[307] Brian Wright, Heritage Foundation, "Farms and Free Enterprise: A Blueprint for Agricultural Policy", September 1, 2016. http://www.heritage.org/agriculture/report/farms-and-free-enterprise-blueprint-agricultural-policy.
[308] Congressional Budget Office (CBO), USDA's Mandatory Farm Programs—CBO's April 2018 Baseline. https://www.cbo.gov/sites/default/files/recurringdata/51317-2018-04-usda.pdf.

Repeal Additional Crop Insurance for Organic Crops

The 2014 Farm Bill requires the federal government to pay prices higher than fair market value when making insurance payouts for federally insured organic crops. These higher payments should be repealed, aligning the program with insurance industry best practices rather than creating politically motivated inflated market conditions.

Prohibit New Enrollments in the Conservation Reserve Program (CRP)

The Conservation Reserve Program (CRP) provides payments to farmers to take certain cropland out of production for ten years or more to improve soil, water, and environmental quality. Demand for enrollment in CRP has declined steadily over recent years. This budget would respond to this trend and prohibit new enrollments in CRP. This would save more than $3 billion over ten years, according to the CBO.

Prohibit New Enrollment in the Conservation Stewardship Program (CSP)

The Conservation Stewardship Program (CSP) encourages agricultural producers to adopt more environmentally sustainable practices on their working land. This program subsidizes agricultural producers to use conservation techniques that many have already adopted as best practices, interfering with the free market. This budget would prohibit new enrollments in CSP and allow the natural incentives to determine the conservation techniques that provide long-term value for farm owners. Land that is currently enrolled in CSP would continue to be eligible to receive payments until the contract expires. The National Commission on Fiscal Responsibility and Reform targeted this program as one that needs reform. The reform recommended by this budget would save more than $8 billion over ten years, according to the CBO.

Eliminate Funding for Farmers Market and Local Food Promotion

The Farmers Market Promotion Program provides grants to support local farmers' markets and roadside stands, community-supported agriculture, and agri-tourism activities. These businesses connect local producers with local consumers; however, these activities should not be subsidized by the federal government.

Repeal Biomass Crop Assistance Program (BCAP)

The Biomass Crop Assistance Program (BCAP) provides matching or annual payments to owners and operators of agricultural and forest land to support biomass feedstock production. As made painfully evident by other failed ventures, the federal government should not be in the business of picking winners and losers among energy sources.

Eliminate the Foreign Market Development Program (FMDP)

The Foreign Market Development Program (FMDP), also known as the Cooperator Program, is used to help promote agricultural exports and provide nutritional and technical assistance to foreign consumers. Private industry already operates a program to promote agriculture exports overseas, and federal support for this program is inappropriate. This budget eliminates FMDP saving $350 million over ten years.

Eliminate the Market Access Program (MAP)

The Market Access Program (MAP) funds oversees marketing and promotion activities for U.S. agricultural products and commodities, in partnership with U.S. agricultural trade associations, cooperatives, state regional trade groups, and small businesses. While this is no doubt helpful to some businesses across the country, the federal government has no business subsidizing the advertising budgets of corporations. The National Commission on Fiscal Responsibility and Reform targeted this program as one that needs reforms. This budget terminates this program saving $2 billion over ten years.

Repeal the Acer Access and Development Program (For Maple Syrup)

The 2014 Farm Bill authorized $20 million per fiscal year in grants to states, tribal governments, and research institutions to promote the domestic maple syrup industry. Federal funding is not necessary to promote this popular, largely North American-produced product. This budget terminates this program saving $200 million over ten years.

Repeal National Organic Certification Cost Share Program

The National Organic Certification Cost-Share Program subsidizes organic producers up to 75 percent of their organic certification costs. The consumer market for organic products is mature and highly profitable, and producers can and should make their own decisions as to whether it is worth the time and cost to certify their products. This special-interest program is an inappropriate use of taxpayer dollars and should be eliminated.

Repeal Specialty Crop Block Grants (SCBGP)

The Specialty Crop Block Grants (SCBGP) provides grants to state agriculture agencies to support specialty crops that are uneconomical to grow on their own merits. Taxpayer dollars make a poor fertilizer: this special-interest subsidy program is inefficient and inappropriate, and it should be repealed.

Eliminate Specialty Crop Technical Assistance

The Specialty Crop Technical Assistance program provides subsidies to help export U.S. "specialty crops", such as fruits and vegetables, tree nuts, dried fruits, horticulture, and nursery crops. Eliminating this subsidy would save taxpayers $80 million over ten years.

Eliminate the National Sheep Industry Improvement Center

The National Sheep Industry Improvement Center provides grants to support sheep and goat producers, including financing annual trips to Australia. This mature industry does not require taxpayer dollars to enhance its production and marketing. This program should be repealed.

Eliminate Subsidies for Wool and Mohair

Federal subsidies for wool and mohair were first established in 1947. There is no compelling economic or strategic reason to continue these subsidies. These subsidies would be eliminated under this budget.

Eliminate the Rural Economic Development Loan and Grant program

This program provides grants and loans for to try to spur economic development where the private sector cannot support it. According to the Government Accountability Office, a number of other programs within the Department of Agriculture serve the same purpose.[309] This will save taxpayers $140 billion dollars.

Energy and Commerce

Repeal the Universal Service Fund (USF)

The Universal Service Fund (USF) provides subsidized telephone and broadband services for low-income individuals and in areas that are considered underserved. The USF is funded by "contributions" from telecommunications companies—in reality, consumers pay a tax that is included on each monthly bill. Unfortunately, the programs run by the fund, including the LifeLine program, which provides free government-funded cell phones, are too often fraught with waste, fraud, and abuse. This budget repeals the USF, saving taxpayers $110 billion in spending over the next ten years, according to the CBO.

Auction off all assets of the four remaining Power Marketing Administrations (PMAs) and the Tennessee Valley Authority (TVA)

The Tennessee Valley Authority (TVA) was created in 1933 to develop hydroelectric generation on the Tennessee River. Since that time, the federally run TVA has expanded its electric generating and transmission infrastructure significantly. Four government-run Power Marketing Administrations (Bonneville, Western Area, Southeastern, and Southwestern) operate electric systems in several regions around the country. Because power generation no longer needs to be carried out by the federal government, the TVA and the four remaining Power Marketing Administrations should be auctioned off to the private sector in a manner that ensures customers of the entities maintain service. Combined, these actions would reduce the ten-year deficit by over $64 billion.

[309] United States Government Accountability Office, "List of Selected Federal Programs That Have Similar or Overlapping Objectives, Provide Similar Services, or Are Fragmented Across Government Missions," March 18, 2011. https://www.gao.gov/new.items/d11474r.pdf.

Eliminate Corporation for Travel Promotion

Also known as Brand USA, the Corporation for Travel Promotion is a public-private partnership that promotes international travel to the United States. The federal funding for the program is derived from an assessment on entrants under the Visa Waiver Program. Marketing activities for the travel industry would be more appropriately handled by the private sector, not the federal government. Further, it is poor policy to attempt to increase U.S. tourism by increasing the costs of U.S. visas – raising prices is never the right way to attract business. Eliminating the Travel Promotion Fund would reduce spending by $200 million over the next decade.

Stop Net Neutrality

A free and open Internet has been one of the greatest catalysts for innovation, opportunity, and economic growth. Rigid government regulation of the Internet will only stifle prosperity and progress. Congress should codify the Federal Communication Commission's December 2017 action to dismantle the Obama era so-called net neutrality rules that reclassified broadband Internet access as a telecommunication service under Title II of the Communications Act of 1934. This proposal is based on the Internet Freedom Act, introduced by Representative Marsha Blackburn.

Education and Workforce

Allow States to Control Their Education Policies

Education policy should be set by parents, teachers, school boards, and locally elected officials—not Washington bureaucrats. As described by RSC Chairman Mark Walker, "innovation starts in our communities, not in Washington."[310] To this end, states should have the ability to completely opt-out of the burdensome and costly mandates created by the federal government. States should also have the option to receive federal education funds in the form of a block grant or refundable tax credits for participating states' residents. This proposal is based on H.R. 719, Academic Partnerships Lead Us to Success (A-PLUS) Act sponsored by Chairman Walker. This reform would restore local control of our education system to empower parents and teachers to help ensure each child has access to a quality education, allow states to consolidate funding, reducing bureaucracy and increasing transparency and accountability.[311]

In addition, parents should be given the flexibility and choice to remove their students from failing schools and place them in accredited private schools using their portion of Elementary and Secondary Education Act Title I funding. The Enhancing Educational Opportunities for All Students Act sponsored by Representative Luke Messer and the Transform Education in America Through Choice (TEACH) Act sponsored by Representative Ted Yoho, both contain this proposal.

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[310] Congressman Mark Walker, "Walker Introduces A-PLUS Act to Empower Parents and Teachers", January 25, 2017. https://walker.house.gov/media-center/press-releases/walker-introduces-plus-act-empower-parents-and-teachers.
[311] Congressman Mark Walker, "Walker at Heritage Event: "Education Should Not Be a Partisan Issue"", January 24, 2017. https://walker.house.gov/media-center/press-releases/walker-heritage-event-education-should-not-be-partisan-issue.

"We know that children succeed when parents and teachers are empowered, not the bureaucracies or the politicians."

–RSC Chairman Mark Walker at the Launch of the Heritage Foundation's Center for Education Policy

Encourage Reforms to Higher Education to Increase Accessibility and Decrease Cost

As traditional college costs rise, we must look to innovative approaches to higher education that serve a diverse and non-traditional student population. Not all students want to pursue a traditional four-year degree, nor do they need to in order to have a successful career. Unfortunately, students who use federal loans and grants can only access these funds if they attend a federally "accredited" institution. Allowing states to experiment with their own accreditation processes—while keeping in place the current system for those who utilize it—would allow a variety of institutions to offer classes to those students who depend on federal grants and loans. In addition, increased state flexibility would allow non-traditional students the opportunity to tailor their education to fit their needs. This proposal is based on the Higher Education Reform and Opportunity (HERO) Act sponsored by Representative Ron DeSantis.

Eliminate the Pell Grant Mandatory Spending Add-On

The Pell Grant program is the largest federal program that supports low-income undergraduate students, assisting about 8 million students per year. According to the Congressional Budget Office, studies have shown that schools have responded to the increases in the size of Pell grants by raising tuition or shifting aid to other students.[312] This budget proposes eliminating the "add-on" funding for the Pell Grant program that is funded by mandatory spending, saving taxpayers more than $66 billion over the next decade, while still providing each eligible student thousands of dollars each year through the discretionary funding stream.

Eliminate In-School Subsidies for Undergraduates

Under current law, interest does not accrue for undergraduate students who take advantage of federally subsidized student loans. Meanwhile, recent reforms eliminated the in-school subsidy for graduate students. This budget proposes to also eliminate the in-school subsidy for undergraduate students, which would ask a typical student to repay only $37 more per month while savings taxpayers almost $29 billion over the next decade.[313] Importantly, this reform would also more accurately show the true cost of these loans to students and parents, encouraging them to properly weigh the risks, costs, and benefits of using federal financing and incentivizing students to pursue studies likely to result in careers worth the cost of their degree.

[312] Congressional Budget Office, "Eliminate the Add-On to Pell Grants, Which Is Funded With Mandatory Spending", December 8, 2016. https://www.cbo.gov/budget-options/2016/52174.
[313] Congressional Budget Office, "Reduce or Eliminate Subsidized Loans for Undergraduate Students", December 8, 2016. https://www.cbo.gov/budget-options/2016/52176.

Create A Single Income Driven Repayment (IDR) Plan

The federal government offers a litany of student loan repayment plans based on the borrower's income. They vary between the percentage of income that a borrower has to pay, the way in which that payment may change over time, the period over which a borrower has to pay, and the annual income qualifications. Congress should examine proposals for consolidating income-based repayment plans to make enrollment and repayment simpler and more predictable for future borrowers. Additionally, Congress should consider instituting borrowing caps on undergraduate and graduate student loans at a level that promotes responsible borrowing and discourages tuition hikes.

Charge Fair Premiums for Federal Insurance for Private Pension Plans

The Pension Benefit Guarantee Corporation (PBGC) provides federal insurance for participants in private defined-benefit pension plans, covering more than 40 million people. Companies that are covered by the PBGC pay premiums for this insurance. If an insured pension plan fails without sufficient assets to pay promised benefits, the plans' liabilities are assumed by the PBGC. This budget proposes increasing the premiums charged to private pension plans, more closely aligning them with the risk borne by the PBGC (and the taxpayer), and increasing the incentive for employers to properly fund their pension plans.

In recent years, increases in unrelated federal spending have been offset by increases in PBGC fees, which are then diverted away from the insurance fund, and by allowing private firms to game the formula used to calculate the fees. As a result, we have more poorly funded pension plans, commensurately higher future obligations for the PBGC, and diminished PBGC assets.

Often, these diversions have been paired with so called "pension-smoothing" – the use of artificially high discount rates for calculating future pension liabilities, which reduces the amount firms are required to pay to adequately fund their plans. As a result of these lower contributions to pension plans, firms have higher taxable income, and thus more federal government revenue. However, while the additional revenue is spent on unrelated items, in reality this exercise reduces the solvency of pension plans and increases future liabilities of the PBGC. As with so many other gimmicks, this drives federal spending higher today, and risks leaving taxpayers on the hook for even more in the future.

This budget calls for an end to both of these grossly irresponsible gimmicks.

Financial Services

End the Government Sponsored Enterprises Fannie Mae and Freddie Mac and Reform the Federal Housing Administration

Taxpayers have bailed out Fannie Mae and Freddie Mac to the tune of $187 billion. Since that time, the government sponsored enterprises (GSEs) have funded between 75 and 85 percent of all mortgage originations.[314] The Federal Housing Administration's (FHA) fiscal situation became so dire that President Obama's FY 2014 budget requested $943 million to bail out the mortgage insurer.

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[314] Sean M. Hoskins, N. Eric Weiss, Katie Jones, Congressional Research Service, "Selected Legislative Proposals to Reform the Housing Finance System", June 11, 2014. http://www.crs.gov/Reports/R43219.

According the House Financial Services Committee, Fannie and Freddie have left taxpayers liable for more than $5 trillion in mortgage guarantees.[315] The Richmond Federal Reserve's Bailout Barometer estimates that the federal government explicitly or implicitly backs 60.3 percent of the liabilities of the entire financial system – putting taxpayers on the hook for nearly $26 trillion.[316] This budget recommends a repeal of Fannie Mae and Freddie Mac's federal charters. Further, the FHA should be reformed so that it can operate on a self-sufficient basis. This proposal is based on Representative Jeb Hensarling's Protecting American Taxpayers and Homeowners Act.

Increase and Extend Guarantee Fees

While Congress works to wind down the GSEs, it should implement reforms to help level their competition with the private sector. Under current law, Fannie Mae and Freddie Mac are required to charge an additional .1 percent Guarantee Fee (G-Fee) through FY 2021. The President's Budget has proposed to increase this fee to .2 percent and to extend it through FY 2023, which would decrease deficits by $26 billion over the FY 2019 – 2028 period.

End Dodd-Frank Bailout Authority for Big Banks

Dodd-Frank financial reform law provided the Federal Deposit Insurance Corporation (FDIC) the authority to access taxpayer dollars to bail out the creditors of large, "systemically significant" financial institutions. The taxpayers should not be the emergency piggy bank for poor decision-making by financial institutions and corporations. This budget proposal would save $20 billion over ten years by eliminating this bailout authority, according to the CBO.

Audit and Reform the Federal Reserve

Article I of the Constitution gives Congress the authority to coin money and to regulate the dollar's value. To remove politics from decisions about monetary, prudential, and supervisory policy, Congress outsourced this responsibility to an independent Federal Reserve. For too long, the Federal Reserve has operated without full transparency. Under current law, Congress is prohibited from accessing all of the Federal Reserve's books. GAO, which serves as Congress's non-partisan watchdog, should be allowed to review and inspect the Federal Reserve just as it does other agencies. Only through increased transparency can Congress conduct necessary oversight and provide accountability to the American people. This commonsense proposal is based on H.R. 24, the Federal Reserve Transparency Act.

This budget also recommends the creation of a Centennial Monetary Commission, such as the one proposed by Representative Kevin Brady. This commission should examine how the Fed's policies have affected the U.S. economy and make recommendations to Congress for potential reforms.

Finally, the Federal Reserve should be required to adopt a transparent, rules-based monetary strategy. Over the last decade, the Fed's monetary policy decisions have been highly discretionary and unconventional. In contrast, periods of more systematic monetary policy have brought about better

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[315] Committee on Financial Services, "PATH Act to Protect Taxpayers & Homeowners Passes Committee", July 24, 2013. http://financialservices.house.gov/news/documentsingle.aspx?DocumentID=343722.
[316] Federal Reserve Bank of Richmond, "Bailout Barometer: How Large is the Financial Safety Net?", September 8, 2017. https://www.richmondfed.org/safetynet/.

economic performance. As described by noted monetary economist John Taylor, "sound rules-based monetary policy and good economic performance go hand in hand."[317]

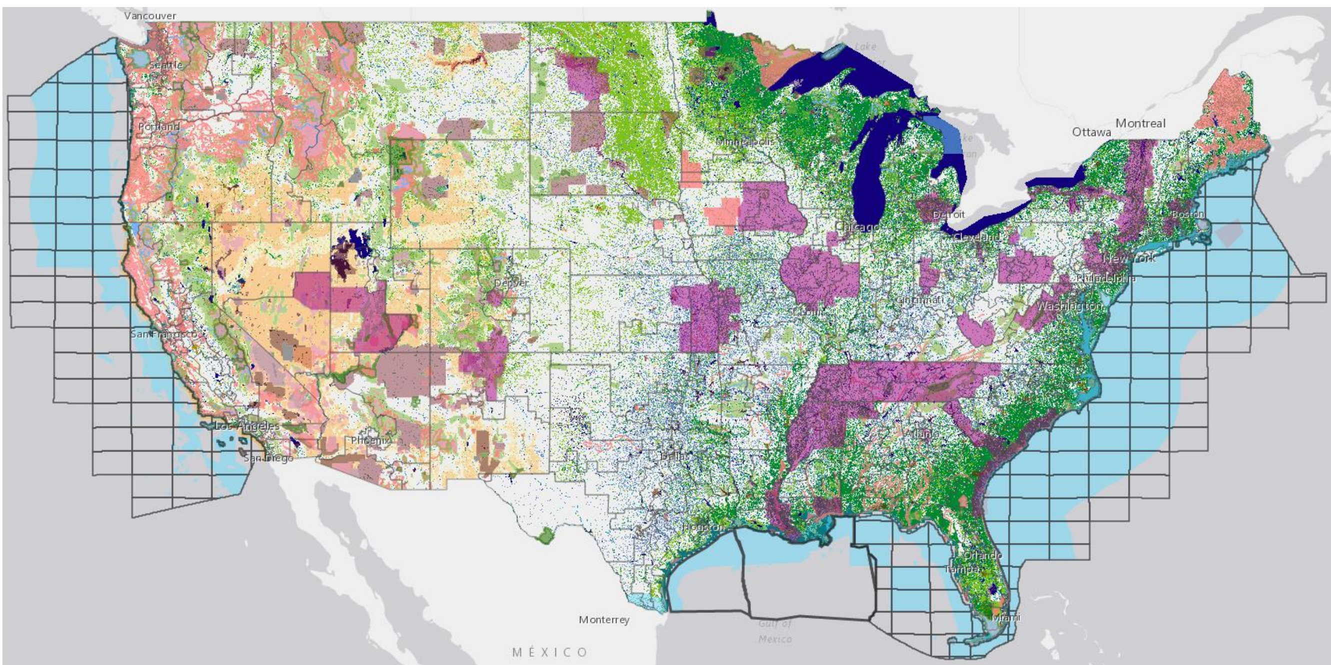
Reform the Federal Commemorative Coins Program

When directed by Congress, the U.S. Mint can create special commemorative coins to honor individuals, organizations, places, or events. These coins are sold to the public and a surcharge is devoted to specific private organizations. Instead of using this revenue to circumvent the earmark moratorium and benefiting the well-connected, this surcharge revenue for new commemorative coins should be directed to the Treasury for the purpose of paying down our national debt.

Natural Resources

Reduce the Federal Government's Footprint

The federal government's physical footprint is staggering.



House Committee on Natural Resources, "Federal Footprint Map", accessed February, 2016. http://naturalresources.house.gov/federalfootprint/

According to the Congressional Research Service, "the federal government owns roughly 640 million acres, about 28% of the 2.27 billion acres of land in the United States. Four major federal land management agencies administer 610.1 million acres of this land (as of September 30, 2015)."[318] The Bureau of Land Management controls 247 million acres of land. There are 193 million acres of National

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[317] John B. Taylor, Hoover Institution at Stanford University, Blueprint for America edited by George Schultz, "National and International Monetary Reform", July 8, 2016. http://www.hoover.org/sites/default/files/research/docs/george_shultz_blueprint_for_america_ch6.pdf.

[318] Carol Hardy Vincent, Laura A. Hanson, Carla N. Argueta, Congressional Research Service, "Federal Land Ownership: Overview and Data," March 3, 2017. https://fas.org/sgp/crs/misc/R42346.pdf.

Forests and Grasslands, and almost 90 million acres of National Wildlife Refuges. There are 765 designated Wilderness Areas, 208 Wild and Scenic Rivers, 49 National Heritage Areas, 704 Critical Habitat areas, and 408 National Parks. There are also a number of other areas that are all controlled by an alphabet soup of federal agencies, from the EPA to NOAA, to the BOEM and more.[319]

Additionally, the federal government owns more than 731,000 buildings and structures that are worth hundreds of billions of dollars and cost tens of billions of dollars a year to operate. In FY 2010, the government listed 77,000 buildings as underutilized or vacant, totaling 490 million square feet.[320]

Bureaucrats in Washington should not control such a vast amount of our nation's lands. In fact, throughout much of the country's history, the focus of federal land management has been to devolve ownership. Between 1781 and 1940, the federal government privatized 792 million acres and transferred 470 million acres to the states.[321]

The federal government should look for ways to reduce its land holdings and real property in a responsible way, transferring them to the private sector, states, and local governments whenever possible.

Reform the Antiquities Act

The Antiquities Act of 1906 was enacted to give the president authority to protect archeological sites from looting. Like other unchecked powers given to the executive branch, this authority has been abused. President Obama has used the Antiquities Act to remove 533 million additional acres of land and water from productive use, more than any other president.[322] While President Trump has taken steps to roll back Obama era Antiquities Act monuments in Utah, the Act must be reformed to ensure rolling back is not necessary again in the future.

Because a national monument designation imposes strict restrictions on land use, the Antiquities Act can hurt local economies that rely on logging, mineral development, energy creation, or recreational activities on the federal land. Further, ever-growing federal land holdings spread the resources to manage those holding too thin, resulting in the neglect and mismanagement of land that often results in destruction of the environments proclamations were intended to protect. Before an area is designated as a national monument, the designation should be approved by an act of Congress.

Oversight and Government Reform

Deconstruct the Administrative State

The federal bureaucracy has immense power over the lives of every American. Although "more people can vote than ever before, but fewer and fewer issues are available to be voted on; much of the "people's

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[319] House Committee on Natural Resources, "Federal Footprint Map", accessed February, 2016. http://naturalresources.house.gov/federalfootprint/.
[320] House Committee on Transportation and Infrastructure, "Memo Re: Legislative Hearing on Saving Taxpayer Dollars in Federal Real Estate: Reducing the Government's Space Footprint", June 12, 2015. http://transportation.house.gov/uploadedfiles/2015-06-16_-_ed_hearing_ssm.pdf.
[321] Chris Edwards, Downsizing the Federal Government, "Devolving Federal Lands", January 4, 2017. https://www.downsizinggovernment.org/devolving-federal-lands.
[322] Juliet Eilperin and Brady Dennis, Washington Post, "With new monuments in Nevada, Utah, Obama adds to his environmental legacy", December 28, 2016. https://www.washingtonpost.com/national/health-science/with-new-monuments-in-nevada-utah-obama-adds-to-his-environmental-legacy/2016/12/28/e9833f62-c471-11e6-8422-eac61c0ef74d_story.html?utm_term=.5ea265d1e108.

business," both regulatory and adjudicatory, and on both the state and federal level, is conducted by men and women who will never have to stand for office."[323] Federal regulations, written and enforced by the bureaucracy, govern virtually every aspect of the economy and society. Those who break these rules are often tried by that same bureaucracy. But the bureaucrats and bureaucracy itself cannot be held accountable.

It has become virtually impossible to remove most federal employees, even for cause. A review by the Government Accountability Office (GAO) found that the dismissal process is estimated to take 170 to 370 days – plus "during the dismissal process the employee may make a request for a reasonable accommodation, file a grievance, or file an EEOC complaint", which "may add time to the process".[324] Since 2000, an annual average of just 0.15 percent of protected federal employees have been removed for cause.[325] One analysis found that "federal workers are far more likely to be audited by the IRS or get arrested for drunk driving than they are to be fired from the civil service payroll for poor performance or misconduct."[326] This system is so absurd that the courts have actually ruled that federal employees have a property right to continued employment.[327] Not only can federal employees stay on the job indefinitely, they are also compensated by the taxpayers an average of 17 percent higher than their private-sector counterparts.[328]

This has begun to change, thanks to the enactment of the Department of Veterans Affairs Accountability and Whistleblower Protection Act of 2017, which was signed into law in June 2017. This important reform allows the Secretary of the Department of Veterans Affairs to remove, demote, or suspend VA employees for poor performance or misconduct. Since the bill was signed into law, 1,873 VA employees have been removed for cause, 289 have been issued a long suspension, and 65 have been demoted.[329] This budget supports H.R. 1643, the Federal Employee Accountability Act of 2017, introduced by Rep. Ted Yoho, a bill that would apply this success story to all agencies.

While the American people may vote for a new presidential administration every four years, the 2.8 million employees that make up the federal civilian workforce largely stay in place despite the change in the resident of the White House.[330] An incoming president is only able to make about 4,000 appointments, just 0.1 percent of the entire federal workforce.[331]

These factors have combined to establish a permanent, ultra-powerful, and unaccountable administrative state that was never contemplated by the Founders. The federal bureaucracy cannot even be checked by

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[323] Inez Feltscher Stepman and Jarrett Stepman, ALEC Center to Restore the Balance of Government, "Civil Service Reform for the 21st Century: Restoring Democratic Accountability to the Administrative State", March 2017. https://www.alec.org/app/uploads/2017/03/2017-Center-Point_-21st-Century-Civil-Service_Final.pdf.
[324] Government Accountability Office, "Federal Workforce Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance", February 2015. http://www.gao.gov/assets/670/668339.pdf.
[325] Kevin Kosar, R Street Institute, "It really is nearly impossible to fire a federal employee", May 15, 2015. http://www.rstreet.org/op-ed/it-really-is-nearly-impossible-to-fire-a-federal-employee/.
[326] Kathryn Watson, The Daily Caller News Foundation, "Here's Why It's All But Impossible To Fire A Fed", March 3, 2016. http://dailycaller.com/2016/03/03/heres-why-its-all-but-impossible-to-fire-a-fed/.
[327] Jared Cole, Congressional Research Service, "The Civil Service Reform Act: Due Process and Misconduct-Related Adverse Actions", March 29, 2017. http://www.crs.gov/Reports/R44803#_Toc478635794.
[328] Congressional Budget Office, "Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015", April; 25, 2017. https://www.cbo.gov/publication/52637.
[329] U.S. Department of Veterans Affairs, Office of Accountability and Whistleblower Protection, "Department of Veterans Affairs Accountability Report Accountability Actions taken 1/20/2017 through 2/14/2018", February 14, 2018. https://www.va.gov/accountability/Adverse_Actions_Report.pdf.
[330] U.S. Bureau of Labor Statistics, All Employees: Government: Federal [CES9091000001], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CES9091000001, May 11, 2017.
[331] Bonnie Berkowitz and Kevin Uhrmacher, Washington Post, "It's not just the Cabinet: Trump's transition team may need to find about 4,100 appointees", December 5, 2016. https://www.washingtonpost.com/graphics/politics/trump-transition-appointments-scale/.

its nominal head, the president. We have even witnessed "another level of resistance to the new president that is less visible and potentially more troublesome to the administration: a growing wave of opposition from the federal workers charged with implementing any new president's agenda."[332] As one analysis has concluded, "If the president does not control the staff of the executive branch, they remain outside of meaningful democratic control."[333]

This administrative state now operates outside the bounds of the Constitution, so powerful that it has come to be considered a fourth branch of the government.[334] For the sake of our republic and the happiness of the American people, the administration of government must be reformed, lest it become permanently and fatally destructive to the securing of the rights of the citizenry.[335]

Because the Constitution provides that "Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments" and that "no money may be drawn from the Treasury but in consequence of appropriations made by law", it is necessary and appropriate that Congress play a significant role in reforming the federal bureaucracy. The RSC Budget therefore includes a number of common sense proposals to begin to rein in the administrative state:

- Federal employees should be considered at-will employees, as Congressional staff currently are.
- The size of the federal workforce should be reduced by attrition, by limiting new hires to one employee for every three who leaves the workforce.
- Automatic raises for federal employees should be eliminated. Pay increases for federal employees should be merit-based not automatic, while still limited to parallel pay increases in the private sector.
- The taxpayers should be protected by prohibiting union work by federal employees during official time and ending the practice of the federal government serving as the dues collector for the unions.
- Agencies should be required to seek Congressional approval for the expenditure of fines and fees collected under their jurisdiction.
- Congress should utilize the Holman Rule in appropriations bills to remove unneeded positions.
- Spending limits should be put in place for federal employee conferences, and the heads of federal agencies should be required to personally approve the most expensive conferences.

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332 Juliet Eilperin, Lisa Rein and Marc Fisher, Washington Post, "Resistance from within: Federal workers push back against Trump", January 31, 2017. https://www.washingtonpost.com/politics/resistance-from-within-federal-workers-push-back-against-trump/2017/01/31/c65b110e-e7cb-11e6-b82f-687d6e6a3e7c_story.html?utm_term=.f8c284d0a585.
333 Inez Feltscher Stepman and Jarrett Stepman, ALEC Center to Restore the Balance of Government, "Civil Service Reform for the 21st Century: Restoring Democratic Accountability to the Administrative State", March 2017. https://www.alec.org/app/uploads/2017/03/2017-Center-Point_-21st-Century-Civil-Service_Final.pdf.
334 David S. D'Amato, American Thinker, "Dismantling America's Destructive 'Fourth Branch' of Government", March 9, 217. http://www.americanthinker.com/articles/2017/03/dismantling_americas_destructive_fourth_branch_of_government.html.
335 James Madison, The Federalist Papers, "The Particular Structure of the New Government and the Distribution of Power Among Its Different Parts", February 1, 1788. http://avalon.law.yale.edu/18th_century/fed47.asp.

There should be reasonable limits on the size of bonuses that can be awarded and the number of senior employees who can receive an award. More than $1 billion in bonuses for federal employees were paid by the taxpayers in 2016. Making the situation worse, these were not disclosed publicly. H.R. 5290, the Federal Employee Bonus Disclosure Act, introduced by Rep. Mark Sanford, would require disclosure of all bonuses for federal employees. Additionally, this bill would require reports to Congress on all large cash bonuses.[336]

Reform Federal Employee Pension Plans

Federal employees hired since 1984 are entitled to a two-part retirement program, including the Federal Retirement System (FERS) defined benefit plan and a 401k-style plan with up to a 5 percent government matching contribution. Under FERS, federal workers hired before 2013 contribute only 0.8 percent of their pay, while the taxpayers contribute 11.7 percent of employees' salaries. A 2017 CBO report found that, on average, federal civilian employees receive 47 percent more in benefits than the comparable average private-sector employee.[337]

This budget would make several reforms to the federal employee retirement system. First, instead of basing the amount of a retiree's benefit on the highest three years of earnings, the benefit would be calculated from the highest five-year period. The share of employee contributions to FERS should be increased over time, to more closely align with the private sector. The cost of living adjustment (COLA) for FERS and CSRS should be reduced or eliminated. The Special Retirement Supplement (SRS), which provides additional benefits for retirees younger than 62 but who had a long federal work history, would be eliminated. The interest rate provided by the G Fund in the Thrift Savings Plan (TSP) should be reformed to more accurately reflect the yield on a short term T-bill rate.

Additionally, all federal employees would be required to contribute more towards their retirement. The Middle Class Tax Relief and Job Creation Act of 2012 required new federal employees to contribute more towards their retirement. No changes were made for current federal employees. This proposal would equalize the treatment for all federal workers.

Adopt Premium Support for Federal Employee Health Care

The Federal Employee Health Benefits Program (FEHBP) provides health insurance coverage for federal employees and their dependents. Participants choose from a range of plans and pay for about 30 percent of premiums, with the federal government covering the remaining 70 percent. Because this ratio does not change with the higher-priced coverage options, federal employees have the incentive to choose the more expensive plans on the taxpayer's dime.

This budget would transition to a premium support system for the FEHBP. The government would offer a standard federal contribution towards the purchase of health insurance and employees would be responsible for paying the rest. This option would encourage employees to purchase plans with the appropriate amount of coverage that fits their needs.

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[336] Rep. Mark Sanford, Federal Employee Bonus Disclosure Act. https://sanford.house.gov/legislation/federal-employee-bonus-disclosure-act.
[337] Congressional Budget Office, "Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015", April 25, 2017. https://www.cbo.gov/publication/52637.

The government should also reduce the employer contributions to premiums, to more closely align with the private sector.

Require Disclosure on Taxpayer-Funded Advertisements

In the interest of transparency and accountability, the public should know when taxpayer dollars are used to promote government projects. Television and radio advertisements, mailers, and brochures that are purchased at taxpayer expense should include a disclaimer identifying this fact, as well as the cost of the advertisement.

Use a More Accurate Measure of Inflation, Government Wide

Many federal programs rely on different measures of inflation to determine benefit levels. This is typically done using changes in the consumer price index (CPI). Since 2002, the Bureau of Labor Statistics has published a more accurate measure of inflation, called the Chained Consumer Price Index (chained CPI). This budget proposes using the more accurate measure for inflation, chained CPI, saving the taxpayers $230 billion in total over the next ten years, with the majority of that amount going toward making Social Security solvent, according to the CBO.

Prohibit the Federal Government from Bailing Out Irresponsible States, Territories, and Local Governments

State and local governments are the great laboratories for democracy. Sadly, some states, territories, and cities have been negligent in addressing pending financial problems. Taxpayers in financially healthy states should not be on the hook for the reckless behavior and mistakes of other parts of the country. This budget would prohibit such bailouts. This proposal is based upon H.R. 1124, the State and Local Pensions Accountability and Security Act sponsored by Representative Brian Babin.

Ignoring the basic principle of the rule of law to allow states to discharge debt in bankruptcy is no different than if the federal government forcibly confiscated the retirement savings of millions of Americans in taxes. In order to prevent the fiscal irresponsibility of a minority of states and territories from being imposed on to taxpayers and savers, this budget supports maintaining existing federal bankruptcy law and prohibiting access to bankruptcy for state governments.

Require the President to Fulfill his Constitutional Duty to Enforce the Law

Article II, Section 3, of the U.S. Constitution states that the president "shall take care that the laws be faithfully executed." Unfortunately, President Obama repeatedly failed to fulfill his Constitutional duty. He delayed the Obamacare employer mandate, refused to enforce our immigration laws, granted welfare work requirement waivers in violation of the 1996 welfare reform law, failed to enforce federal drug laws in states that permit medical and recreational marijuana use, and halted the prosecution of low-level drug offenders under mandatory minimum sentencing laws.

Because of the court system's strict standing precedent, it can be unnecessarily difficult for Congress to challenge a president who does not uphold the law. The legislative branch should have the ability to authorize a lawsuit against the executive branch with an expedited process for consideration by the courts if the president fails to faithfully execute the law.

Enact Common Sense Reforms

There are a number of common sense bipartisan reforms that could easily be adopted to save the taxpayers money. Ensuring that contracts are open to competitive bids and utilizing bulk buying could potentially save billions of dollars. These proposals are based on Representative Robert Pittenger's Unified Savings and Accountability (USA) Act. Other aspects of the USA Act, such as addressing fraud and reforming the management of federal property, are included throughout this budget.

Transportation and Infrastructure

Return Transportation and Infrastructure Policy to the States

Government-directed infrastructure programs are often portrayed as an economic stimulus that will create jobs. This notion is an economic fallacy. While it is easy to see the physical results of what has been constructed by a government project, it is vital to understand the results of that spending, which is not as easily seen.[339] Any dollar spent by the government is a dollar that must first be extracted from the productive economy and then cannot be allocated more efficiently under the basic laws of economics that govern the free market.

A recent academic paper analyzing the potential impact of infrastructure spending as an economic stimulus in 2017 describes the costs of federal stimulus: "As a short-term measure, more deficit-financed infrastructure spending is a risky bet. At best, it is likely to be ineffective; at worst, it will be counterproductive. One long-term impact of further stimulus is certain: it would leave the United States deeper in debt at a time when the country can ill afford it. As a long-term measure, infrastructure spending is not a solution for America's lackluster growth rates."[340]

The debate about the stimulative effect of infrastructure spending by the federal government ignores a more important discussion that is needed as to whether it is appropriate for the federal government to provide for these projects or if the federal government is even granted the power to provide for transportation and infrastructure projects.

President James Madison, regarded as the Father of the Constitution, answered the latter, more important, question by vetoing an act passed by Congress to fund the construction of roads, canals, and water infrastructure projects. Madison vetoed the "internal improvements" bill because, despite his personal understanding of the importance of roads and canals, the Constitution provides Congress no power to provide for such projects.[341] The 10th Amendment reinforces the fact that the authorities granted under the Constitution to the federal government are limited to only those enumerated powers by declaring that the "powers not delegated to the United States by the Constitution … are reserved to the States respectively, or to the people."

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[339] Frédéric Bastiat, "That Which is Seen, and That Which is Not Seen", July 1850. http://bastiat.org/en/twisatwins.html.
[340] Veronique de Rugy and Matthew D. Mitchell, Mercatus Center at George Mason University, "Would More Infrastructure Spending Stimulate the Economy in 2017?", January 2017. https://www.mercatus.org/system/files/mercatus-derugy-infrastructure-v2.pdf.
[341] James Madison, "Veto Message on the Internal Improvements Bill", March 3, 1817. https://millercenter.org/the-presidency/presidential-speeches/march-3-1817-veto-message-internal-improvements-bill.

"Having considered the bill this day presented to me entitled 'An act to set apart and pledge certain funds for internal improvements,' and which sets apart and pledges funds 'for constructing roads and canals, and improving the navigation of water courses'…I am constrained by the insuperable difficulty I feel in reconciling the bill with the Constitution of the United States to return it with that objection to the House of Representatives. The legislative powers vested in Congress are specified and enumerated in the eight section of the first article of the Constitution, and it does not appear that the power proposed to be exercised by the bill is among the enumerated powers."

–James Madison, Veto Message on the Internal Improvements Bill

The principle of understanding the Constitution as written has not always been respected. It has been sixty years since President Dwight Eisenhower signed the Federal Aid Highway Act of 1956 into law, beginning the construction of our nation's interstate system. Nearly 48,000 miles later, this top-down federal approach for our nation's highways should be returned to the states. State and local officials are in a much better position to understand the local transportation needs than are bureaucrats in Washington. This principle of federalism is succinctly described by the Mercatus Center: "It is a common mistake to assume that it is efficient or proper for the federal government to pay for roads and highways. With very few exceptions, most roads, bridges, and even highways are by nature local or, at the highest level, state projects. The federal government should have nothing to do with them."[342]

Current federal transportation policy is supposed to be self-financed by the 18.4 cent per gallon federal gas tax. But, as is too often the case, Washington has spent beyond its means and left taxpayers to foot the bill. In fact, since 2008 Congress has bailed out the Highway Trust Fund (HTF) to the tune of $143 billion, including $8 billion in 2015 and an additional $70 billion in 2016.[343]

Highway spending needs an overhaul. In reality, Washington mandates and carve-outs get in the way of important infrastructure spending.

Stop Spending Federal Highway Trust Fund Money on Local Transportation

Instead of this broken status quo, Congress should get government out of the way and devolve the federal government's control over most highway and transit programs to the state and local governments. This budget supports limiting federal transportation spending to core federal duties. These responsibilities would center primarily on the Interstate Highway System and transportation infrastructure on federal land.

Under the current highway bill, billions of dollars per year – 29 percent of annual spending from the Highway Trust Fund - are taken away from programs that support roads and bridges to fund programs that instead support initiatives that are purely local in nature or only benefit special interests.[344]

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[342] Veronique de Rugy and Matthew D. Mitchell, Mercatus Center at George Mason University, "Would More Infrastructure Spending Stimulate the Economy in 2017?", January 2017. https://www.mercatus.org/system/files/mercatus-derugy-infrastructure-v2.pdf.
[343] Congressional Budget Office, "Approaches to Making Federal Highway Spending More Productive", February 11, 2016. https://www.cbo.gov/publication/50150.
[344] Michael Sargent and Nicolas Loris, Heritage Foundation, "Driving Investment, Fueling Growth: How Strategic Reforms Can Generate $1.1 Trillion in Infrastructure Investment", May 3, 2017. http://www.heritage.org/government-regulation/report/driving-investment-fueling-growth-how-strategic-reforms-can-generate.

A first step in this transition should be to eliminate the Mass Transit Account (MTA). The MTA accounts for about 15 percent of Highway Trust Fund spending. Money that is diverted to the Mass Transit Account is primarily spent on state and local projects such as subways, buses, rails, and ferry systems, with much of it funneled through the Federal Transit Administration.[345] Diverting money from the Highway Trust Fund inappropriately moves funds from being used on the highways that connect our states to projects that should be financed at the state or local level, and contributes to shortfalls in the Trust Fund resulting in bailouts. The Trust Fund is projected by CBO to go broke in 2022. This proposal is based in part on H.R. 2391, the Highway Restoration Act of 2017, introduced by Rep. Mark Sanford.

The 2015 Fixing America's Surface Transportation (FAST) Act merged the Transportation Alternatives Program (TAP) into the Surface Transportation Block Grant program. TAP provides federal funding for a number of local alternative transportation projects, including bike paths, trails, medians, sidewalks, historical preservation, archeological activities, landscaping, environmental mitigation, and scenic overlooks. The TAP program is allocated $830 million each year.

The Congestion Mitigation and Air Quality (CMAQ) program provides highway funding to a variety of non-highway programs that are supposed to reduce congestion and improve air quality. Projects can include diesel engine retrofits, transit projects, encouraging telecommuting, public education about transportation choices, carpool and vanpool marketing, car sharing, and alternative fuels and vehicles. States are not allowed to use these funds on expanding highway capacity. The CMAQ program is allocated $2.3 billion each year.

The highway bill even allows Highway Trust Fund dollars to be used for the encouragement of pollinator habitats for Monarch butterflies and honey bees.

These types of projects are not the responsibility of the federal government, nor should they be funded with gas tax revenue, which is designed to fund roads based on a user fee model.

As the overall level of federal responsibility is reduced, Congress should reduce the federal gas tax. Some have called for an increase in the gas tax to allow for increased levels of spending. This would hurt hardworking Americans at the pump and harm the economy. The HTF is in poor shape because Congress has intentionally overspent, not because taxes are too low. The RSC Budget would prohibit any gas tax increase.

Some have suggested the use of federal incentives to induce private infrastructure spending. The instinct here is a correct one, which is that the government should not tax the cost of investment. For this reason, the RSC Budget has consistently called for permanent full expensing of new business investments. However, this is very different than using the tax code to make the returns from investments in politically-favored projects more profitable, or worse, passing spending through the code to directly subsidize such projects. According to the CBO, as of 2015, there have been only 36 privately financed road projects in the United States over the last 25 years through public-private partnerships.[347] An "infrastructure bank" or other government financial instruments would only put taxpayers at additional risk.

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[345] Federal Transit Administration, About FTA, Accessed April 4, 2018. https://www.transit.dot.gov/about-fta.

[347] Chad Shirley, Congressional budget office, "Testimony Before the Committee on Ways and Means U.S. House of Representatives: The Status of the Highway Trust Fund and Options for Paying for Highway Spending", June 17, 2015. https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50298-TransportationTestimony_1.pdf.

It is a mistake to believe that the federal government can induce (through tax credits or other means) private sector entities to finance government-driven projects that make economic sense. Rather, such policies end up funding boondoggles that even the most speculative investor would normally flee from. The appropriate role of the federal government is to ensure the freedom of individuals to negotiate the terms of contracts and to provide for certainty in the enforcement of those contracts, while implementing a commonsense tax code that does not punish investment. Outside of these roles, the federal government should get out of the way and allow the market to allocate private infrastructure investments to their highest and best uses.

Reducing the Regulatory Burden on Infrastructure Development

When carrying out the federal highway program, states are forced to comply with a variety of complex environmental regulations that can add years of delay to the completion of important transportation projects, such as the Clean Air Act (CAA), the Clean Water Act (CWA), the Endangered Species Act (ESA), and the National Environmental Policy Act (NEPA).

The National Environmental Policy Act of 1969 (NEPA) requires agencies to review the possible environmental effects of proposed government actions prior to issuing a decision. These studies require several steps, including an environmental assessment, a determination that an action will have no significant impact, an Environmental Impact Statement (EIS) and a Record of Decision. In 2011 the average time to complete a NEPA study was 6.6 years.[348] President Trump's infrastructure plan proposes several changes to NEPA, including requiring a Record of Decision to be submitted within 21 months with an additional 3 months for the permit to be issued for projects, requiring regulatory changes to streamline the NEPA process, removing the EPA's review on EISs, and focusing agencies' reviews of NEPA analyses on that particular agency's area of expertise.[349]

Congress should also consider reforms to certain sections of the Clean Water Act that have been used to delay pipeline projects that have already been approved by the Federal Energy Commission[350] and retroactively rescind permits that have already been issued.[351]

These and other permitting reforms should be considered to help reduce the regulatory burden, streamline the permitting process and provide greater certainty to allow for projects to be approved in a more efficient manner.

On April 9, 2018, President Trump announced the signing of the One Federal Decision Memorandum of Understanding (MOU) by federal agencies.[352] The MOU would ensure a lead federal agency is designated to develop one Environmental Impact Statement and one Record of Decision for projects that involve multiple agencies. In addition, the agencies will aim to complete the permitting process within two years.

[348348] AECOM, 40 Proposed U.S. Transportation and Water infrastructure Projects of Major Economic Significance", Fall 2016. https://www.treasury.gov/connect/blog/Documents/final-infrastructure-report.pdf

[349] The White House, "Legislative Outline for Rebuilding Infrastructure in America," February 12, 2018. https://www.transportation.gov/sites/dot.gov/files/docs/briefing-room/304441/legoutline.pdf.

[350] Volcovici, Valerie, "Trump infrastructure plan would speed up pipelines, cut environmental reviews", February 12, 2018. https://www.reuters.com/article/us-usa-budget-infrastructure-energy/trump-infrastructure-plan-would-speed-up-pipelines-cut-environmental-reviews-idUSKBN1FW2Q1.

[351] Bakst, Daren, "Three Key Reforms for Federal Water Policy", November 23, 2016. https://www.heritage.org/agriculture/report/three-key-reforms-federal-water-policy.

[352] "President Donald J. Trump's Administration Is Improving Inefficient Permitting Reviews", April 9, 2018. https://www.whitehouse.gov/briefings-statements/president-donald-j-trumps-administration-improving-inefficient-permitting-reviews/.

The MOU creates a similar process that would be established by H.R. 1654, the Water Supply Permitting Coordination Act, which passed the House in June 2017. The bill would designate the Bureau of Reclamation (BOR) as the lead agency in the review, permitting, licensing and other federal approval processes for water storage projects in the 17 western states, establish responsibilities for BOR and cooperating agencies, and create timelines for approval.[353]

The policy of establishing a lead agency for overseeing the permit approval process should be codified to cover other types of projects where agency jurisdiction overlaps.

When the federal government funds a transportation project, it is subject to a number of different federal labor regulations that drive up the cost of the project, such as Davis-Bacon wage requirements and Project Labor Agreements. When projects cost more than necessary as a result of union-friendly regulatory requirements, taxpayers and commuters are harmed. These requirements should be eliminated in order to give taxpayers the best deal possible.

Eliminate the Essential Air Service Program

This program heavily subsidizes flights to and from rural areas—often at a cost of several hundred dollars per passenger. Congress has debated eliminating this program for years. The federal government should not be borrowing money to provide air service to areas of the country where the market will not support it. The Essential Air Service program should be eliminated beginning in FY 2019.

Equalize Cost-Sharing for Disasters

While the recovery of disaster-struck communities is a significant concern that can warrant federal assistance, it is Congress' responsibility to ensure that disaster funding is administered in a fiscally responsible manner. Under current law, FEMA is required to cover at least 75 percent of disaster costs, with the state covering the rest. Instead of ensuring states have adequate funds saved to address natural disasters, states have relied on FEMA to provide relief, knowing the federal government would step in to provide disaster relief funds. In order to ensure states are not incentivized to rely on the federal coffers for disaster relief, the RSC Budget proposes eliminating the 75 percent minimum federal share, and replacing it with a standard requiring equal contributions from the federal and state government.

Ways and Means

Eliminate the Social Services Block Grant (SSBG)

The Social Services Block Grant (SSBG) program provides funding to states that can be used for a wide range of social programs. However, this funding is duplicative of many other federal programs. The single largest use of these funds is to cover states' administrative costs of providing information and referrals to government programs. The SSBG should be eliminated, saving more than $17 billion over the next decade.

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[353] Rep. Tom McClintock, Water Supply Permitting Coordination Act. https://mcclintock.house.gov/newsroom/speeches/hr1654-water-supply-permitting-coordination-act.

Judiciary

Criminal Justice System and Prison Reform

Federal regulatory agencies spend tens of billions of dollars each year developing and enacting regulations— many of which are enforceable by fines or even imprisonment.[354] As the size and scope of the federal government has dramatically expanded, the criminal code has ballooned. The U.S. Department of Justice and the American Bar Association cannot even accurately quantify the number of laws that impose a criminal penalty.[355] Many people in violation of the law have no idea they are breaking a federal law, so they lack a "guilty mind" (*mens rea)* component found in most criminal statutes. Legislation like the Criminal Code Improvement Act, which would establish a default *mens rea* standard when one is not supplied by federal law, is essential to slow down the rapid expansion of criminal penalties in our justice system. Enforcing a *mens rea* standard ensures that only those that intend to commit a crime are criminally liable and prevents the government agencies like the EPA from destroying innocent lives through excessively burdensome regulations.[356]

Overcriminalization traps not only the convicted in a cycle of poverty and incarceration, but also harms the families many leave behind while they are behind bars. Several commonsense reforms targeting non-violent offenders have already made their way through the House Judiciary Committee.[357] The RSC Budget recommends that the House Judiciary Committee continue its review of the criminal code and that reforms addressing over-criminalization and *mens rea* be enacted.

Stop Civil Asset Forfeiture Abuse

Many Americans assume that their due process rights are automatically honored by the government. However, under current law, federal, state and local police can seize an individual's property unless that individual can prove that he or she acquired it legally. This must change.

Instead of tweeting misleading information about asset forfeiture, law enforcement agencies should respect the due process rights of the American people.[358] Unfortunately, in July 2017, the Department of Justice revived a suspended civil asset forfeiture policy that creates financial incentives for state and local law enforcement to seize property.[359]

The Fifth Amendment Integrity Restoration (FAIR) Act, introduced by Representative Tim Walberg, would protect our constitutional rights and save American families from a costly and messy legal process

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[354] Competitive Enterprise Institute, "Red Tapeworm 2014: The High Cost of Overcriminalization." https://cei.org/blog/red-tapeworm-2014-high-cost-overcriminalization.

[355] Michael B. Mukasey and Paul Larkin, Heritage Foundation, "The Perils of Overcriminalization." http://www.heritage.org/research/reports/2015/02/the-perils-of-overcriminalization.

[356] House Judiciary Committee, "Criminal Justice Reform Initiative." http://judiciary.house.gov/index.cfm/criminal-justice-reform-initiative.

[357] House Judiciary Committee, "House Judiciary Committee Approves Bills To Address Federal Over-Criminalization", November 18, 2015. http://judiciary.house.gov/index.cfm/press-releases?ID=ED94519C-05D8-46EB-A5C7-3A8ACC55B5F9. And House Judiciary Committee, "Goodlatte Statement At Markup Of H.R. 759, The "Recidivism Risk Reduction Act"", February 11, 2016. http://judiciary.house.gov/index.cfm/press-releases?ID=D67708E1-8805-4357-9077-4B7E929B7E13.

[358] Federal Bureau of Investigation, "Asset forfeiture is used by #lawenforcement to deprive criminals of ill-gotten gains through seizure of assets.", April 3, 2017. https://twitter.com/FBI/status/848928247240773632.

[359] United States Department of Justice, Order Number 3946-2017: "Federal Forfeiture of Property Seized by State and Local Law Enforcement Agencies," July 19, 2017. https://www.justice.gov/file/982611/download.

to regain what is legally theirs. This legislation would raise the standard to seize assets and reduce incentives in law for states and localities to unnecessarily seize property in civil forfeiture.

Further, like other fines and fees collected by federal agencies, this budget calls for funds derived from forfeiture proceedings to be appropriated by Congress. This removes the perverse incentive for law enforcement to conduct unconstitutional seizures simply to pad their operating budgets.

Protect Private Property from Government Seizure

The Fifth Amendment provides that "private property [shall not] be taken for public use, without just compensation." However, the Supreme Court put this important guarantee of private property rights in jeopardy in *Kelo v. City of New London.* That ruling determined local governments may use eminent domain to seize private property and then sell it for development purposes. To prevent this type of government abuse, federal economic development funding to local governments should be dependent on states' restraint from using eminent domain for private economic development.

STRENGTHENING NATIONAL SECURITY

Article I Section 8 of the United States Constitution provides for Congress to "raise and support armies" and "provide and maintain a navy." This fundamental power has remained the cornerstone of our government's primary responsibility of keeping our citizens safe and defending our interests at home and abroad. The Republican Study Committee commends President Trump and his administration for changing course by seeking to restore our military's strength as articulated in the president's new National Defense Strategy,[360] and new National Security Strategy.[361] The inept and misguided foreign policy of the previous administration contributed to the decline of American standing throughout the world. Its neglect of America's military has left the nation with a difficult task of rebuilding military readiness and force projection capabilities in an increasingly unstable international environment.

The RSC has always supported and prioritized our nation's defenders. Accordingly, this budget aims to meet the need for responsible national security funding to ensure our men and women in uniform have the tools they need to accomplish their mission and return home safely. The national security budget should never be set at an arbitrary level or dictated by political favoritism or expediency. Rather, it is properly determined by evaluating the threats we face as a nation, and ascertaining what resources are required to carry forth our interests abroad, and to deter and defeat our enemies. It should never be hamstrung by efforts to fund domestic programs with little constitutional foundation.

To provide for the nation's continued security, the RSC Budget proposes $716 billion in discretionary budget authority for national defense, including funding for the Global War on Terror (GWOT) - otherwise known as Overseas Contingency Operations (OCO) - in Fiscal Year 2019. Importantly, this budget ends the budgetary gimmickry of funding base defense needs through cap-exempt OCO appropriations. Instead, the RSC Budget incorporates the known and planned ongoing costs of defending our national priorities into the base defense funding. Over the next decade, the RSC Budget would provide over $7.57 trillion in total discretionary defense funding.

The RSC believes defense spending should address the threats we face in a dangerous world. That is why the RSC's budget strongly advocates ending the arbitrary "firewall" between defense and non-defense discretionary spending imposed by the Budget Control Act. The separation of defense and non-defense discretionary funding reinforces the destructive notion of "parity" – the idea that defense spending increases should necessitate non-defense spending increases on domestic programs and federal agencies. This handcuffs the ability of Congress to provide for our national defense, contributes to our national debt, and unnecessarily swells our bureaucratic state.

In this way, the RSC Budget seeks to attain fiscal discipline and prevent trillions from being added to the national debt, which defense experts have said is the greatest threat to our national security.[362] The national debt must be controlled in order to continue to fully fund important national security programs and personnel.

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[360] 2018 National Defense Strategy for the United States of America; https://www.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf.
[361] National Security Strategy of the United States of America, December 2017; https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf.
[362] Tim Mak, Washington Examiner, "Former top military officer sees national debt as biggest threat to country", January 21, 2014. http://www.washingtonexaminer.com/former-top-military-officer-sees-national-debt-as-biggest-threat-to-country/article/2542594.

A Dangerous World

The United States faces an increasingly complex and tumultuous world. As former Secretary of State Dr. Henry Kissinger testified in 2015 before the Senate Armed Services Committee, "The United States has not faced a more diverse and complex array of crises since the end of the Second World War."[363] Freedom of navigation, the sovereignty and territorial integrity of nations, and human rights are all now on the decline. Put simply, the world is becoming an ever increasingly unstable place.

America faces complex of challenges in the rise of radical Islamic terrorism in the Middle East, North Africa, and South Asia. This danger differs from other more geographically constrained threats by its potential threat to our homeland, made clear on September 11, 2001. The rise of the Islamic State of Iraq and Syria (ISIS) in 2014 presented itself as one of the gravest security challenges the international community has faced in recent memory. This non-state actor took advantage of a weak and fragmented Iraqi government, and the utter chaos of the Syrian civil war to take root in the Middle East and spread its terror network in places like Libya, Nigeria, Yemen, and even Afghanistan. ISIS has demonstrated its global reach by sending its cells and adherents to commit atrocities all over the world, including the November 2015 attacks in Paris, as well as attacks in the United Kingdom, Turkey, Germany, and Belgium while inspiring others in places like Orlando, Florida, San Bernardino, California, and New York City. The RSC commends the success of Operation Inherent Resolve in effectively defeating ISIS in Iraq and Syria and supports a victory in this fight that leads to lasting stability in the region. ISIS has currently been pushed out of Iraq and relegated to isolated pockets of Syria. U.S. policy should not repeat the mistakes of the previous administration in precipitously withdrawing from the region without insuring that our interests and security are guaranteed and secured.

The United States also continues to face threats from other radical Salafist terrorist groups such as al Qaeda and its franchises. While some in Washington have prematurely declared victory against al Qaeda after the elimination of Osama bin Laden, the group remains just as much of a threat to the homeland as ISIS is. In Syria, al Qaeda's affiliate Jahbat al-Nusra has become an incredibly powerful and seasoned fighting force. In Yemen, al Qaeda in the Arabian Peninsula continues to threaten our interests in the area. In Afghanistan and in Pakistan, al Qaeda and the Taliban, once thought to be decimated, have remained persistent threats. This budget supports the President and Secretary Mattis' efforts to stabilize Afghanistan, defeat the Taliban, and bring America's longest conflict to an end on our terms.

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

Iran's pursuit of a nuclear arsenal has also further heightened tensions in the region. Iran continues to develop nuclear weapons and the means to deliver them, by illegally testing long-range ballistic missiles and by constructing covert research and testing facilities, flaunting most of the international agreements it has committed to. The Islamic Republic's inclination to cheat the 2015 nuclear agreement is expressed in its posturing and behavior on the international stage. While shutting down some centrifuges for the sake of sanctions relief, the regime in Tehran seems unlikely to change its aggression and belligerence towards its neighbors, which include many US allies and strategic interests.

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[363] Written testimony of Dr. Henry Kissinger before the Senate Armed Services Committee, "Global Challenges and the U.S. National Security Strategy," January 29, 2015. https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/attachments/ts150129_Kissinger.pdf.

Iran continues its material support for the murderous Assad regime in Syria. Iran's Revolutionary Guard Corps is on the ground, assisting Assad's forces, fomenting the worst human rights crisis of the 21st Century. As a result, the ongoing Syrian conflict has now led to the displacement of almost half the population of the country, allowing Syria to become a heaven for terror groups while flooding Europe with refugees. Iran's navy perpetually threatens to close the Strait of Hormuz. Approximately 19 percent of the world's petroleum traded by sea travels through this strait.[364] To aid our allies in the region while deterring the Islamic Republic, the RSC Budget supports U.S. military assistance to Israel, including the Iron Dome air defense system. This budget further supports legislation introduced in the 115th Congress to curb Iran's aggression, its use of terrorist proxies, and bloodshed in Syria including:

- Rep. Ed Royce's H.R. 3364, Countering America's Adversaries Through Sanctions Act, one of the most sweeping sanctions legislations targeting Iran's ballistic missile and weapons of mass destruction programs, the transfer to Iran of military equipment, and Iran's Islamic Revolutionary Guard Corps, as well as other rogue regimes like Russia and North Korea.

- Rep. Roger Williams' H.R. 4324, Strengthening Oversight of Iran's Access to Finance Act which requires the Department of Treasury to submit an annual report to Congress detailing any financial transactions relating to the sales of commercial passenger aircraft in particular with Iran which uses its civilian air fleet for illicit activity around the world.

- Rep. Ed Royce's H.R. 1698, Iran Ballistic Missiles and International Sanctions Enforcement Act, which imposes sanctions on individuals and entities involved in the Iran's illicit ballistic missile program.

- Rep. Mike Gallagher's H.R. 3342, Sanctioning Hizballah's Illicit Use of Civilians as Defenseless Shields Act which imposes sanctions on foreign persons that are responsible for gross violations of internationally recognized human rights affiliated with Hizballah that have been determined to have used civilians as human shields.

- Rep. Ed Royce's H.R. 3329, Hizballah International Financing Prevention Amendments Act of 2017 which imposes and expands sanctions on Hizballah's financial support network, targeting the group's fundraising and recruitment activities.

- Rep. Bruce Poliquin's H.R. 1638, the Iranian Leadership Asset Transparency Act requiring the Department of Treasury to submit reports to Congress on the financial assets held by Iranian political and military leaders; and

- H.R. 1677, The Caesar Syria Civilian Protection Act which would impose sanctions on people and entities responsible for the Syrian security and humanitarian crisis, and would require reports to the Congress on ongoing assistance programs for the Syrian people. This legislation has been passed in the House in both the 114th and 115th Congresses, but has been held in the Senate.

Europe, which experienced twenty years of relative peace and prosperity, now faces an increasingly belligerent Russia led by an undemocratic former KGB agent, Vladimir Putin, who has effectively consolidated all of Russia's levers of political power. In 2014, the world awakened to Russian armed

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[364] U.S. Energy Information Administration, "Strait of Hormuz" World Oil Transit Chokepoints, July 25, 2017. https://www.eia.gov/beta/international/regions-topics.cfm?RegionTopicID=WOTC.

forces in unmarked military uniforms seizing territory in Eastern Ukraine and the Crimean Peninsula. In the Baltics, Russian forces have amassed on the border of three key NATO allies, threatening the United States' most enduring and vital military alliance. Through its state-funded media outlets, Russia has also engaged in a potent propaganda war in Eastern Europe, further destabilizing the region and undermining the progress made by democratic and free-market forces since the end of the Cold War. Vladimir Putin's regime has repeatedly used Russia's energy resources as a weapon against dependent European nations. Russia's state-owned gas company, Gazprom, has periodically interrupted supplies to countries that have angered the Kremlin, leaving them without affordable natural gas in the dead of winter. The RSC strongly supports a strengthening of the European Reassurance Initiative and the integration of Montenegro into NATO. In the 21st century, the United States must reject the notion of a Russian "sphere of influence" reminiscent of a 19th century construct of geopolitics. The RSC strongly supports the Global Magnitsky Act in reigning in illicit Russian financial corruption around the world.[365]

In the Asia Pacific region, where approximately 30 percent of U.S. goods are exported and from where 40 percent of U.S. imports originate, a consistently more aggressive China has emerged.[366] While tensions between China and Taiwan have persisted since the 1950's, China has now mounted an aggressive and expansionist policy towards other nations in the region in order to enlarge their sphere of influence. The Chinese have done so at the expense of established borders and the sovereignty of other countries, many of which are key U.S. allies. Small and remote islands like the Senkaku Island chain, as well as the Spratly and Paracel Islands, are now being threatened by China's navy. These territorial claims over shoals and reefs pose a deceivingly greater threat to the region than their geographic size would suggest. Allowing for a bellicose China to seize these blips on a map would further embolden the country to threaten key United States treaty-bound allies. In November 2013, China unilaterally declared an Air Identification Zone (ADIZ) over the East China Sea encompassing parts of Japanese and South Korean airspace. This measure has forced international civilian airliners traversing this zone to report to China's Air Force, bringing geostrategic tensions into the airspace domain.

China's military has also continued to modernize and enlarge, eroding the superiority of U.S. forces and capabilities in the region. In 2015 alone, the Chinese government increased its defense budget by more than ten percent.[367] In 2016, this trend slowed to eight percent, nevertheless an alarming rate compared to peer competitors.[368] Reports have also indicated China's intentions to double its defense budget in 2020 to over \$233 billion, up from \$123 billion in 2010.[369] Its development of "carrier-killing" anti-ballistic missiles has caused many in the defense community to reevaluate U.S. naval strategy in Asia. These new weapons are key components of China's anti-access/area denial (A2/AD) strategy, which seeks to prevent the U.S. and its allies from operating in the region if a crisis or conflict were to arise. This strategy also threatens the basic freedom of navigation on the high seas that has always been a bedrock security, diplomatic, and commercial principle of the United States. Many of our allies, including Australia, Japan, the Philippines, South Korea, and even Vietnam have become increasingly concerned over China's posturing, and have all clamored for a more robust U.S. security commitment in this vital and strategic region.

To deter China, the RSC's budget supports an increase in our shipbuilding account, in order to reestablish our Navy's global reach and capabilities. Specifically, the RSC supports an increase in the Navy's fleet

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[365] Public Law 112-208, https://www.gpo.gov/fdsys/pkg/PLAW-112publ208/html/PLAW-112publ208.htm.
[366] United States Census Bureau, Trade in Goods with Asia. https://www.census.gov/foreign-trade/balance/c0016.html.
[367] The New York Times, "China's Military Budget Increasing 10% for 2015, Official Says" March 4, 2015. https://www.nytimes.com/2015/03/05/world/asia/chinas-military-budget-increasing-10-for-2015-official-says.html.
[368] The New York Times, "China Military Budget to Rise Less Than 8%, Slower Than Usual" March 4, 2016.
[369] Alana Petroff, CNN, "China's defense spending to double to \$233 billion", December 12, 2016. http://money.cnn.com/2016/12/12/news/china-military-defense-defence-spending/.

size to 355 fighting ships "to maintain presence in the 18 maritime regions where the United States has critical national interests."[370] Specifically, the RSC supports the shipbuilding account in FY 2019 to be no less than $26.2 billion to fulfill our Navy's need for 13 ships for that fiscal year. The Navy's shipbuilding account has been neglected in the last decade leading to a severe readiness crisis, marked by a series of deadly accidents.

North Korea remains a mortal danger in the Asia Pacific region and beyond. Its recent ICBM and purported hydrogen bomb tests are a potent reminder of the danger posed by the Kim regime, not only to South Korea, but to the entire world. The rogue regime continues to develop increasingly advanced ballistic missile systems, as well further threatening the region and the globe. To counter this threat, the RSC Budget supports the continued funding of advanced missile-defense systems, including the deployment of additional midcourse interceptors and terminal high-altitude area defense systems. The RSC has also supported robust legislation this Congress on North Korea. In July of 2017, Congress passed H.R. 3364, Russia, Iran, and North Korea Sanctions Act which further imposed sanctions on North Korea related to trade, illegal missile components, and against its financial institutions. In April of 2017, the House passed H.R. 479, the North Korea State Sponsor of Terrorism Designation Act of 2017 which would require the Secretary of State to submit to Congress a determination as to whether the government of North Korea met the criteria to be designated as a state sponsor of terror. In November of 2017, the Trump Administration officially relisted North Korea as a state sponsor of terrorism.

Since the Allied victory in World War II, the forward deployment of U.S. armed forces has been a key instrument in maintaining global order, and in securing freedom of navigation to promote trade and prosperity around the world. A key component of this force structure has been a robust effort to maintain and sustain the most capable and agile Navy in the world as a "global force for good," to quote the U.S. Navy's unofficial motto. Our Navy currently has a fleet of 282 deployable ships.[371] This fleet is nearly half the size of what it was under the Reagan Administration (592 ships), and 10 ships smaller than what our fleet was in 2009.[372] By most estimates and requirements, the Navy currently needs a fleet of around 350 ships to respond to global threats and ensure vital U.S. interests all around the world. As a 2016 Wall Street Journal op-ed indicated:

> *[Former] Defense Secretary Ash Carter told the Navy to cut the number of ships it plans to build in favor of placing more-advanced technology aboard the existing fleet. Secretary Carter's plan implies that the deterrent effect of a constant U.S. presence in the world is less important than the Navy's ability to fight and win wars with the advanced weapons he favors. That assumption is mistaken. We need both the ability to be present, which demands more ships than we have, and the related power to win a war if deterrence doesn't work.*[373]

Across the service branches, Operations and Maintenance accounts faced dramatic neglect under the previous administration. The Army in particular has experienced shortfalls in overall readiness by postponing the restoration and reset of large amounts of equipment returning from the battlefields of Afghanistan, and by reducing training hours for units not engaged in current combat operations. According to the Heritage Foundation's 2018 Index of U.S. Military Strength, in fiscal year (FY) 2017, the Army's active-duty end strength was 476,000, down from a height of 566,000 in FY 2011, essentially

[370] Jerry Hendrix, "12 Carriers and 350 Ships: A Strategic Path Forward from President Elect Donald Trump", The National Interest, November 14, 2016, http://nationalinterest.org/feature/12-carriers-350-ships-strategic-path-forward-president-elect-18395.
[371] Status of the U.S. Navy, as of April 6, 2018. http://www.navy.mil/navydata/nav_legacy.asp?id=146.
[372] Harold Hutchison, Daily Caller, "Obama Navy Now Half The Size Of Reagan Navy", October18, 2015.
[373] Seth Cropsey, Wall Street Journal, "S.O.S. for a Declining American Navy", January 6, 2016. http://www.wsj.com/articles/s-o-s-for-a-declining-american-navy-1452124971.

leading to a "hollowing out" of the force.[374] The RSC supports the President's efforts to rebuild Army force structure.

The Air Force also faces challenges related to aging aircraft fleets and shrinking numbers of available and deployable squadrons. The backbone of the Air Force's tanker fleet, the KC-135 first flew in 1956. The venerable B-52, recently used in operations against ISIS, and comprising the majority of the Air Force's bomber fleet, first arrived on the flight line in 1955.[375] Aging assets must be replenished, lest they be inadequate when called upon in emergencies, resulting not only in high costs for new, rapid procurement, but in potentially devastating damage to our security interests. These stresses on our fighter, bomber, and tanker squadrons have made our fleet vulnerable to accidents. The RSC supports defense investments in Air Force modernization including the B-21 Raider program and the new KC-46 tanker.

Ensuring an Efficient National Defense

The RSC remains committed to a strong national defense, but recognizes that fiscal discipline is essential to ensuring a sustainable and capable military. Congress and the Department of Defense should commit to comprehensive acquisition reform, not only to prevent wasteful spending, but also to ensure that America's warfighters have the best and most affordable equipment available. Simply put, the department needs to improve the way it buys weapons and services. This budget calls for a comprehensive audit of the Department of Defense to verify its financial reporting system, and supports the findings and recommendations of the 2012 Panel on Defense Financial Management and Auditability Reform.[376] The department is preparing to start its first audit in 2018. For this fiscal year (FY 2018), the audit is expected to cost $367 million and an additional $551 million to fix identified problems. Those figures include $181 million to pay independent accounting firms and $186 million for related infrastructure, including the cost of the salaries for people supporting the audit.[377] The audit itself is estimated to examine all of the department's estimated $2.4 trillion in assets, including personnel, weapons, and real estate. The actual audit effort stems from a House Armed Services Committee created 2011 panel on Financial Management and Auditability led by Rep. Mike Conaway. Additionally, according to the testimony, "the financial statement audit requirement was initially established in 1990 when Congress passed the Chief Financial Officer Act, which, as amended, required the 24 largest federal agencies to complete independent annual financial statement audits." Until 2018, "DOD was the only large federal agency not under full financial statement audit." According to the DOD Comptroller, FY 2018 Audit Findings are expected to be issued between May and December 2018.

The cost of health care for service members, their families, and retirees has grown significantly as a share of the defense budget over the last decade. Between 2000 and 2012, the cost of military health care increased 130 percent, even after adjusting for inflation. [378] According to CBO, the medical costs of recent wars "had a comparatively small effect" on this increased spending, but new and expanded TRICARE benefits for retirees and their families, and the increased utilization induced by those expanded benefits,

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[374] Heritage Foundation's 2018 Index of U.S. Military Strength. https://www.heritage.org/sites/default/files/2017-10/2018_IndexOfUSMilitaryStrength-2.pdf.
[375] Lucas Tomlinson, FoxNews, "Over 100 Al Qaeda fighters killed in 'major' US air strike in Syria, defense official says", January 20, 2017, http://www.foxnews.com/world/2017/01/20/more-than-100-core-al-qaeda-fighters-killed-in-u-s-strike-in-syria.html.
[376] Panel on Defense Financial Management and Auditability Reform, House Armed Services Committee, January 24, 2012.
[377] Testimony before the House Armed Services Committee, The Honorable David L. Norquist, Under Secretary of Defense (Comptroller) and Chief Financial Officer, Department of Defense, January 10, 2018, http://docs.house.gov/meetings/AS/AS00/20180110/106760/HHRG-115-AS00-Wstate-NorquistD-20180110.pdf.
[378] Congressional Budget Office, "Approaches to Reducing Federal Spending on Military Health Care," October 2017. https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53137-approachestochangingmilitaryhealthcare.pdf.

explain most of the growth.[379] While it is imperative that our soldiers and veterans receive the best possible care available, these increases can crowd out funding for readiness. Congress and the Department of Defense should also consider the recommendations of the congressionally established Military Compensation and Retirement Modernization Commission to ensure that our men and women in uniform and their families are taken care of, to achieve fiscal sustainability, and to ensure "the long term viability of the All-Volunteer Force."[380]

One policy recommended by the commission was to replace the current TRICARE system with one that "offers beneficiaries a selection of commercial insurance plans. Costs of these plans should be offset for active-duty families with a new Basic Allowance for Health Care (BAHC) and a fund to lessen the burden of chronic and catastrophic conditions."[381]

According to the Congressional Research Service, "Members of Congress are frequently lobbied to support adding funding to the annual defense appropriation for medical research on a wide variety of diseases and topics."[382] Each year, the defense budget includes over half billion for the Congressionally Directed Medical Research Program (CDMRP). While medical research is a laudable activity, many of the programs funded within the CDMRP are not for military-specific conditions and are duplicative of the type of research done at the National Institutes of Health (NIH).[383] According to the Taxpayers for Common Sense, "These programs are clearly earmarks and therefore take money away from other necessary Defense Department functions."[384] The RSC Budget would transition the non-defense related medical research out of the defense budget.

Inefficiencies and waste in the defense budget are not always byproducts of poor management, at least not from the Department of Defense (DOD). Ideologically driven congressional mandates and administration priorities result in unforced errors and self-inflicted wounds. For example, in March of 2013, the Defense Logistics Agency (DLA) entered into a contract to purchase 3,650 gallons of renewable jet fuel for $59 per gallon, while the price of conventional jet fuel was roughly $3.73 per gallon. The DOD should not waste valuable taxpayer dollars on inefficient forms of energy. Rather, energy needs should be met through the most cost-effective and tactically sound methods possible. The Department of Defense should be prohibited from entering into any contract for the procurement or production of any non-petroleum based fuel for use as the same purpose or as a drop-in substitute for petroleum. Further, the Armed Forces should be exempt from procurement requirements for clean-energy vehicles and renewable energy portfolio standards for DOD facilities.

The RSC fully supports efforts to curb the growing cost of defense acquisition, including items in the FY 2017 and FY 2018 NDAAs which reformed Department of Defense rapid acquisition authorities, requiring weapon systems to be designed with open architectures that can easily be upgraded, and implemented institutional reform giving the service chiefs more oversight over their branch's acquisition authority.

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[379] Ibid.
[380] Military Compensation and Retirement Modernization Commission, "MCRMC Recommendations Overview," January 29, 2015. https://www.cna.org/cna_files/pdf/Presentation-MCRMC-Recommendations.pdf.
[381] Ibid
[382] Don J. Jansen, Congressional Research Service, "Congressionally Directed Medical Research Program Funding for FY2015 and FY2016", February 2, 2016.
[383] National Institutes of Health, "Estimates of Funding for Various Research, Condition, and Disease Categories (RCDC)", February 10, 2016. https://report.nih.gov/categorical_spending.aspx.
[384] John M. Donnelly, CQ, "Funding Medical Research With Defense Dollars", July 28, 2012. http://public.cq.com/docs/weeklyreport/weeklyreport-000004132596.html.

The RSC Budget recommends that all efficiencies that can be found in the Department of Defense be reinvested into readiness and strengthening our national defense capabilities so that the national security of the American people is not threatened by global adversaries.

International Assistance Reform

The RSC commends the House Foreign Affairs Committee's efforts to reform our international assistance and food aid programs. The RSC Budget calls for the repeal of Cargo Preference For Food Aid (CPFA) requirements in the Farm Bill which "increased the overall cost of shipping food aid by an average of 23 percent, or $107 million, over what the cost would have been had CPFA requirements not been applied from April 2011 through fiscal year 2014" according to the Government Accountability Office (GAO),[385] and has resulted in an additional $140 million to $200 million in wasted spending on shipping costs from January 2012 to May 2015 according to an American Enterprise Institute study.[386] Former head of USAID, Andrew Natsios testified that "in the last ten years, the US government, through the Food for Peace program, has spent more on transporting, storing, and distributing the food to other regions of the world than on the food itself."[387]

This budget would additionally call for the reform of the Food for Peace program by eliminating U.S. procurement requirements for agricultural commodities and eliminate the practice of "monetization" which forces the government to procure agricultural commodities from domestic sources, ship them overseas on US-flagged vessels and donate them to nongovernmental organizations, which in turn would sell the commodities in developing countries and use the proceeds to finance development programs. These programs severely restrict the intent of the program, increase costs for the taxpayer, and prevent aid efforts to millions of recipients in need. While generally, the RSC Budget seeks to limit the amount of U.S. taxpayer money sent abroad in various forms of assistance, it also recognizes the wisdom in reforming existing foreign assistance programs to reduce inefficiencies and redundancies. Accordingly, the budget supports proposals like H.R. 5105, the Better Utilization of Investments Leading to Development Act of 2018, that would establish an International Development Finance Corporation (IDFC), consolidating all of the government's resources for international development assistance in one agency to oversee the issuance of direct loans, including local currency loans, issue guaranties, including local currency guaranties, and provide political risk insurance.[388]

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[385] Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear, GAO-15-666: Published: Aug 26, 2015. Publicly Released: Sep 25, 2015 https://www.gao.gov/products/GAO-15-666.
[386] Military readiness and food aid cargo preference: Many costs and few benefits, Stephanie Mercier, Vincent H. Smith, September 28, 2015, American Enterprise Institute. http://www.aei.org/publication/military-readiness-and-food-aid-cargo-preference-many-costs-and-few-benefits/.
[387] Testimony of Andrew S. Natsios, Professor George H.W. Bush School of Government at Texas A and M University, House Committee on Foreign Affairs, Hearing on June 12, 2013, "Modernizing U.S. International Food Aid Programs: Reaching More for Less" http://docs.house.gov/meetings/FA/FA00/20130612/100967/HHRG-113-FA00-Wstate-NatsiosA-20130612.pdf.
[388] H.R. 5105, BUILD Act https://www.gpo.gov/fdsys/pkg/BILLS-115hr5105ih/pdf/BILLS-115hr5105ih.pdf.

SMARTER BUDGETING – DISCRETIONARY SPENDING

Article I, Section 9 of the Constitution provides that "No money shall be drawn from the Treasury, but in consequence of appropriations made by law". While mandatory spending driven by formulas written into permanent law constitutes the majority of federal spending, the power of the purse is most often executed through the annual congressional appropriations process. This process controls discretionary spending, which makes up about one-third of total federal spending each year. It is important that Congress allocates funding wisely, while ensuring the resources are appropriately conserved for the future. Such stewardship is essential if we are to pass to future generations a legacy of opportunity rather than an unbearable burden of debt.

The House of Representatives holds a unique position of importance in the budgetary process, for that Chamber is ultimately responsible for providing every dollar that is legally spent by the federal Treasury. As Madison states in Federalist 58 (which was written to rebut charges that the House would not have sufficient power under the proposed Constitution), "The House of Representatives cannot only refuse, but they alone can propose, the supplies requisite for the support of government. They, in a word, hold the purse that powerful instrument ... This power over the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure."[389] While in recent years the House has yielded to both the Senate and the executive branch, it is vital that Members of the House of Representatives regain their resolve and courage to "to accomplish their just purposes" in the "trial of firmness" between the two branches.[390]

The Budget Control Act (BCA), signed into law by President Obama in 2011 after a sustained effort by the Republican Study Committee and conservatives to "cut, cap, and balance" the federal budget, imposed caps on discretionary spending through Fiscal Year 2021. Unfortunately, the BCA imposed an arbitrary "firewall" between defense and non-defense spending. This created a false parity between essential priorities, such as ensuring national security, and less crucial activities of the federal government and programs that would be better managed at the state level. This also encouraged the mistaken presumption that defense spending constitutes half or more of federal spending, when in truth it is closer to one-sixth.

This unfortunate byproduct of bifurcating defense and non-defense discretionary spending was evident in the FY 2018 Omnibus spending package enacted on March 23, 2018. Insistence from Democrats to maintain parity, and the requirement that appropriations garner the support of at least 60 Senators, led to the non-defense discretionary spending cap being increased by more than $130 billion over the next two years.

The RSC Budget breaks down this firewall to ensure that Congress can carry out its constitutional responsibility to provide for our nation's security. The American people cannot continue to be hamstrung by programs that have little to no basis for federal funding under Article I. As set forth by the 10th Amendment, those authorities not specifically and deliberately enumerated in Article I should be left entirely to the states and to the people. Spending federal funds on activities outside of these confines is an unconstitutional use of federal taxpayer dollars. The Spending Clause contained in Article I, Section 8 limits Congress's authority to tax to provide for the national defense and general welfare. While federal

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389 James Madison, Federalist 58, "Objection That The Number of Members Will Not Be Augmented as the Progress of Population Demands Considered". http://avalon.law.yale.edu/18th_century/fed58.asp.
390 Ibid.

expansionists have distorted the original intent of the term "general welfare" to include many state and local initiatives, our Founding Fathers intended for the term to be limited to those specific authorities spelled out in detail in Section 8's subsequent clauses. As James Madison explained in Federalist 41, "the idea of an enumeration of particulars which neither explain nor qualify the general meaning, and can have no other effect than to confound and mislead, is an absurdity, which, as we are reduced to the dilemma of charging either on the authors of the objection or on the authors of the Constitution, we must take the liberty of supposing, had not its origin with the latter."[391]

Specifically, Congress can only provide for the general welfare through the following means:

> *To borrow money on the credit of the United States;*
> *To regulate commerce with foreign nations, and among the several states, and with the Indian tribes;*
> *To establish a uniform rule of naturalization, and uniform laws on the subject of bankruptcies throughout the United States;*
> *To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures;*
> *To provide for the punishment of counterfeiting the securities and current coin of the United States;*
> *To establish post offices and post roads;*
> *To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries;*
> *To constitute tribunals inferior to the Supreme Court;*
> *To define and punish piracies and felonies committed on the high seas, and offenses against the law of nations;*
> *To declare war, grant letters of marque and reprisal, and make rules concerning captures on land and water;*
> *To raise and support armies, but no appropriation of money to that use shall be for a longer term than two years;*
> *To provide and maintain a navy;*
> *To make rules for the government and regulation of the land and naval forces;*
> *To provide for calling forth the militia to execute the laws of the union, suppress insurrections and repel invasions;*
> *To provide for organizing, arming, and disciplining, the militia, and for governing such part of them as may be employed in the service of the United States, reserving to the states respectively, the appointment of the officers, and the authority of training the militia according to the discipline prescribed by Congress;*
> *To exercise exclusive legislation in all cases whatsoever, over such District (not exceeding ten miles square) as may, by cession of particular states, and the acceptance of Congress, become the seat of the government of the United States, and to exercise like authority over all places purchased by the consent of the legislature of the state in which the same shall be, for the erection of forts, magazines, arsenals, dockyards, and other needful buildings; And*
> *To make all laws which shall be necessary and proper for carrying into execution the foregoing powers, and all other powers vested by this Constitution in the government of the United States, or in any department or officer thereof.*

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[391] James Madison, Federalist 41, "General View of the Powers Conferred by The Constitution For the Independent Journal." http://avalon.law.yale.edu/18th_century/fed41.asp.

The Bipartisan Budget Act of 2018 (BBA2018) increased the non-defense discretionary (NDD) cap from $530 billion to $597 billion for FY 2019. In order to refocus federal spending back to the enumerated powers included in the Constitution, for FY 2019 this budget would lower NDD spending to pre-BBA2018 FY 2018 levels, and then reduce and eliminate specific NDD programs using that level as a starting point.

Consequently, this budget would cut NDD spending to $355 billion and reduce total regular discretionary spending to $1.085 trillion for FY 2019. Over the next decade, NDD spending would be reduced by more than $ 3.34 trillion below the CBO baseline. National defense spending would be increased to $716 billion for FY 2019.

Rescind Excess Budget Authority

This budget strongly supports the president and Congress using the Impoundment Control Act to rescind excess budget authority.

As of January 2018, there were $230 billion in discretionary appropriations that will be available for the executive branch to spend after the end of FY 2018, including $109 billion in appropriations that never expire.[392] While some of these funds are for programs that are intentionally advance funded or for which flexibility is warranted, in reality, many of these old appropriations will never be spent.

Under the Congressional Budget Office (CBO) scoring conventions, an appropriations bill can offset increases in discretionary spending if it also rescinds previously appropriated but unobligated funds. In many cases, funds rescinded in appropriations bills were not planned to be spent and the rescission has no effect on outlays. These lingering unobligated balances are often referred to as “dead budget authority” or “dead BA.” The appropriators have abused this CBO scoring rule to allow them to spend more. For instance, the FY 2017 Continuing Resolution (CR) signed into law in September 2016 rescinded $37 million in unobligated funds from a 1990 supplemental appropriations bill in order to “offset” the new Zika funding, despite the fact that the CBO says that the rescission did not reduce outlays.[393]

If Congress does not rescind these unobligated balances, it will be able to continue to abuse the rules, resulting in higher spending. Using authorities granted to the President under the Impoundment Control Act, President Trump should deliver a rescission package to Congress identifying the accounts that hold unobligated balances that it does not expect to spend and then Congress should pass a standalone measure rescinding these excess appropriations.

Beyond the issue of eliminating so-called “dead budget authority,” there is also the issue of Congress appropriating more funding than is needed by agencies to carry out their essential functions. However, under the Impoundment Control Act the executive branch cannot refuse to spend funds that Congress has appropriated for a particular purpose, even if they are not needed. President Trump currently faces this situation following enactment of the FY 2018 Omnibus bill that increased non-defense discretionary funding by an unprecedented $63 billion.

[392] Office of Management and Budget, “FY 2018 1st Quarter Unobligated Balances in Unexpired Accounts for Executive Branch Agencies Reported on SF 133s”, January 19, 2018. https://max.omb.gov/maxportal/document/SF133/Budget/attachments/1375242472/1405158707.pdf.
[393] Congressional Budget Office, “Senate Amendment 5082 to H.R. 5325, Continuing Appropriations and Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, and Zika Response and Preparedness Act”, Table 4, September 23, 2016. https://www.cbo.gov/publication/52045.

Despite prohibiting the President from refusing to spend appropriated funds, the Impoundment Control Act of 1974 can be a powerful tool for reining in excess discretionary spending. The Act allows the President to propose specific rescissions to Congress and establishes expedited procedures to consider the proposed rescissions in both the House and the Senate. The rescission bill would not be subject to the filibuster in the Senate and debate is limited to ten hours. In the House, the consideration of a rescission bill that has been reported or discharged from the Appropriations Committee is privileged on the floor, meaning any Member can move to call it up. If the Appropriations Committee has not reported the rescission bill after 25 days, any Member can make a motion to discharge the bill from the Committee that would be adopted by a vote of one-fifth of the House.

Within the Jurisdiction of Multiple House Appropriations Subcommittees:

Reorganize the Executive Branch

President Trump has charged the Director of the Office of Management and Budget (OMB) to propose a plan to "reorganize governmental functions and eliminate unnecessary agencies, components of agencies, and agency programs."[394] As a part of developing this plan, each agency will develop a proposal to reorganize itself, including considering duplication, activities that may be non-essential, federalism, cost-benefit analysis, efficiency and effectiveness, and customer service. The public has also been invited to submit proposals for consideration.[395] According to OMB, "the Administration will also work with key stakeholders, including Congress, to develop proposals and ultimately implementation."[396]

Once the administration proposes its reorganization plan, the Congress should evaluate and consider the plan in an expedited fashion.

Eliminate Unneeded Executive Branch Positions Using the Holman Rule

At the beginning of the 115th Congress, the House of Representatives adopted a rules package that reinstated a provision known as the Holman Rule on a temporary basis.[397] The Holman Rule allows amendments to appropriations bill in the House to reduce amounts of money covered by the bill, reduce the number of federal employees, and reduce the compensation or salary of federal employees.

If used correctly, the Holman Rule could be a powerful tool for conservatives in the House of Representatives to work with the Trump administration to reshape the federal bureaucracy so that it is more accountable and responsive to the American people.

The president and federal agencies should work cooperatively with the House to identify executive branch positions that are unneeded and the appropriations bills considered by the House should include Holman provisions to restrict, limit, and eliminate these positions.

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[394] Executive Order No. 13781, "Presidential Executive Order on a Comprehensive Plan for Reorganizing the Executive Branch", March 13, 2017. https://www.whitehouse.gov/the-press-office/2017/03/13/presidential-executive-order-comprehensive-plan-reorganizing-executive.
[395] Office of Management and Budget, "Reorganizing the Executive Branch: We Need Your Input!". https://www.whitehouse.gov/reorganizing-the-executive-branch.
[396] Director Mick Mulvaney, Office of Management and Budget, "Memorandum for Heads of Executive Departments and Agencies: Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce", April 12, 2017. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2017/M-17-22.pdf.
[397] 115th Congress, H. Res. 5 Adopting rules for the One Hundred Fifteenth Congress, Sec. 3(a).

Reduce the Size of the Federal Workforce through Attrition

The federal bureaucracy has grown too big and too powerful. The Trump administration has already taken actions to require agencies to develop a long-term workforce reduction plan and a plan to maximize employee performance.[398] Because the Constitution provides that "Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments" and that "no money may be drawn from the Treasury but in consequence of appropriations made by law", it is necessary and appropriate that Congress play a significant role in reforming the federal bureaucracy.

This budget would build on the administration's proposal and reduce the size of the federal workforce by limiting new hires to one employee for every three who leaves the workforce. The president would have flexibility to adjust federal employment in case of a national emergency.

Reduce the Annual Across-the-Board Adjustment for Federal Civilian Employees Pay

Federal bureaucrats have enormous power over the lives of everyday Americans and also get paid more on average than the people they are supposed to serve. According to CBO, "Overall, the federal government paid 17 percent more in total compensation than it would have if average compensation had been comparable with that in the private sector, after accounting for certain observable characteristics of workers."[399]

Unlike most Americans, federal workers receive an automatic pay increase every year under the Federal Employees Pay Comparability Act of 1990. If the president determines that a national emergency exists, he can limit the size of the increase. President Obama signed legislation blocking pay increases in 2011, 2012, and 2013. However, with the national debt increasing above $21 trillion, and projected to skyrocket to almost $34 trillion over the next decade, a fiscal state of emergency exists. Beginning in FY 2019, the annual across-the-board increase for federal workers should be reduced by half a percentage point below the expected automatic increases.

Prohibit Federal Employees from Conducting Union Business on Official Time

In 2012, taxpayers paid federal workers over $157 million not to do their jobs. Instead, workers were doing union work during their official time.[400] Ending the federal government's sanction of union activity at federal expense, as proposed by Representative Jody Hice's Federal Employee Accountability Act, will make the federal workforce more effective and efficient.

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[398] Director Mick Mulvaney, Office of Management and Budget, "Memorandum for Heads of Executive Departments and Agencies: Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce", April 12, 2017. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2017/M-17-22.pdf.
[399] Congressional Budget Office, "Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015", April; 25, 2017. https://www.cbo.gov/publication/52637.
[400] Office of Personnel Management, "Labor-Management Relations in the Executive Branch", October 2014. https://www.opm.gov/policy-data-oversight/labor-management-relations/reports/labor-management-relations-in-the-executive-branch-2014.pdf.

Prohibit Automatic Collection of Union Dues for Federal Employee Unions

Currently, the federal government acts as the dues collector for unionized federal workers by deducting union dues from an employee's paycheck and then remitting dues to the union. If a worker wants to join a union, then the union should collect its dues from the worker, not force the taxpayers to do it. This budget recommends prohibiting the automatic deduction of union dues for federal workers.

Prohibit Funds for Government Promotion

According to a study by Open the Books, the federal government spent $4.37 billion of taxpayer dollars on public relations activities between FY 2007 and FY 2014.[401] Taxpayer funded advertisements for Obamacare was expected to be close to $1 billion, including $77 million spent by the Obama administration in the last months of its time in office.[402] While it is important that government be transparent and information be accessible, it is highly inappropriate for government to spend funds promoting more government. As described by the Congressional Research Service, "it is not surprising that controversies have arisen around government advertisements that … have promoted the use of social service programs, are viewed as overly expensive or wasteful, or are perceived as possibly misleading."[403] Beginning in FY 2019, funding for government public relations efforts should be restricted to only those that are necessary and appropriate.

Eliminate, Combine, or Consolidate Duplicative Government Programs

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

This budget resolution charges the committees of the House to examine the programs within their jurisdiction and to report legislation that would eliminate, consolidate, or combine unnecessarily duplicative programs.

Prohibit Federal Funds from Going to Entities that Provide Abortions

The federal government should not fund entities that provide abortion services. This budget ensures that no taxpayer dollars flow to entities that provide abortions.

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[401] Adam Andrzejewski and Dr. Tom Coburn, Open the Books, "The Department Of Self-Promotion How Federal Agency PR Spending Advances Their Interests Rather Than The Public Interest Fiscal Years 2007 – 2014: Oversight Study", November 2015. https://www.openthebooks.com/assets/1/7/OpenTheBooks_Oversight_Report_-_The_Department_of_Self-Promotion.pdf.

[402] Susan Crabtree, Washington Examiner, "GOP lawmakers believe over $1 billion spent to promote Obamacare", April 8, 2014. http://www.washingtonexaminer.com/gop-lawmakers-believe-over-1-billion-spent-to-promote-obamacare/article/2546910. And Thomas Phippen, The Daily Caller, "Obama's White House Spent $77 Million To Advertise Obamacare Last Year", March 13, 2017. http://dailycaller.com/2017/03/13/obamas-white-house-spent-77-million-to-advertise-obamacare-last-year/.

[403] Wendy Ginsberg, Congressional Research Service, "Advertising by the Federal Government: An Overview", June 23, 2014. http://www.crs.gov/Reports/R41681.

Prohibit Subsidies for Sanctuary Cities

There are over 300 so-called sanctuary cities across the country, which fail to fulfill their obligation to cooperate with federal immigration enforcement officials and report criminal aliens.[404] If these cities and counties refuse to follow federal law, they should not receive the benefits of federal funding. The president has issued an executive order to withhold federal grants from jurisdictions that fail to comply with 8 U.S.C. 1373, with exceptions deemed necessary for law enforcement.[405] While this is an important first step in upholding the law, Congress should codify the prohibition on taxpayer funding for sanctuary cities.

Within the Jurisdiction of the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies:

Eliminate Rural Business Cooperative Service

The Rural Business Cooperative Service provides a number of subsidized services that are limited to certain geographic regions of the country. Individuals choose to live in rural or urban environments because of the lifestyles and benefits those locations provide. However, the federal government should not be in the business of subsidizing the choice of individuals to live in more remote areas that are further from central services.

One such program is the Rural Cooperative Development Grants (RCDG) which provides grants to subsidize rural cooperatives. Grantees are only subject to a 25-percent cost-sharing requirement and may use the funds for the operation, expansion, or startup of a cooperative.

Another program is the Rural Energy for America which subsidizes the development of renewable energy programs for small rural businesses and agriculture producers. The federal government should not be in the business of subsidizing source-specific types of energy that would be better produced by the private market. According to GAO, this is just one of 679 different economically unsound initiatives meant to promote green energy.[406]

The Rural Business Cooperative Service should be eliminated beginning in FY 2019, saving more than $1 billion in appropriations and taxpayer-backed loan authorizations annually.

Eliminate the Rural Water and Waste Disposal Program Account

The Water and Wastewater loan and grant program provides funding for sewage and sanitation services in rural communities. The president has proposed eliminating this program, calling it duplicative.[407] These types of activities should be handled by the private sector or local and state government, not the federal taxpayers. Eliminating this program in FY 2019 would save $724 million each year.

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[404] Bryan Griffith and Jessica Vaughan, Center for Immigration Studies, "Map: Sanctuary Cities, Counties, and States", March 207. http://cis.org/Sanctuary-Cities-Map.
[405] Executive Order No. 13768, "Executive Order: Enhancing Public Safety in the Interior of the United States", January 25, 2017. https://www.whitehouse.gov/the-press-office/2017/01/25/presidential-executive-order-enhancing-public-safety-interior-united.
[406] Government Accountability Office, "Renewable Energy Federal Agencies Implement Hundreds of Initiatives", February 2012. http://www.gao.gov/assets/590/588876.pdf.
[407] Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf.

Eliminate the Conservation Technical Assistance Program

The USDA's Conservation Technical Assistance Program provides assistance to landowners to conserve, maintain, and improve natural resources. These types of activities are more appropriately handled by the private sector, not the federal government. Eliminating the program beginning in FY 2019 will save taxpayers $750 million per year.

Repeal United States Department of Agriculture (USDA) Catfish Inspection Program

The USDA Catfish Inspection Program should be repealed beginning in FY 2019, saving $14 million annually. This duplicative program was "airdropped" into the 2008 Farm Bill without prior consideration and was maintained in the 2014 Farm Bill. The Food and Drug Administration is charged with inspecting all seafood and fish, but catfish is now inexplicably the responsibility of the USDA. GAO has made it clear that such an arrangement is nonsensical, issuing a report titled "Responsibility for Inspecting Catfish Should Not Be Assigned to USDA".[408]

Prohibit Funding for National School Lunch Standards

The Obama administration undertook a high-profile effort to force local school districts to serve "healthy" lunches. These efforts have proved costly for schools and unpopular with students. Recent appropriations bills have allowed some schools the opportunity to opt out of the standards. Beginning in FY 2019, funding for the National School Lunch Program standards should be prohibited, returning control of students' diets to their parents.

Eliminate the McGovern-Dole International Food for Education Program

The McGovern-Dole International Food for Education program should be eliminated beginning in FY 2019. According to the OMB, this program "lacks evidence that it is being effectively implemented to reduce food insecurity."[409] Eliminating this program would save $206 million annually.

Eliminate Land Acquisition by the Forest Service

The federal government should be finding ways to reduce its land holdings and associated costs, not expand it. The Forest Service already owns nearly 200 million acres of land, more than six times the size of North Carolina. Eliminating this program would save $56 million a year.

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[408] Government Accountability Office, "Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA", June 8, 2012. http://www.gao.gov/products/GAO-12-411.
[409] Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf.

Eliminate Single Family Housing Direct Loans

This program is duplicative of other efforts by the USDA to ensure housing financing. For instance, the USDA offers help through its single-family housing guaranteed loan program. Overall, however, it should not be the federal government's responsibility to guarantee the availability of credit where private lending is not available. This elimination will save taxpayers $68 million a year.

Reduce Funding for to the Animal and Plant Health Inspection Service

Many of the functions of the Animal and Plant Health Inspection Service (APHIS) program should be carried out by the industries the functions are designed to protect. This includes activities like monitoring against agricultural pests and protecting against damage from non-native species. This reduction would save $213 million a year.

Within the Jurisdiction of the House Appropriations Subcommittee on Commerce, Justice, Science, and Related Agencies:

Eliminate the Economic Development Administration (EDA)

The Economic Development Administration (EDA) is a duplicative program and provides subsidies in an area that is not the responsibility of the federal government. The EDA should be eliminated beginning in FY 2019, saving the taxpayers $883 million per year.

Eliminate the International Trade Administration's (ITA) Export Promotion Activities

The International Trade Administration (ITA) provides export assistance services, including counseling, advocacy, market research, and meeting coordination services in addition to its trade enforcement and compliance activities. U.S. companies produce products that can compete with those produced anywhere in the world. These successful companies do not need Uncle Sam pitching in to do market research (funded by taxpayer dollars and debt). Beginning in FY 2019, the ITA's marketing activities should be eliminated, saving $499 million per year.

Eliminate the National Technical Information Service (NTIS)

The National Technical Information Service (NTIS) is an outdated agency at the Department of Commerce that distributes government documents and data. Most of these documents are available to the public for free online. This agency, which has 150 full time employees, should be eliminated beginning in FY 2019, saving $151 million annually.

Eliminate the Hollings Manufacturing Extension Partnership (MEP)

The Hollings Manufacturing Extension Partnership (MEP), named after Democrat Senator Fritz Hollings, provides financial support to local centers that provide technical services to small manufacturing companies. Originally meant to be self-sustaining, the program is dependent on annual federal subsidies, which should be eliminated beginning in FY 2019, saving $130 million per year.

Eliminate the Legal Services Corporation (LSC)

Though created with the intent to provide free legal assistance in non-criminal cases, the Legal Services Corporation (LSC) has evolved into an organization that also takes part in taxpayer-bankrolled advocacy for political causes and lobbying. The LSC is marked by misuse of taxpayer money and redundancy as many of LSC's programs are offered by the states. Beginning in FY 2019, the LSC should be eliminated, saving the taxpayers $408 million per year.

Prohibit Funding to Carry Out Operation Chokepoint

The Obama Administration ran an illegal program, Operation Chokepoint, through the Department of Justice and the Federal Deposit Insurance Corporation (FDIC) to pressure banks into refusing financial services for legal businesses, such as firearms dealers, to which the former administration was ideologically opposed. Funding for Operation Chokepoint and similar ideological, discriminatory programs should be prohibited.

Reduce Spending on Local Grant Programs

The Department of Justice Office of Justice Programs has a number of grant programs that provide funds to state and local law enforcement agencies for different purposes. In FY 2016, Congress appropriated $1.4 billion for State and Local Law Enforcement Assistance, $270 million for Juvenile Justice Programs, and $212 million for Community Oriented Policing Services (COPS). These types of activities are more appropriately funded at the state and local level, not by the federal government.

Eliminate National Oceanic and Atmospheric Administration (NOAA) Grants and Education

The National Oceanic and Atmospheric Administration (NOAA) currently operates several grants and programs that do not provide significant support to the core mission of NOAA. These include the Sea Grant program, the National Estuarine Research Reserve System, Coastal Zone Management Grants, the Office of Education within NOAA, and the Pacific Coastal Salmon Recovery Fund. Eliminating these programs would save $273 billion a year.

Reduce Funding for the Environmental and Natural Resources Division within the Department of Justice

The Department of Justice's (DOJ) Environmental and Natural Resources Division has been linked with the practice of sue-and-settle. Taxpayer dollars should not be used to support agreements made between the federal agencies and special interest groups to effectively create regulations without going through the administrative rulemaking process proscribed by Congress. This reduction in funding would save taxpayers $36 million a year.

Eliminate the Community Relations Service of the Department of Justice

The Department of Justice's (DOJ) Community Relations Services Program deviates from the core purpose of the (DOJ), to investigate and prosecute violations of federal law. Instead, the entity attempts to act as "Peacemaker" in local disputes. This is a responsibility of local government. This elimination would save $14 million a year.

Within the Jurisdiction of the House Appropriations Subcommittee on Energy and Water Development and Related Agencies:

Eliminate the Energy Efficiency and Renewable Energy (EERE) Program

This program subsidizes research and development in the fields of energy efficiency and renewable energy technologies. Some of the programs within EERE include solar, wind, vehicle technologies, bioenergy technologies, advanced manufacturing, building technologies, and weatherization assistance. Not only does this allow the federal government to pick winners and losers, but also it limits research to a small sector of the energy economy—renewables. The U.S. should pursue a market-based, all-of-the-above energy policy. Beginning in FY 2019, programs within the EERE account should be eliminated, saving the taxpayers over $2 billion per year.

Eliminate the Advanced Research Projects Agency – Energy (ARPA-E)

The Advanced Research Projects Agency – Energy (ARPA-E) is agency was started by the failed 2009 stimulus law and is meant to fund high-risk green energy projects. Taxpayers should not bear the burden for research projects that not even the most speculative and daring members of the energy industry will take on for themselves. Eliminating ARPA-E beginning in FY 2019 could save the taxpayers $311 million per year. The president has proposed to eliminate this program "because the private sector is better positioned to finance disruptive energy research".[410]

Eliminate Nuclear Energy Research

It is inappropriate for the federal government to conduct research that would otherwise be carried out by private industry. Instead of directly subsidizing the nuclear energy industry with $573 million each year in research and development funding, the federal government should focus on streamlining the regulatory approval process and complete the Yucca Mountain waste repository.

Eliminate the Fossil Energy Program

Just as this budget calls for the elimination of renewable and nuclear energy subsidies, it also calls for the elimination of subsidies for conventional energy sources. Funding under the Fossil Energy program goes to research and development of technology to reduce the carbon emissions of coal power plants. Instead of government-directed subsidies, the U.S. should pursue a market-oriented "all of the above" energy

[410] Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf.

strategy. Beginning in FY 2019, this account should be eliminated, saving taxpayers over $437 million per year.

Eliminate Title 17 Innovative Technology Loan Guarantee Program

The Title 17 Innovative Technology Loan Guarantee program provides loans to clean energy projects. This is the program that gave us the Solyndra scandal, with taxpayers losing more than $500 million after the Obama administration gambled on a politically favored company. Eliminating this program beginning in FY 2019 would save the taxpayers $23 million per year in reduced administrative expenses alone, as well as save taxpayers from needless exposure to risky ventures.

Eliminate the Advanced Technology Vehicle Manufacturing (ATVM) Loan Program

The ATVM Loan program provides subsidies to vehicle manufacturing companies to produce greener cars. This program has provided billions of taxpayer dollars to some of the largest car companies in the world, such as Ford and Nissan, to help increase the fuel efficiency of the vehicles they sell – a feature that should be driven by demand from consumers, not government subsidies.[411] The DOE has also lost $200 million of the taxpayers' money when Fisker Automotive and the Vehicle Production Group, two companies provided loans under this program, defaulted.[412] As described by Taxpayers for Common Sense, "Putting the full faith and credit of the U.S. government behind up to $25 billion in risky, high cost projects the private sector won't finance is fiscally reckless."[413]

Eliminate the Office of Electricity Deliverability and Energy Reliability

The Department of Energy Office of Electricity Delivery and Energy Reliability provides research and development related to energy transmission, including R&D related to clean energy, smart grid technologies, security, and energy storage. Many of these activities would be more appropriately handled by the private sector or other agencies, such as the Federal Energy Regulatory Commission (FERC). Beginning in FY 2019, this office should be eliminated, saving taxpayers $248 million annually.

Eliminate Regional Commissions

The RSC Budget recommends cutting regional commissions including the Denali Commission, Appalachian Regional Commission, the Northern Border Regional Commission, the Southeast Crescent Regional Commission, and the Delta Regional Authority. These economic development programs are duplicative of other programs and spend federal funding for local projects. Not only is the federal government out of money, but also it is ill-equipped to adequately prioritize local infrastructure and development projects. These activities are also more appropriately carried out by state and local governments. Beginning in FY 2019 the commissions should be eliminated, saving the taxpayers more than $200 million per year.

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411 U.S. Department of Energy, "ATVM Program Overview". https://energy.gov/lpo/atvm.
412 Nicole Kaeding, Cato Institute, "Close the Advanced Technology Vehicles Manufacturing Program", April 14, 2014. https://www.cato.org/blog/close-advanced-technology-vehicles-manufacturing-program.
413 Taxpayers for Common Sense, "Department of Energy: Advanced Technology Vehicles Manufacturing (ATVM) Program", September 20, 2013. http://www.taxpayer.net/library/article/department-of-energy-advanced-technology-vehicles-manufacturing-atvm-progra.

Reduce Funding for the Department of Energy's Biological and Environmental Research Program

Much of the research conducted by this program is more appropriate for the private sector to undertake. It moves past basic research – a stage where it can be reasonable for the federal government to participate in research activities. Accordingly, funding for the program should be reduced to ensure that it focuses on core responsibilities and basic research.

Within the Jurisdiction of the House Appropriations Subcommittee on Financial Services and General Government:

Eliminate the Election Assistance Commission

The Election Assistance Commission was created by the 2002 Help America Vote Act to help states modernize voting equipment. The commission no longer serves a statutory purpose and should be eliminated beginning in FY 2019, saving taxpayers $10 million per year.

Eliminate the SEC Slush Fund

The Security and Exchange Commission's so-called "Reserve Fund" is simply a slush fund created by the Dodd-Frank financial regulations law, allowing regulators to spend without oversight by Congress. This fund should be eliminated. The president's FY 2019 budget request proposes to eliminate the Reserve Fund, which would save $404 million over the FY 2019 – 2028 period.

Eliminate the Community Development Financial Institutions (CDFI) Fund

The Community Development Financial Institutions (CDFI) Fund "was created for the purpose of promoting economic revitalization and community development", a task that is more appropriately funded by the private sector.[414] The CDFI Fund provides grants to financial institutions that in turn provide capital to community development projects. Eliminating the CDFI Fund beginning in FY 2019 would save taxpayers $253 million annually. The president's FY 2019 budget request proposes to eliminate this program because it was created decades ago to jump-start an industry that is now mature.[415]

Within the Jurisdiction of the House Appropriations Subcommittee on Homeland Security:

Eliminate and Reduce Grant Programs

The president's Budget Blueprint proposes to reduce or eliminate Federal Emergency Management Agency (FEMA) grant programs that are underperforming, duplicative, or are unauthorized. FEMA

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[414] U.S. Department of the Treasury, Community Development Financial Institutions Fund, "About Us". https://www.cdfifund.gov/about/Pages/default.aspx.
[415] Office of Management and Budget, "An American Budget, Major Savings and Reforms", Fiscal Year 2019. https://www.whitehouse.gov/wp-content/uploads/2018/02/msar-fy2019.pdf.

operates a number of these grant programs, many of which provide federal funding for activities that are primarily the function of state and local governments. These savings can be achieved in part by consolidating and streamlining some programs or by requiring non-federal match requirements for some programs.

Within the Jurisdiction of the House Appropriations Subcommittee on Interior, Environment, and Related Agencies:

Reduce Funding for the Environmental Protection Agency (EPA)

Under the former Obama Administration, the EPA was a job-killing agency that is out-of-control. The unelected bureaucrats at the agency have attempted to implement their ideological agenda to remake the American economy by regulatory fiat. Whether it is the Clean Power Plan, the Waters of the U.S. rule, or ozone standards, these regulations impose costs on consumers, businesses, and local governments, resulting in fewer well-paying jobs in important sectors like energy production and manufacturing, without providing meaningful public benefit. Beginning in FY 2019, funding for the EPA should be significantly reduced, saving the taxpayers billions of dollars per year and giving much-needed regulatory relief to job creators.

Reduce EPA Research and Development Funding

The budget would reduce research and development (R&D) funding within the Environmental Protection Agency, as proposed by the President's FY 2019 budget request, in order to focus R&D in areas needing basic and early stage R&D. This proposal is part of a larger agenda to refocus EPA functions on its core responsibilities. The budget would not fund the Science to Achieve Results grant program, which funds projects that are significantly unrelated to the EPA's mission.[416]

Eliminate the Surface Water Protection Program

The Surface Water Protection program is comprised of the following programs and regulations: water quality criteria, standards and effluent guidelines; National Pollutant Discharge Elimination System (NPDES); water monitoring; Total Maximum Daily Loads (TMDL); watershed management; water infrastructure and grants management; core wetlands programs and CWA Section 106 grant program management.[417] The EPA provides information on the water quality criteria, approves state water quality standards and establishes effluent guidelines. The EPA also assists states on their TMDL and NPDES plans to ensure effectiveness.

It should be the responsibility of the states to manage bodies of water that fall within state lines, not the federal government. Allowing states to manage these bodies of water will ensure better management of resources, as states have a better understanding of the needs of their communities and can benefit from flexibility. This elimination would save $200 million a year.

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416 Environmental Protection Agency, Science to Achieve Results (STAR), Accessed April 5, 2018. https://www.epa.gov/sites/production/files/documents/star-fact-sheet.pdf.

417 Environmental Protection Agency, FY 2019 Budget in Brief, February 2018. https://www.epa.gov/sites/production/files/2018-02/documents/fy-2019-epa-bib.pdf.

Eliminate the Federal Vehicle and Fuels Standards and Certification Program

The Federal Vehicle and Fuels Standards and Certification program ensures that vehicles and fuels meet federal emission standards.[418] Through this program the EPA issues certification decisions and conducts testing if there is a suggestion of noncompliance to emission standards. [419] The federal government should not mandate emission standards; instead emission standards should be primarily controlled by the free market as consumers demand vehicles that provide more efficient fuel consumption. Eliminating this program would save $95 million a year.

Eliminate the Integrated Environmental Strategies Programs

This program assists developing countries in identifying ways to reduce greenhouse gas emissions.[420] This is not an appropriate use of U.S. taxpayer dollars. This elimination would save $110 million annually.

Eliminate EPA Grants, Climate Programs, Regional Offices, and Wasteful Spending

The RSC Budget supports Rep. Sam Johnson's H.R. 958, the Wasteful EPA Programs Elimination Act of 2017. The bill would: (1) eliminate all EPA grant programs; (2) prohibit the use of funds to implement new ozone standards; (3) eliminate funding for the eight climate programs listed below, (4) eliminate the National Clean Diesel Campaign and Environmental Justice Program; (5) eliminate EPA regional offices; and, (6) require the disposal or leasing of underutilized EPA properties.

The EPA allocates over $130 million to grant programs. [421] These community-level grants provide environmental education and encourage support of EPA's goals, priorities and programs. Grants have been used to fund projects like local tree planting, games that show the relationship between oyster reef balls and their habitat, and a household hazardous waste environment fair.[422] These programs are inherently local in nature and should be funded by state and local governments or by the private sector.

Under President Obama, the EPA placed additional regulations on ozone, a naturally occurring gas that is also released from power plants, vehicles and factories. In 2015, the EPA reduced the ozone standard from 75bbp to 70ppb through the National Ambient Air Quality Standards. Current EPA Administrator Scott Pruitt attempted to delay implementation of the new standards by delaying the identification of counties that are in nonattainment. However, the U.S. District Court of Appeals ruled that the EPA must

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[418] Environmental Protection Agency, FY 2019 Justification of Appropriation Estimates for the Committee on Appropriations, February 2018. https://www.epa.gov/sites/production/files/2018-02/documents/fy-2019-congressional-justification-all-tabs.pdf.

[419] Environmental Protection Agency, FY 2019 Budget in Brief, February 2018. https://www.epa.gov/sites/production/files/2018-02/documents/fy-2019-epa-bib.pdf.

[420] Environmental Protection Agency, Accessed April 3, 2018. https://nepis.epa.gov/Exe/ZyNET.exe/P1009QXL.TXT?ZyActionD=ZyDocument&Client=EPA&Index=2000+Thru+2005&Docs=&Query=&Time=&EndTime=&SearchMethod=1&TocRestrict=n&Toc=&TocEntry=&QField=&QFieldYear=&QFieldMonth=&QFieldDay=&IntQFieldOp=0&ExtQFieldOp=0&XmlQuery=&File=D%3A%5Czyfiles%5CIndex%20Data%5C00thru05%5CTxt%5C00000026%5CP1009QXL.txt&User=ANONYMOUS&Password=anonymous&SortMethod=h%7C-&MaximumDocuments=1&FuzzyDegree=0&ImageQuality=r75g8/r75g8/x150y150g16/i425&Display=hpfr&DefSeekPage=x&SearchBack=ZyActionL&Back=ZyActionS&BackDesc=Results%20page&MaximumPages=1&ZyEntry=1&SeekPage=x&ZyPURL.

[421] Heritage Foundation, "The Budget Book: 106 Ways to Reduce the Size and Scope of Government", 2015. https://budgetbook.heritage.org/natural-resources-environment/eliminate-epa-grant-programs-information-exchange-outreach/#fn1-131.

[422] Environmental Protection Agency, "Profiles of Environmental Education Grants Awarded to Organizations in Indiana", Accessed April 4, 2018. https://www.epa.gov/education/profiles-environmental-education-grants-awarded-organizations-indiana.

identify counties in nonattainment by April 30, 2018.[423] A 70 ppb standard will likely result in a near quadrupling of the counties that would fall into the nonattainment category.[424] The EPA has also considered lowering the standard to 60 ppb, which would result in 93 percent of counties falling into nonattainment.[425] NERA Economic Consulting has estimated the costs of implementing a 60 ppb standard to be $2.2 trillion.[426] In July of 2017, the House passed a bill, the Ozone Standards Implementation Act of 2017, which would delay implementation of the standards, but the Senate has yet to have a vote on the measure.

The EPA's Environmental Justice Program seeks to ensure people in local communities have "equal access to the decision-making process to have a healthy environment."[427] Community-based activism is not a core mission of the EPA and this program should be eliminated.

The budget proposes eliminating the following eight climate programs that either are unauthorized, better regulated through the free market, or more appropriately administered at the state and local level:

- Regulation of GHG emissions from vehicles (as well as non-road equipment, locomotives, aircraft, and transportation fuels);
- Regulation of CO_2 emissions from power plants, factory boilers, and other stationary sources;
- The Greenhouse Gas Reporting Program;
- The Global Methane Initiative; [428]
- The Climate Resilience Evaluation Awareness Tool;
- The Green Infrastructure Program;[429]
- The Climate Resiliency Water Utilities Initiative;[430] and
- Climate research funding for the Office of Research and Development.

Eliminate Diesel Emissions Reduction Act (DERA) Grants

Grants made under Diesel Emissions Reduction Act (DERA) have gone to wasteful projects involving cherry pickers, electrifying parking spaces at rest stops, and retrofitting old tractors. Beginning in FY 2019, DERA grants should be eliminated, saving $50 million per year.

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423 Volcovici, Valerie, "Federal court orders EPA to implement smog rules", March 12, 2018. https://www.uschamber.com/issue-brief/ozone-national-ambient-air-quality-standards#ozone_problems.

424 U.S. Chamber of Commerce, "Ozone National Ambient Air Quality Standards", November 13, 2018. https://www.uschamber.com/issue-brief/ozone-national-ambient-air-quality-standards#ozone_problems.

425 Heritage Foundation, "The Budget Book: 106 Ways to Reduce the Size and Scope of Government", 2015. https://budgetbook.heritage.org/natural-resources-environment/eliminate-funding-development-implementation-new-ozone-standards/.

426 David Harrison, Jr. Ph.D., testimony before the House Committee on Oversight and Government Reform, "Impacts of U.S. Environmental Protection Agency Regulations," February 26, 2015. http://www.nera.com/content/dam/nera/publications/2015/PUB_Harrison_EPA_Testimony_0215.pdf.

427 Environmental Protection Agency, "Environmental Justice", Accessed April 5, 2018. https://www.epa.gov/environmentaljustice.

428 Environmental Protection Agency, "Learn About the Global Methane Initiative", Accessed April 3, 2018. https://www.epa.gov/gmi/learn-about-global-methane-initiative.

429 U.S. Government Accountability Office Report, "Stormwater Management EPA Pilot Project to Increase Use of Green Infrastructure Could Benefit from Documenting Collaborative Agreements", September 2017. https://www.gao.gov/assets/690/687478.pdf.

430 This program is now known as the Climate Ready Water Utilities Initiative.

Eliminate Geographic-Specific Programs

The president has proposed eliminating programs that only benefit specific geographical regions. These activities should be funded by the communities that benefit from them, not the federal government. Eliminating these programs beginning in FY 2019 would save $427 million annually.

End Land and Water Conservation Fund (LWCF) Land Acquisition Appropriations

The Land and Water Conservation Fund (LWCF) was established in 1964 to fund the purchase of public lands for recreational use by federal agencies and states. The LWCF is populated by a number of different excise taxes and fees, the largest of which is revenues from lease sales in the Outer Continental Shelf. Congress then spends money out of the fund for land acquisition in annual appropriations bills. In FY 2016, $450 million was appropriated from the LWCF. There is about $20 billion in unspent funds accrued in the LWCF.

However, the federal government already owns more than 640 million acres and has a deferred maintenance backlog of more than $18 billion.[431] Instead of adding additional lands onto the government's already too-extensive holdings by continuing appropriations from the LWCF, Congress should begin the process of reducing its footprint. This budget would eliminate the LWCF and rescind its remaining balance.

Eliminate the National Endowment for the Arts and the National Endowment for the Humanities

The federal government should not be in the business of funding the arts. The Constitution is clear about the federal government's proper role "to promote the progress of Science and useful Arts" as the protection of private property rights: "securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries". Support for the arts can easily and more properly be found from non-governmental sources. Eliminating the National Endowment for the Arts would save taxpayers $153 million per year and eliminating the National Endowment for the Humanities would save an additional $153 million per year.

Eliminate Subsidies for the D.C. Opera House

The John F. Kennedy Center, located along the Potomac River waterfront in Washington, D.C., first opened in 1971. According to its website, the Kennedy Center hosts "an unmatched variety of theater and musicals, dance and ballet, orchestral, chamber, jazz, popular, world, and folk music, and multimedia performances for all ages."[432] It is affiliated with the National Symphony Orchestra and the Washington National Opera. And the Kennedy Center receives tens of millions of dollars in taxpayer subsidies each year.

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[431] House Committee on Natural Resources, "PARC Act". http://naturalresources.house.gov/parc/. And Congressional Research Service, "Deferred Maintenance of Federal Land Management Agencies: FY2007-FY2016 Estimates and Issues" https://fas.org/sgp/crs/misc/R43997.pdf.
[432] The Kennedy Center, "Welcome to the Kennedy Center". http://www.kennedy-center.org/pages/about/welcome.

Tickets can often cost over $150 apiece, and performances are often sold out. The Kennedy Center's website lists 16 corporations as Executive Benefactors who provide annual commitment of $200,000 or greater.[433] It is clear that the center is more than capable of supporting itself.

It is inappropriate for the federal government to subsidize a performing arts center in one of the wealthiest areas of the country. Eliminating subsidies to the Kennedy Center beginning in FY 2019 would save taxpayers $37 million per year.

Within the Jurisdiction of the House Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies:

Eliminate the National Labor Relations Board (NLRB)

The Department of Justice (DOJ) already oversees a wide variety of civil, criminal, and administrative issues, including anti-trust and voting rights. DOJ is certainly capable of handling claims of unfair labor practices and could do so without the pro-union bias and partisanship endemic to the National Labor Relations Board (NLRB). Eliminating the NLRB beginning in FY 2019 would save $285 million per year, while in no way diminishing the effective implementation of federal labor laws.

Eliminate Ineffective Federal Workforce Programs

According to a review of relevant studies, "There is abundant evidence suggesting that federal job-training programs do not work."[434] Reviews by the Department of Labor have found that "less than half of all adult participants [in the Workforce Innovation and Opportunity Act (WIOA) Adult Activities] earn an industry-recognized credential" and that "Job Corps' performance data is often inflated and unreliable and the program spends little on worker training."[435] These types of programs would be more effectively, efficiently, and appropriately funded and operated by the private sector instead of government bureaucrats.

Despite these problems, the federal government has many different employment and job training programs that cost taxpayers billions each year. In FY 2015, the federal government spent $6.5 billion on these programs.[436]

Beginning in FY 2019, programs that are found to be ineffective should be eliminated.

End Trade Adjustment Assistance (TAA)

Conservatives believe in free trade. The voluntary trade of goods and services between the people of different nations allows for a more efficient marketplace that raises the standard of living for all.

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[433] The Kennedy Center, "Corporate Support: Corporate Contributors". http://www.kennedy-center.org/Membership/Corporate.
[434] Heritage Foundation, "Blueprint for Balance: A Federal Budget for Fiscal Year 2018", March 28, 2017. http://www.heritage.org/budget-and-spending/report/blueprint-balance-federal-budget-fiscal-year-2018.
[435] House Committee on Ways and Means, "Chairman Boustany: Better Coordinating Welfare Programs to Serve Families in Need", November 3, 2015. https://waysandmeans.house.gov/chairman-boustany-better-coordinating-welfare-programs-to-serve-families-in-need/.
[436] Karen Spar and Gene Falk, Congressional Research Service, "Federal Benefits and Services for People with Low Income: Overview of Spending Trends, FY2008-FY2015", July 29, 2016. http://www.crs.gov/Reports/R44574.

Under the mistaken idea that trade is a bad thing, the Trade Adjustment Assistance (TAA) program was created as "a federal entitlement program that assists U.S. workers who have lost or may lose their jobs as a result of foreign trade."[437] The program is intended to provide training and reemployment services, income support, and wage insurance to eligible workers.

According to the Cato Institute, "one of the most important reasons to oppose TAA is that its very existence implies that "damage" is done when trade is liberalized".[438] But, if another reason is needed, "a recent federal evaluation found that TAA hurts its beneficiaries' job prospects."[439] Eliminating TAA would save about $860 million each year, while restoring market indicators that are more likely to help individuals secure careers in successful industries in the long run.

Eliminate the Senior Community Service Employment Program

The Department of Labor's Senior Community Service Employment Program (SCSEP) provides job training for unemployed seniors, including through subsidized community service activities. The president has proposed to eliminate this program, stating "SCSEP is ineffective in meeting its purpose of transitioning low-income unemployed seniors into unsubsidized jobs. As many as one-third of participants fail to complete the program and of those who do, only half successfully transition to unsubsidized employment."[440] Beginning in FY 2019, this program should be eliminated, saving $408 million each year.

Eliminate the Office of Federal Contract Compliance Programs

The Department of Labor's Office of Federal Contract Compliance Programs (OFCCP) was originally created to enforce President Johnson's executive order prohibiting discrimination by federal contractors. At the time, the Equal Employment Opportunity Commission (EEOC) did not yet exist; now, strong anti-discrimination laws apply to all employers. Unfortunately, President Obama attempted to play politics using the OFCCP and impose his radical agenda on all individuals that would want to have the opportunity to do business with the federal government.[441] This agency is duplicative and should be eliminated in FY 2019, saving $108 million annually, while sparing taxpayers from ideological witch hunts.

Eliminate the International Labor Affairs Bureau

The Department of Labor's International Labor Affairs Bureau's (ILAB) "global mission is to advance workers' rights and livelihoods, particularly for the world's most vulnerable populations" by representing the U.S. in international organizations, by making grants to other organizations, and by conducting

[437] U.S. Department of Labor, Employment and Training Administration, The Trade Adjustment Assistance Program, "Getting Back to Work After A Trade Related Layoff". https://www.doleta.gov/tradeact/docs/program_brochure2014.pdf.
[438] Sallie James, Cato Institute, "The Flawed Logic of Trade Adjustment Assistance", June 2, 2011. https://www.cato.org/blog/flawed-logic-trade-adjustment-assistance.
[439] David Muhlhausen and James Sherk, Heritage Foundation, "Trade Adjustment Assistance: Let the Ineffective and Wasteful "Job-Training" Program Expire", December 4, 2014. http://www.heritage.org/jobs-and-labor/report/trade-adjustment-assistance-let-the-ineffective-and-wasteful-job-training.
[440] Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf.
[441] Ryan Anderson, National Review, "Four Problems and a Response to Obama's LGBT Executive Order", July 21, 2014. http://www.nationalreview.com/corner/383292/four-problems-and-response-obamas-lgbt-executive-order-ryan-t-anderson.

research.[442] The president has described the ILAB's grant funding as "largely uncompetitive and unproven"; it should be eliminated beginning in FY 2019 saving $86 million per year.[443]

Eliminate Title X Family Planning Funding

Title X, or the family planning federal grant program, provides abortion providers with federal funds to terminate pregnancies and end the lives of thousands of innocent babies. This money has been used by abortion providers, like Planned Parenthood, to not only underwrite the abortion industry, but it has also been used in support of organizations that dismember and sell fetal body parts. Planned Parenthood is the largest recipient of Title X grants, which are intended to fund valuable health services for low-income women, but instead are used by abortion providers to put the safety of women and their unborn babies in danger.[444] Eliminating Title X would save $286 million per year.

Make CURES Spending Subject to CBO Scoring

The 21st Century CURES Act enacted in December 2016 established three new accounts within the Treasury – the NIH Innovation Account, the FDA Innovation Account, and the Account for the State Response to the Opioid Abuse Crisis.

The bill provided a total of $6.296 billion in funding for these new accounts and authorized appropriations each fiscal year over the 2017 – 2026 period. The bill restricted the funds in the accounts from being used unless appropriated by Congress and prohibited the funds from being appropriated for any other purpose.

More troubling is the fact that the Cures Act directs that the discretionary spending from these accounts are not to be scored by the CBO at the time of the appropriation. This means that the $6.296 billion in discretionary spending would be exempt from all budgetary enforcement, including the Budget Control Act (BCA) caps and statutory pay-as-you-go limitations. Making CURES spending subject to the regular discretionary spending caps would save a total of about $6 billion.

While the Constitution is clear about the federal government's proper role "to promote the progress of Science and useful Arts" as the protection of private property rights: "securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries", and private for- and non-profit entities have enormous incentives to invest in seeking cures to deadly diseases, spending taxpayer funds on the National Institutes of Health remains a priority for many Members of Congress. It seems clear that when the CURES funding competes with other lower priority uses of taxpayer funds within the discretionary spending caps, the CURES programs will receive adequate support to be appropriated.

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[442] U.S. Department of Labor, "FY 2017 Congressional Budget Justification Departmental Management". https://www.dol.gov/sites/default/files/documents/general/budget/CBJ-2017-V3-02.pdf.
[443] Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf.
[444] U.S. Congressman Diane Black, "Defund Planned Parenthood". https://black.house.gov/issue/defunding-planned-parenthood.

Devolve Energy Assistance

The Low Income Home Energy Assistance Program (LIHEAP) was established in 1981 to provide assistance to low-income households for heating, cooling, weatherization projects, and energy emergencies. LIHEAP payments are made by the federal government to states which administer their programs. The Government Accountability Office has found that "LIHEAP is at risk of fraud and improper payments".[445] The president Budget Blueprint has described the program as "a lower-impact program and is unable to demonstrate strong performance outcomes."[446] This type of assistance would be more appropriately handled by state and local governments, or the private sector. Eliminating LIHEAP beginning in FY 2019 would save taxpayers $3.5 billion.

Consolidate the Agency for Healthcare Research and Quality's (AHRQ) activities in the National Institutes of Health (NIH)

The Agency for Healthcare Research and Quality (AHRQ) looks to conduct research to improve the quality and safety of healthcare. Similar health services research is already conducted in the National Institutes of Health (NIH) and AHRQ would be better housed in an institute within NIH.

Eliminate the Community Services Block Grant (CSBG)

Community Services Block Grants (CSBG) provide funding to projects that aim to reduce poverty and address low-income needs. However, these organizations receive, on average, 95 percent of their funding from other sources, including from other federal sources.[447] CSBGs are not tied to performance outcomes and some of the services are already funded through other federal programs.

Eliminate Health Professions Training Programs

The RSC Budget proposes to eliminate health professions training programs that provide scholarships and loan repayments to certain health professionals if they commit to working in areas that are experiencing a health professional shortage. However, the majority of counties have a geographic or population-group Health Professional Shortage Area within them.[448] Additionally, there are over 90 different programs that support training and education for health professionals.[449] The budget would continue to fund many programs that provide scholarships and loan repayments to those that commit to working in areas that are most in need of healthcare professionals.

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[445] Government Accountability Office, "Low-Income Home Energy Assistance Program Greater Fraud Prevention Controls Are Needed", June 2010. http://www.gao.gov/new.items/d10621.pdf.
[446] Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf.
[447] Office of Management and Budget, Fiscal Year 2019: Efficient, Effective, Accountable: An American Budget, Accessed April 5, 2018. https://www.whitehouse.gov/wp-content/uploads/2018/02/budget-fy2019.pdf.
[448] Government Accountability Office, Health Professional Shortage Areas, October 2006. https://www.gao.gov/new.items/d0784.pdf.
[449] Government Accountability Office, Health Care Workforce: Federal Investments in Training and the Availability of Data for Workforce Projections, April 9, 2014. https://www.gao.gov/assets/670/662393.pdf.

Local Control for Pre-Kindergarten Programs

Head Start provides pre-kindergarten and day care for young children in low-income families. Federal funding for Head Start is about $10 billion per year, making it one of the largest non-defense discretionary appropriations accounts. The program was established in 1965. While pre-kindergarten programs can be popular amongst the public, the empirical evidence for the efficacy of the Head Start program and other pre-k programs is mixed.[450]

As the evidence shows, pre-k programs would be more appropriately funded and operated at the state and local levels than by distant bureaucrats at the federal level. In recent years, many states have significantly increased their funding for pre-k programs.[451] According to CBO, "many of the children expected to be enrolled in Head Start in the future would be enrolled in an alternative preschool or child care programs if Head Start was eliminated. Those alternative programs include private as well as public programs."[452]

Reforms, such as the Head Start Improvement Act introduced by Rep. Jim Banks, would take a step towards providing states flexibility to better meet the needs of children and families around the country.[453]

End Ineffective Education Grant Programs

Steps towards federalism should be taken in the Department of Education by eliminating ineffective grant programs. According to the president, the Supporting Effective Instruction State Grants program "is poorly targeted and spread thinly across thousands of districts with scant evidence of impact"; the 21st Century Community Learning Centers program "lacks strong evidence of meeting its objectives, such as improving student achievement"; and the Federal Supplemental Educational Opportunity Grant program is "a less well targeted way to deliver need-based aid than the Pell Grant program".[454] Eliminating these programs would save taxpayers nearly $4 billion annually.

Eliminate Competitive and Project Grant Programs under the Every Student Succeeds Act and Reduce Spending on Formula Grants

The federal government offers states a plethora of options when it comes to competitive and project grants. Instead of focusing on the needs of their students, states spend countless hours preparing grant applications in an effort to secure a share of the federal dollars being made available to them. Often times state and local education agencies will change aspects of their education system to appeal to specific grant programs. In order to best serve students, state and local education agencies should be attentive to their students, instead of the federal government. Education is best managed at the state or local level, since state and local governments have an enhanced awareness of the needs of their students, and many conservatives believe we should continue moving towards a locally managed education system.

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[450] Katharine B. Stevens, American Enterprise Institute, "We're asking the wrong questions about early childhood education", April 26, 2016. http://www.aei.org/publication/were-asking-the-wrong-questions-about-early-childhood-education/. Lindsey Burke and David Muhlhausen, Heritage Foundation, "Head Start Impact Evaluation Report Finally Released", January 10, 2013. http://www.heritage.org/education/report/head-start-impact-evaluation-report-finally-released.
[451] Katharine B. Stevens, American Enterprise Institute, "We're asking the wrong questions about early childhood education", April 26, 2016. http://www.aei.org/publication/were-asking-the-wrong-questions-about-early-childhood-education/.
[452] Congressional Budget Office, "Eliminate Head Start", December 8, 2016. https://www.cbo.gov/budget-options/2016/52217.
[453] Representative Jim Banks, "Banks Introduces Head Start Improvement Act", April 5, 2017. https://banks.house.gov/media/press-releases/banks-introduces-head-start-improvement-act.
[454] Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf.

Eliminate the Corporation for National and Community Service

The Corporation for National and Community Service (CNCS) operates four major programs: AmeriCorps, Senior Corps, the Social Innovation Fund, and the Volunteer Generation Fund. This agency provides taxpayer funds to individuals and organizations engaging in different types of public service. These types of efforts are not a core responsibility of the federal government and would be more appropriately funded and operated by civil society. Eliminating the CNSC in FY 2019 would save $1.1 billion annually.

Eliminate Funding for the Corporation for Public Broadcasting (CPB)

A free society should not have government-supported media outlets, especially ones that so often convey political news and opinion. There is no shortage of media outlets and news services available to consumers. Even Sesame Street is now on HBO. Eliminating all taxpayer funding for the Corporation for Public Broadcasting (CPB) beginning in FY 2019 would save $496 million per year.

Eliminate the Institute of Museum and Library Services (IMLS)

The Institute of Museum and Library Services (IMLS) provides grants to local museums and libraries, a task that can be better handled by the private sector and local governments. Eliminating the IMLS would save $236 million per year.

Within the Jurisdiction of the House Appropriations Subcommittee on Legislative Branch:

Eliminate Open World Leadership Center

The Open World Leadership Center is meant to facilitate cultural and political exchanges between the U.S. Congress and leaders in post-Soviet countries. Eliminating the Center beginning in FY 2019, more than a quarter century after then end of the Cold War, would save taxpayers $6 million per year.

Within the Jurisdiction of the House Appropriations Subcommittee on State, Foreign Operations, and Related Programs:

Reduce Foreign Aid

At a time when our gross national debt is more than $21 trillion and we must rely on foreign countries to finance our spending, we cannot afford to be as generous to other nations as we have been in the past. Beginning in FY 2019, foreign assistance should be reduced.

Eliminate International Organizations and Programs Account

The International Organizations and Programs account provides voluntary contributions to international organizations, many of which do not represent American interests and values. Within this account, the U.N. Population Fund provides family planning and abortion funding abroad. Funds should also be withheld from the U.N. Intergovernmental Panel on Climate Change (IPCC), as well as the U.N. Human Rights Council, which is comprised of member nations like Cuba, Venezuela, China, and Rwanda, all of which have abysmal records on human rights. Eliminating these funds beginning in FY 2019 would save $346 million per year.

End Global Green Energy and Climate Change Funding

The plethora of programs and accounts that have spent U.S. taxpayer funds around the world on ideological activities related to green energy and climate change should be eliminated.

As described above, funding should also be withheld from the U.N. Intergovernmental Panel on Climate Change (IPCC), saving about $10 million per year.

Enforce Cap on U.N. Peacekeeping Missions

The Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, caps the amount of the U.S.'s contributions for U.N. peacekeeping operations to no more than 25 percent of the total amount for operations. However, in 2018, the U.S. will be assessed more than 28 percent by the U.N.[455]

The president has stated that the U.S. will "not contribute more than 25 percent for UN peacekeeping costs."[456] Reducing the U.S.'s contribution for peacekeeping will save taxpayers about $270 million annually, while increasing the vested interest of global partners to more prudently address regional problems.

Eliminate the Emergency Refugee and Migration Assistance Fund

The Emergency Refugee and Migration Assistance Fund "enables the President to provide humanitarian assistance for unexpected and urgent refugee and migration needs worldwide".[457] The president has described this fund as "a duplicative and stovepiped account".[458] Eliminating this program would save $51 million annually.

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[455] Heritage Foundation, "Blueprint for Balance: A Federal Budget for Fiscal Year 2018", March 28, 2017. http://www.heritage.org/budget-and-spending/report/blueprint-balance-federal-budget-fiscal-year-2018.
[456] Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf.
[457] United States Department of State, "Migration and Refugee Assistance, Emergency Refugee and Migration Assistance Fiscal Year 2015, Congressional Presentation Document". https://www.state.gov/documents/organization/228806.pdf.
[458] Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf.

Eliminate Complex Crises Fund

The Complex Crises Fund was established in 2010 by the Obama administration without authorization by Congress. The fund is meant to allow the State Department to "respond to unforeseen crises," and is duplicative of other State Department funding. Eliminating the fund beginning in FY 2019 would save $30 million per year.

Eliminate the East-West Center

The East-West Center promotes relationships between the U.S., Pacific, and Asian countries. Eliminating the Center beginning in FY 2019 would save $17 million per year.

Eliminate Funding for the U.S. Institute of Peace

The U.S. Institute of Peace was established by Congress in 1984 to promote peace and conflict resolution. In 2011, the institute moved into a new, elaborately designed, $180 million headquarters overlooking the Lincoln memorial.[459] Eliminating funding for the Institute of Peace would save $39 million per year.

Eliminate the U.S. Trade and Development Agency (USTDA)

The U.S. Trade and Development Agency (USTDA) promotes U.S. exports to developing countries by connecting companies with foreign buyers, holding conferences and workshops, and other forms of assistance. These types of activities are more appropriately handled by the private sector, rather than as crony capitalism funded by the U.S. taxpayers. Eliminating the USTDA beginning in FY 2019 would save $77 million annually.

Reform the Board of Broadcasting Governors

The Broadcasting Board of Governors (BBG) oversees all U.S. civilian international media, including the Voice of America (VOA). According to GAO and the State Department's Office of Inspector General, the agency suffers from managerial problems and other structural deficiencies. These problems have inhibited the agency's effectiveness to promote the country's message across the globe.

Eliminate the Inter-American Foundation

The Inter-American Foundation provides assistance to Latin America and the Caribbean and is duplicative of other State Department and USAID activities. Eliminating the Foundation beginning in FY 2019 would save $24 million per year.

[459] Stranix Associates, "United States Institute of Peace Headquarters". http://stranixassociates.com/project/united-states-institute-of-peace-headquarters/.

Eliminate the Asia Foundation

The Asia Foundation provides assistance to Asia and is duplicative of other State Department and USAID activities. Eliminating the Foundation beginning in FY 2019 would save $17 million per year.

Eliminate the United States African Development Foundation

The U.S. African Development Foundation provides assistance to Africa and is duplicative of other State Department and USAID activities. Eliminating the foundation beginning in FY 2019 would save $251 million per year.

Withhold Funding for the OECD

The Organization for Economic Cooperation and Development (OECD) was founded to "promote policies that will improve the economic and social well-being of people around the world."[460] Unfortunately, the OECD has become a forum to push left-wing policies such as value added taxes, the Base Erosion and Profit Shifting (BEPS) project, and other efforts to reduce tax competition between jurisdictions.[461] U.S. taxpayer funds should not go to an organization that works against their interests.

Within the Jurisdiction of the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies:

Eliminate Funding for the Washington Metropolitan Transit Authority (WMATA)

The federal government should not be directly subsidizing the public transit system of one of the most affluent metropolitan areas in the U.S. Eliminating the subsidy for the Washington Metropolitan Transit Authority (WMATA) beginning in FY 2019 would save the nation's taxpayers $153 million per year.

Eliminate Amtrak Operating Grants and Capital Grants

The federal government has subsidized the National Railroad Passenger Corporation - better known as Amtrak - since it was created by Congress in 1970. The railroad service is a notoriously poor fiscal manager, losing $72 million on food and beverage service alone in 2012.

But Amtrak has no incentive to improve its performance if it is able to count on the taxpayers for a bailout each year. The federal government should not force taxpayers to subsidize Amtrak, which should be privatized. Eliminating Amtrak funding beginning in FY 2019 would save taxpayers $1.5 billion annually.

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[460] Organisation for Economic Co-operation and Development, "About the OECD". http://www.oecd.org/about/.
[461] Andrew F. Quinlan, Center for Freedom and Prosperity, "CF&P Letter Calls on Congress to Include OECD with UN Defunding Effort", January 9, 2017. http://freedomandprosperity.org/files/OECD/OECD_defunding_letter_01-2017.pdf.

Eliminate the New Starts Transit Program

The New Starts Program, sometimes called Capital Investment Grants, provides billions in subsidies to local transit for capital improvements to fixed-guideway projects, including streetcars, subways, and dedicated bus lanes. Often these projects are inefficient and fail to reduce congestion. Because this program subsidizes only new projects, it incentivizes transit agencies to build expensive projects without regard to cost, putting taxpayers on the hook for operating costs down the road and diverting funds from adequately maintaining existing roads and other infrastructure.

Eliminating New Starts beginning in FY 2019 would save taxpayers $2.5 billion per year.

Eliminate TIGER Grants

TIGER Grants, also called the National Infrastructure Investment Program, were created by President Obama's failed Stimulus law. The program is particularly problematic because projects are selected by the administration, often for political purposes (Democrat districts received 69 percent of funding during the Obama administration), and go towards projects that would be more appropriately funded by state or local governments.[462] GAO has found problems with the funding decisions made by the administration under this program.[463] The TIGER program is a remarkably poor investment, and Congress chose not to reauthorize it in the highway bill signed into law by President Obama in 2015. Ending appropriations for TIGER Grants beginning in FY 2019 would save taxpayers $500 million each year.

Prohibit High-Speed Rail Funding

The failed 2009 Stimulus law provided $8 billion for high-speed rail projects. To be clear, there was no demand for these big-government projects and high-speed rail often costs significantly more than other forms of transportation. Thankfully, the governors of Florida, Ohio, and Wisconsin rejected funds for high-speed rail projects so the residents of their states would not get stuck with the bill. The high-speed rail boondoggle shows why the states, local governments, and the market should take a leading role in determining where transportation dollars get spent, not bureaucrats in Washington.

Eliminate Funding for Community Development Block Grants (CDBG) and Community Development Loan Guarantees (CDLG)

The Community Development Block Grants (CDBG) program has been unauthorized (yet still funded) for decades and is a prime example of the federal government's difficulty prioritizing local programs. CDBG has paid for programs as diverse as doggie daycare, a local circus, and decorative sidewalks in an affluent suburb.[464] Beginning in FY 2019, CDBG and CDLG funding should be eliminated. The president has criticized the program because "The Federal Government has spent over $150 billion on this block

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[462] Baruch Feigenbaum, Reason Foundation, "Eliminate TIGER Program", February 17, 2015. http://reason.org/news/show/eliminate-tiger-program.

[463] Government Accountability Office, "Surface Transportation: Actions Needed to Improve Documentation of Key Decisions in the TIGER Discretionary Grant Program", May 28, 2014. http://www.gao.gov/products/GAO-14-628R.

[464] Congressman Tom McClintock, "Draining A Slush Fund: Community Development Block Grants", June 27, 2012. http://mcclintock.house.gov/newsroom/speeches/draining-a-slush-fund-community-development-block-grants.

grant since its inception in 1974, but the program is not well-targeted to the poorest populations and has not demonstrated results."[465]

Reduce Funding for the HUD Office of Housing

The Office of Housing regulates the housing industry, a task that is better left to state and local governments, who already administer the vast majority of housing assistance programs in the U.S. Beginning in FY 2019, funding for the Office of Housing should be reduced.

Reduce Funding for the Public Housing Capital and Operating Funds

The Public Housing Capital Fund and the Public Housing Operating Fund provide federal funding for public housing projects, a task that is better left to state and local governments. Beginning in FY 2019, the funding Public Housing Capital and Operating Funds should be reduced.

Eliminate HOME Investment Partnership Program

The HOME Investment Partnership Program provides federal funding to state and local governments to engage in a wide variety of housing development activities. Eliminating the HOME Investment Partnership Program in FY 2019 would save taxpayers almost $1 billion annually.

Eliminate the Choice Neighborhoods Program

The Choice Neighborhoods Program provides grants to develop neighborhood revitalization plans and to implement these plans. Eliminating the Choice Neighborhoods Program in FY 2019 would save taxpayers $141 million annually.

Eliminate the Self-Help Homeownership Opportunity Program (SHOP)

The Self-Help Homeownership Opportunity Program (SHOP) provides grants to organizations that provide housing, including for land acquisition, infrastructure improvements, and administrative costs. Eliminating the SHOP in FY 2019 would save taxpayers $10 million annually.

Eliminate the Section 4 Capacity Building for Community Development and Affordable Housing Program

The Section 4 Capacity Building for Community Development and Affordable Housing Program provides taxpayer funding to a limited number of specific charitable organizations to carry out community development and housing activities.

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[465] Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018. https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf.

PROTECTING CONSERVATIVE VALUES

It is the goal of the RSC Budget not only to enact reforms to create a smaller, more efficient government, but also to ensure that government respects and adheres to the limitations and intent of the Constitution. As the federal government's reach has grown, so has the executive branch's ever-extending grasp on power. This expanded power of the state has come at the expense of the freedom and prosperity of the American people, and its concentration in the administration has threatened the separation of powers so essential to restraining any one branch of government from becoming tyrannical.

Conservatives understand that government has an important role in protecting its citizens' lives, liberty, and property. A reasserted constitutionally limited government, devoted to these core functions, would operate more efficiently and effectively than current practice. More importantly, it would eliminate the arbitrary political obstacles to prosperity that have become Washington's hallmark. To that end, this budget proposes specific reforms that would reclaim the mandate for government outlined in the U.S. Constitution by limiting the administrative state, reasserting Congress's enumerated powers, increasing transparency, and eliminating government excess, overreaches, and abuses.

Protect Life

One of the most tragic legacies of the 20th century is the millions of innocent lives lost through abortion. It is clear that current federal policies fail to protect our nation's most vulnerable. The RSC Budget prioritizes the sanctity of human life by prohibiting federal funds from going to entities that provide abortions, including Planned Parenthood.

This prohibition of funding comes on the heels of an array of House activity to stop federal funding to Planned Parenthood. In the 114th Congress, the House passed Rep. Diane Black's bill, the Defund Planned Parenthood Act, to prohibit funding for Planned Parenthood or its affiliates for one year, pending a federal investigation into the illegal sale of fetal tissue. Rep. Black's important legislation has again been introduced this Congress. Moreover, Rep. Trent Franks has reintroduced the Born-Alive Abortion Survivors Protection Act to protect infant survivors of abortion, and to ensure that all infants born alive receive the same degree of care, regardless of their gestational age. Rep. Sean Duffy has reintroduced the Women's Public Health and Safety Act, to amend Medicaid to allow states to prevent abortion providers from receiving funding. Members of Congress are also fighting to prevent HHS funding from being used to perform fetal tissue research on remains obtained from induced abortions, following discoveries from last Congress' Select Panel on Infant Lives.

In January 2017, the House passed H.R. 7, the No Taxpayer Funding for Abortion and Abortion Insurance Full Disclosure Act, to permanently codify abortion prohibitions like the Hyde Amendment, barring federal funds from being used to pay for abortions except in the case of rape or incest, or when the life of the mother is in danger. This legislation would also prohibit the use of Obamacare premium tax credits, cost-sharing subsidies, and small business tax credits for the purchase of health plans that include elective abortion coverage. The RSC has long fought for codification of several appropriation amendments to provide permanent protection against the funding of abortions, eliminating the need to pass annual policy riders protecting life.

The RSC will continue to fight to protect those with strong conscience objections to abortion. The Conscience Protection Act would ensure any healthcare provider who is opposed to abortion will not be forced to participate in the killing of an unborn child. The RSC Budget would stop any federal funding from being used to force unwilling parties to participate in an abortion service against their moral beliefs.[466]

Protect the Second Amendment

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

Today all 50 states and Washington, D.C. issue permits for some form of concealed carry. Across the country, arbitrary anti-gun "may-issue" permit standards, which empower governments to grant or not grant one's Second Amendment rights, are being converted to "shall-issue" standards, which require governments to recognize the right to carry a firearm. Constitutional carry (permitless carry) is also sweeping the country – from two permitless states in 2009 to 14 states today that do not prohibit at least a limited version of constitutional carry.

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

Defense of the First Amendment

In the aftermath of the Supreme Court's ruling in *Obergefell v. Hodges*, America witnessed firsthand efforts to weaken the First Amendment. Following the ruling, individuals and organizations that hold the belief that marriage is between one man and one woman may face federal discrimination for their sincerely held religious beliefs. The Republican Study Committee continues to pursue policy that protects Americans' right to live according to their beliefs - without discrimination, persecution, or retaliation from the federal government. The RSC Budget would protect our First Amendment rights, uphold the Constitution, restore religious freedom, and prevent discrimination against our churches, non-profits, and faith-based organizations.

Secure America's Borders and Protect the Homeland

Following the attacks on September 11, 2001, Congress passed the Homeland Security Act of 2002, emphasizing border security as a national priority in order to prevent further attacks and to crack down on illegal crossings and criminal activity, including drug and weapons trafficking.[467] Protecting American security hinges on maintaining operational control of our nation's borders. With thousands of miles of land border surrounding the nation, defending America's borders against the unlawful movement of illegal persons and contraband is paramount for ensuring the safety and security of all Americans.[468]

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[466] United States Conference of Catholic Bishops, Secretariat of Pro-Life Activities, "The Need for the Abortion Non-Discrimination Act", October 23, 2015. http://www.usccb.org/issues-and-action/religious-liberty/conscience-protection/upload/The-Need-for-The-Abortion-Non-Discrimination-Act.pdf.
[467] Jena Baker McNeill, Heritage Foundation, "15 Steps to Better Border Security: Reducing America's Southern Exposure", March 9, 2009. http://www.heritage.org/homeland-security/report/15-steps-better-border-security-reducing-americas-southern-exposure.
[468] Ibid.

In 2016 there was a surge of illegal border crossings, with over 46,000 individuals apprehended that October alone.[469] In order to curb the high numbers of illegal crossings, the RSC Budget ensures a commitment to enforcing current immigration laws prohibiting the illegal movement of people, weapons, and drugs, and strict enforcement of penalties arising from breaking those laws.

In addition to cracking down on illegal entry, it is essential that the federal government rigorously enforce immigration law within the nation's borders. In FY 2016, the Department of Homeland Security estimated that over 628,000 individuals overstayed non-immigrant visas, failing to exit the U.S. under the lawful terms of their visas.[470]

To reduce the incentives for both illegal crossings and visa overstays, the RSC Budget ensures that no federal funds go to cities or jurisdictions operating as sanctuaries for illegal immigrants. There are over 300 of these so-called sanctuary cities across the country, which fail to fulfill their obligation to cooperate with federal immigration enforcement officials and report criminal aliens.[471] President Trump, through executive order, has called for the stripping of federal funds from any jurisdiction that fails to comply with federal immigration laws, except for funds directed by law. Many cities have seen increased crime rates since declaring themselves sanctuary cities, which refuse to implement federal immigration laws.[472] These policies, in addition to skirting the nation's immigration laws, often result in costly lawsuits when violence results.

Following the shooting of Kate Steinle, the House passed H.R. 3003, the No Sanctuary for Criminals Act, which would amend the Immigration and Nationality Act to restrict state criminal alien assistance funding if: (1) a city or local subdivision has any law or policy that prevents communication with the Immigration and Naturalization Service, or another government entity, regarding in individual's immigration or citizenship status; or, (2) prohibits state or local law enforcement from obtaining information regarding an individual's citizenship status or immigration status.[473]

Several RSC Members have introduced measures to put a stop to sanctuary cities in addition to H.R. 3003, some of which target specific grant programs. Over three dozen cities have vowed to fight President Trump's policies, including reaffirming their current policies prior to his inauguration.[474] However, if these cities and counties refuse to follow federal law, they should not receive the benefits of federal funding.

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[469] Stephen Dinan, The Washington Times, "Illegal immigrant border crossings reach highest number in two years", November 10, 2016. http://www.washingtontimes.com/news/2016/nov/10/dhs-admits-surge-illegals-border/.
[470] U.S. Department of Homeland Security, "Fiscal Year 2016 Entry/Exit Overstay Report". https://www.dhs.gov/sites/default/files/publications/Entry%20and%20Exit%20Overstay%20Report%2C%20Fiscal%20Year%202016.pdf.
[471] Bryan Griffith and Jessica Vaughan, Center for Immigration Studies, "Map: Sanctuary Cities, Counties, and States", March 2017. http://cis.org/Sanctuary-Cities-Map.
[472] Stephen Owsinski, Fox News, "Sanctuary cities: The costs to taxpayers", December 9, 2016. http://www.foxnews.com/us/2016/12/09/sanctuary-cities-costs-to-taxpayers.html.
[473] Rhea Mahbubani and Associated Press, NCBC Bay Area, "Father of Kate Steinle, Woman Fatally Shot at Pier 14, Urges Immigration Reform in Washington D.C.", July 21, 2015. http://www.nbcbayarea.com/news/local/Kate-Steinles-Family-Addresses-Senate-Judiciary-Committee-317800681.html.
[474] Ruairí Arrieta-Kenna, Politico, "Sanctuary cities stand firm against Trump", December 12, 2016. http://www.politico.com/story/2016/12/sanctuary-cities-trump-immigration-232449.

Stop President Obama's Unconstitutional Executive Amnesty

President Obama took repeated, unilateral actions to rewrite America's longstanding immigration laws - despite admitting at least 22 times that he had no authority to do so.[475] In 2012, President Obama granted amnesty to at least half-a-million illegal immigrants through the Deferred Action for Childhood Arrivals (DACA) program. In November 2014, President Obama announced a series of executive actions that would expand amnesty to roughly 5 million more illegal immigrants.[476] According to CBO, President Obama's executive actions will cost American taxpayers $14.9 billion in new welfare spending for illegal immigrants. That includes $815 million in Social Security payments, $330 million for Medicare, $811 million for food stamps, $1 billion in Supplemental Security Income (SSI) payments, $1.5 billion for Obamacare and Medicaid, and $10.2 billion in earned income and child tax credits.[477]

Though the House has passed a series of measures to stop and prevent funding to President Obama's executive amnesty, the courts also have stepped in to curb his unconstitutional overreach. Twenty-six states, led by Texas, filed a lawsuit in federal court to block the former president's actions. On February 16, 2015, a federal judge in the Southern District of Texas enjoined in full the actions.[478]

Given President Obama's statements leading up to his actions, the House response, and the court's ruling, all three branches of the federal government have concurred that President Obama acted beyond his authority.[479] On November 9, 2015, the 5th Circuit Court of Appeals again ruled against President Obama's efforts to shield undocumented immigrants. In its ruling, the majority affirmed that current immigration law "flatly does not permit the reclassification of millions of illegal aliens as lawfully present and thereby make them newly eligible for a host of federal and state benefits, including work authorization." [480]

While it is appropriate that the courts intervened by temporarily halting the overreach, Congress should not sit idly by. To end President Obama's unconstitutional amnesty, this budget eliminates funding for those illegal actions, insists on the enforcement of existing immigration laws, and the securing of our borders, as proposed by H.R. 4760, the Securing America's Future Act, introduced by House Judiciary Committee Chairman Bob Goodlatte and House Homeland Security Committee Chairman Michael McCaul.

Full Vetting of Refugees Entering the United States

On December 2, 2015, two individuals opened fired on a conference room of county workers, killing 14 people. The attack, believed to be terrorist-inspired, was carried out by a Pakistani-born, U.S. permanent resident, who spent much of her life in Saudi Arabia, and her husband. The shooters were believed to

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[475] Speaker John Boehner, "22 Times President Obama Said He Couldn't Ignore or Create His Own Immigration Law", November 19, 2014. http://www.speaker.gov/general/22-times-president-obama-said-he-couldn-t-ignore-or-create-his-own-immigration-law.

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

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

[478] United States District Judge Andrew Hanen, United States District Court For The Southern District Of Texas Brownsville Division, Memorandum and Order, February 16, 2015. http://www.txs.uscourts.gov/sites/txs/files/1-14-cv-254_145X20977588_0.pdf

[479] Representative Bill Flores, "Flores Talks DHS Funding On The Rundown with Jose Diaz Balart", February 25, 2015. https://www.youtube.com/watch?v=F9C2QI1WnCo.

[480] Michelle Malkin, National Review, "Federal Courts Block Obama's Executive Illegal-Immigration Amnesty (Again)", November 11, 2015. http://www.nationalreview.com/article/426878/obama-executive-illegal-immigration-amnesty-fifth-circuit.

have been radicalized long before they wed, and their attack, inspired by Islamic terrorism.[481] That November, three coordinated teams of Islamic terrorists opened fire and detonated explosives at six sites across Paris, killing nearly 130 people. One of the terrorists involved was found to have entered the European Union through Greece, posing as a refugee and taking advantage of relocation programs.[482]

In response to the attacks on our allies' soil, and the threat of further attacks on American soil, the House passed Representatives Michael McCaul and Richard Hudson's American Security Against Foreign Enemies Act (SAFE) of 2015. The SAFE Act requires the Secretary of Homeland Security and the head of the FBI to sign off on any refugee admitted to the United States from Iraq and Syria, or any individual who traveled to Iraq or Syria during the past five years.[483] The bill is also designed to ensure that a thorough FBI background check and Homeland Security screening are performed on each refugee.[484]

Reduce Government Competition with the Private Sector

Government at all levels is increasingly involved with providing goods and services that are better left to the private sector. The Obama administration even encouraged local governments to offer broadband Internet service, overriding state laws through regulation and offering incentives in the tax code.[485]

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

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[481] New York Times, "What Investigators Know About the San Bernardino Shooting", December 10, 2015. http://www.nytimes.com/interactive/2015/12/02/us/california-mass-shooting-san-bernardino.html?_r=2.

[482] Jon Henley, The Guardian, "Paris terror attacks 'carried out by three coordinated teams of gunmen'", November 14, 2015. http://www.theguardian.com/world/2015/nov/14/syrian-greece-refugee-paris-attacks-killers.

[483] H.R. 4038, the American Security Against Foreign Enemies Act, Final Vote Results For Roll Call 643, November 19, 2015. http://clerk.house.gov/evs/2015/roll643.xml.

[484] Camila Domonske, National Public Radio, "House Votes To Increase Security Checks On Refugees From Iraq, Syria", November 19, 2015. http://www.npr.org/sections/thetwo-way/2015/11/19/456651251/house-votes-to-increase-security-checks-on-refugees-from-iraq-syria.

[485] Wall Street Journal, "Tom Wheeler's Other Web Takeover", February 24, 2015. http://www.wsj.com/articles/tom-wheelers-other-web-takeover-1424821807.

FIXING THE BROKEN BUDGET PROCESS

The federal budget process is undeniably broken, and Congress bears much of the responsibility. Too often, procedural rules are waived that would otherwise restrain out-of-control spending and encourage commonsense reforms to federal programs. Massive omnibus appropriations bills—written behind closed doors—come to a vote on the House floor well after the fiscal year has begun because Congress fails to address these predictable issues in a timely manner. Even worse, members are given mere hours to read bills thousands of pages long that spend trillions of dollars. To top it all off, the ability of members to offer amendments of their choosing to appropriations measures seems to be a thing of the past. Consequently, members of Congress are robbed of the ability to make responsible changes to the legislation forced upon them. This is a repugnant process and an insult to the American people.

With unified government for the first time in a decade, Republicans in the House, Senate, and the White House owe it to the American people and themselves to fix the budget process, which will give them a better opportunity to address the underlying problems facing the nation and undermining its finances.

The Bipartisan Budget Act of 2018 created a Joint Select Committee on Budget and Appropriations Process Reform for the purpose of providing recommendations and legislative language to reform the budget and appropriations process. The creation of this joint select committees in a piece of legislation that set the stage to increase the ten-year budget deficit by $320 billion is for good reason viewed by many conservatives as a questionable gesture. Whether or not the joint select committee will accomplish anything of value is uncertain. What is certain is that committees charged with the duty of budget process reform already exist – the House and Senate Budget Committee. Both spent 2016 putting together proposals to reform the broken budget process, many of which have been incorporated in this budget.[486]

Building off the work of the standing Budget Committees, this budget lays the foundation for the House and Senate to complete their work on the budget, and then to move on to consider all 12 regular appropriations bills under an open process. Unfortunately, it is questionable whether Congress will pass a concurrent budget resolution. April 15, the date on Congress is supposed to complete action on a budget, has come and gone. Additionally, the Bipartisan Budget Act of 2018 directs the House and Senate Budget Committee Chairmen to deem budgetary levels in the House and Senate after April 15, 2018, and before May 15, 2018.

Cut Spending

Make the Earmark Ban Permanent

Until House Republicans adopted an earmark moratorium in the 112th Congress in an effort led by the RSC, the number of earmarks included in appropriations and authorization bills was skyrocketing. These requests often diverted taxpayer resources to special interests, greased the wheels of Washington's spending machine, and set a poor example of fiscal responsibility. Unfortunately, some Members now want to bring back earmarks, despite the fact that this will mean returning to the associated culture of corruption that was the hallmark of the pre-moratorium era. In January 2018, the House Rules Committee

[486] House Committee on the Budget, "Budget Process Reform". http://budget.house.gov/budgetprocessreform/ and George Everly, Senate Committee on the Budget, "Options to Fix the Broken Federal Budget Process", June 16, 2016. https://www.budget.senate.gov/chairman/newsroom/budget-bulletins/options-to-fix-the-broken-federal-budget-process.

even held two hearings on restoring earmarks, the first with testimony of experts from outside groups and the second with testimony from members of the House.

While some may argue that Members of Congress understand the needs of local communities and so they should be able to allocate federal funds, that line of reasoning makes no sense if you believe in the Constitution and the concept of federalism our form of government is based upon. If a project proposed to be funded is local in nature, it should be paid for by those who it is benefiting, not the federal taxpayer. The issues Congress is supposed to address are those that are purely national in nature - those that "promote the general Welfare", while remembering that "The powers not delegated to the United States by the Constitution… are reserved to the States respectively, or to the people."[487]

Earmarks also perpetuate a Congressional hierarchy that disadvantages rank-and-file members. According to Tom Schatz, President of Citizens of Government Waste:

> "In the 111th Congress, when the names of members who requested earmarks were included in the appropriations bills, 61 percent of the earmarks and 51 percent of the money went to members of the House and Senate Appropriations Committees. In other words, 81 appropriators (50 in the House and 31 in the Senate), who constituted 15 percent of the entire Congress, purloined more than half of the earmarks. As Sen. John McCain (R-Ariz.) said about members of Congress who wanted to bring back earmarks in 2014, "The problem with all their arguments is the more powerful you are, the more likely you get the earmark in. Therefore, it is a corrupt system."…Since 1991, according to Citizens Against Government Waste's Congressional Pig Book, there have been 110,605 earmarks costing taxpayers $329.8 billion."[488]

The Rules of the House speak at length about earmark disclosure, but they do not actually ban them. This budget would amend the House rules to make it out of order in the House to consider any legislation that includes an earmark. This budget would also prevent the Rules Committee from reporting a rule or order that would waive a ban on earmarks.

Constitutional Requirement for a Balanced Budget

At the state level, the lack of a requirement to have a balanced budget is the exception, not the norm. Since the founding of our nation, states have been the incubators of policy, sorting through the approaches that don't work, and expanding upon the ones that do. The widespread adherence to balanced budget requirements among the states demonstrates this notion. This budget would have the federal government follow suit.

While there have been many variations of balanced budget amendments proposed in Congress through the years, they all have one thing in common: that spending not exceed receipts. While this commonality is vital, the way that you get to this balance is perhaps equally as important.

H.J.Res. 1, a balanced budget amendment introduced by Chairman of the House Judiciary Committee Bob Goodlatte, contains elements key to ensuring that a balanced budget is achieved in a way that does not jeopardize economic growth. It does this by limiting federal expenditures rather than relying on the

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[487] U.S. Constitution, Preamble and Amendment X.
[488] Tom Schatz, The Hill, "Republicans should know reviving earmarks is a political nightmare," December 8, 2017. http://thehill.com/opinion/finance/363838-republicans-should-know-reviving-earmarks-is-a-political-nightmare.

American people to pay for an over-bloated government through increased taxes. Specifically, Chairman Goodlatte's proposal would bar annual spending in excess of 20 percent of GDP. This limitation is important in making sure that federal spending not rise to a level that is unhealthy for the economy. Moreover, the proposal prevents Congress from relying on tax increases to balance the budget, a key provision protecting against economic downturns. As Veronique De Rugy of the Mercatus Center explains, "tax increases [are] unsuccessful at reducing the debt and associated with large recessions." [489] While each of these prohibitions can be waived by Congress if needed, Chairman Goodlattes's proposal would require a supermajority vote to waive them.

Other variations of a balanced budget amendment would be an improvement over the status quo and also warrant consideration. Some are based on successful examples, such as the Swiss Debt Brake, that would require balance over a certain time period, such as the economic cycle. H.Con.Res.73, introduced by Rep. Luke Messer, would effectuate the Compact for a Balanced Budget, an effort by the States to ratify a balanced budget amendment.

Strengthen Spending Reduction Accounts

The standing orders in the House require appropriations bills to include spending reduction accounts. These accounts allow members to offer amendments to reduce spending elsewhere in the bill and allocate those amounts to deficit reduction.

Unfortunately, although the House has voted on bills and amendments that reduce the level of discretionary spending, spending cuts protected in spending reduction accounts are not applied against the House Appropriations Committee's overall 302(a) allocation, and this allows those savings to be redirected by the committee to spending in subsequent appropriations bills and conference reports.

This budget would require spending reduction accounts under the standing Rules of the House. This proposal would further strengthen the spending reduction accounts by requiring that any funds allocated to a spending reduction account would also be cut from the House Appropriations Committee's 302(a) allocation, protecting the cuts from being spent later in the appropriations process.

Reversing the Baseline Bias

Under current law, CBO's baseline spending projections automatically assume higher spending each year.

This budget recommends that the inflation-adjusted, pro-spending bias for discretionary spending be removed from the baseline by adopting zero-baseline budgeting.

Despite producing what it calls a "current law" baseline, the rules governing the CBO require it to assume that programs that are set to expire continue on in the baseline. Similarly, CBO is required to assume that entitlement programs continue to provide benefit payments at current levels even if the trust fund is depleted. These assumptions should be removed under a reformed budget process.

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[489] Veronique De Rugy, George Mason University Mercatus Center, "Testimony before Senate Budget Committee: The Effect of Tax Increases and Spending Cuts on Economic Growth," May 22, 2013. https://www.mercatus.org/system/files/deRugy_FiscalAdjustmentTestimony_v1%5B1%5D.pdf.

Treatment of Trust Funds

In addition to the Treasury's General Fund, the federal budget is also comprised of a number of trust funds to which specific receipts are credited and from which appropriations are authorized for a specific purpose.

To recognize the special status of these trust funds, this budget recommends establishing a rule to prohibit a reduction in trust fund spending, or an increase in revenues or fees, from being used to offset unrelated, non-trust fund programs. Additionally, transfers to trust funds from the General Fund should be counted as new spending.

Extend and Expand Mandatory Sequestration

The Budget Control Act of 2011 called for $1.2 trillion in budgetary savings over FY 2013 to FY 2021 in addition to the savings produced by the Act's discretionary spending limits.[490] These savings were to come from the enactment of a Joint Committee on Deficit Reduction bill. However, such a bill was not enacted, and as a result the BCA required that those savings be achieved through automatic annual spending reductions split evenly between non-exempt defense and non-defense spending ($54.7 billion to each category) with cuts applied proportionally to discretionary and mandatory programs within each category. On the discretionary side, these cuts were achieved by lowering the existing discretionary limits downward even further.

On four occasions, Congress has adjusted the discretionary spending caps to increase spending without full offsets, essentially undoing the portion of savings that were supposed to be achieved through discretionary cuts. The most recent increase authorized in the Bipartisan Budget Act of 2018 increased the caps by $296 billion. The Act contained about $100 billion in offsets, but many of these were gimmicks that produced savings only on paper or were revenue-raisers.[491] The three prior adjustments, while smaller - $179 billion combined - were also largely offset with budget gimmicks.[492] Given that the current spending levels face a cliff in FY 2020 when the current caps are set to decrease from a combined $1.244 trillion to $1.118 trillion, it is fair to anticipate Congressional pressure to enact another cap adjustment.

One non-gimmick used to offset some of the spending increases in prior cap adjustment bills was the extension of the BCA's mandatory sequestration cuts. Initially those cuts were to run through FY 2021, but they have since been extended several times and now are in place through FY 2027. Under current law, the mandatory sequester requires about $19 billion in mandatory spending reductions a year.[493] About a quarter of these are applied to non-Medicare spending, and the rest to Medicare. This imbalance results from the fact that the BCA excludes many major mandatory spending programs from the mandatory sequester, including welfare programs like SNAP, TANF, and SSI.

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[490] 2 U.S.C. 901a

[491] Committee for a Responsible Federal Budget, "Bipartisan Budget Act Means the Return of Trillion-Dollar Deficits," February 9, 2018. http://www.crfb.org/blogs/bipartisan-budget-act-means-return-trillion-dollar-deficits.

[492] Committee for a Responsible Federal Budget "Budget Deal Truly Offsets Only Half its Costs," October 27, 2015. http://www.crfb.org/blogs/budget-deal-truly-offsets-only-half-its-cost.

[493] Office of Management & Budget, "OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2019," February 12, 2018. https://www.whitehouse.gov/wp-content/uploads/2018/02/Sequestration_Report_February_2018.pdf.

As a way to fully realize the savings originally required under the BCA, starting in FY 2022 (after expiration of the BCA's discretionary spending caps), this budget would extend the non-defense mandatory sequester spending reductions through the end of the budget window, require it to save the entire $54.7 billion a year in non-defense spending cuts currently prescribed by the BCA, and expand the sequestrable base to include means-tested benefit programs like SNAP, TANF, and SSI.

Reclaim Article I

Article I, Section 9 of the Constitution entrusts the power of the federal purse with Congress alone. As Madison makes clear in Federalist 58, "the House of Representatives cannot only refuse, but they alone can propose, the supplies requisite for the support of government."[494] However, the use of the power of the purse is only effective when the Members of Congress are informed and involved in the spending process. Under current practice, the legislative branch has often completely abdicated its responsibility to be a good steward of the taxpayers' money. Other times, the decisions about spending billions or even trillions of dollars are made only by a select few, without opportunity for input from the duly elected Members of Congress. This budget includes a number of reforms to correct this problem and restore this quintessential congressional power.

Importantly, in creating a more open and transparent process, these reforms will not only allow the elected representatives of the people to better discharge their duties, but will also foster accountability for those representatives. More discrete funding bills for smaller portions of government considered in a timely, but not rushed, manner will be easier for voters to consider and review themselves. Better informed constituents will then be able to better communicate with their representatives and to cast informed ballots in each election.

Stop the Executive Branch from Making Spending Decisions

Too often, Congress has allowed the executive branch to spend fees and other revenue streams virtually unchecked, with disastrous results. Former President Obama violated the separation of powers through his use of executive actions, including by spending funds for purposes not authorized by Congress. Under his administration, the U.S. Customs and Immigration Services (USCIS) diverted user fees to implement President Obama's executive amnesty actions without congressional authorization until an injunction from a Federal court stopped that process from moving forward.

In FY 2018, the OMB estimates that the executive branch will collect $542 billion in fines, fees, penalties, and other offsetting collections and receipts.[495] Large amounts of these funds are available for agencies to spend on their own, without direction or meaningful oversight from Congress. Worse, in some cases, these collections are derived from fines that agencies themselves impose and adjudicate, effectively concentrating the legislative, executive, and judicial powers in a single entity, a situation that Madison described in Federalist 47 as the definition of tyranny.

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[494] James Madison, Federalist #58, the Federalist Papers, "Objection That The Number of Members Will Not Be Augmented as the Progress of Population Demands Considered". http://avalon.law.yale.edu/18th_century/fed58.asp.
[495] Office of Management and Budget, Analytical Perspectives, Budget of the United States Government, FY 2019. https://www.whitehouse.gov/wp-content/uploads/2018/02/ap_12_offsetting-fy2019.pdf.

This budget calls for implementing Representative Gary Palmer's Agency Accountability Act, which would require fees, fines, penalties, and proceeds from settlements to be deposited in the Treasury's General Fund and explicit congressional authority to spend these funds.

Unauthorized Spending

Since 1835, the Rules of the House (clause 2(a)(1) of rule XXI) have required that appropriations may only be for purposes authorized by law. This rule is rarely enforced because appropriations bills are routinely considered under legislative procedures that waive existing budget rules. As a result, much of the discretionary budget is spent without oversight or accountability. The Consolidated Appropriations Act, 2016 included $310 billion in appropriations not authorized by law, constituting almost one-third of the entire discretionary budget.[496]

The House Appropriations Committee should disclose the current funding levels for unauthorized programs in the committee reports accompanying the appropriations bill legislative text, as is required by the Rules of the House. The CBO should also make every effort to report the unauthorized appropriations included in legislation that is not reported by a committee, such as omnibus appropriations acts and continuing resolutions.

Representative Tom McClintock has put forward a modest proposal to prohibit consideration of appropriations bills that increase funding above their most recently appropriated amount for unauthorized programs.

Representative Cathy McMorris Rodgers has introduced the Unauthorized Spending Accountability Act, which would address these "zombie appropriations" by sunsetting unauthorized appropriations over a three-year period, withholding full appropriations for unauthorized programs, and establishing a commission to review all discretionary spending programs.

Expanded Reconciliation Process

Reconciliation is an expedited legislative process that can be used to pass legislation that would bring spending and revenues in line with the budget. Importantly, reconciliation bills are subject to only limited debate in the Senate, avoiding a filibuster. The reconciliation process can only be triggered when the House and Senate agree on a Budget Resolution that includes reconciliation instructions.

Under current law, reconciliation can only affect direct (mandatory) spending, revenues, or the debt ceiling. Reconciliation may not be used to affect discretionary appropriations in any way, including statutory discretionary spending limits. Social Security cannot be reformed using reconciliation. The real limits on reconciliation are enforced in the Senate, where the Byrd Rule prohibits the inclusion of "extraneous" provisions in a reconciliation bill and allows Senators to raise points of order to strike a provision that has been deemed extraneous by the Senate parliamentarian and while allowing for enforcement of the precedent to be carried out by the President of the Senate or presiding officer.

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[496] Congressional Budget Office, Unauthorized Appropriations and Expiring Authorizations, January, 2016. https://www.cbo.gov/publication/51131.

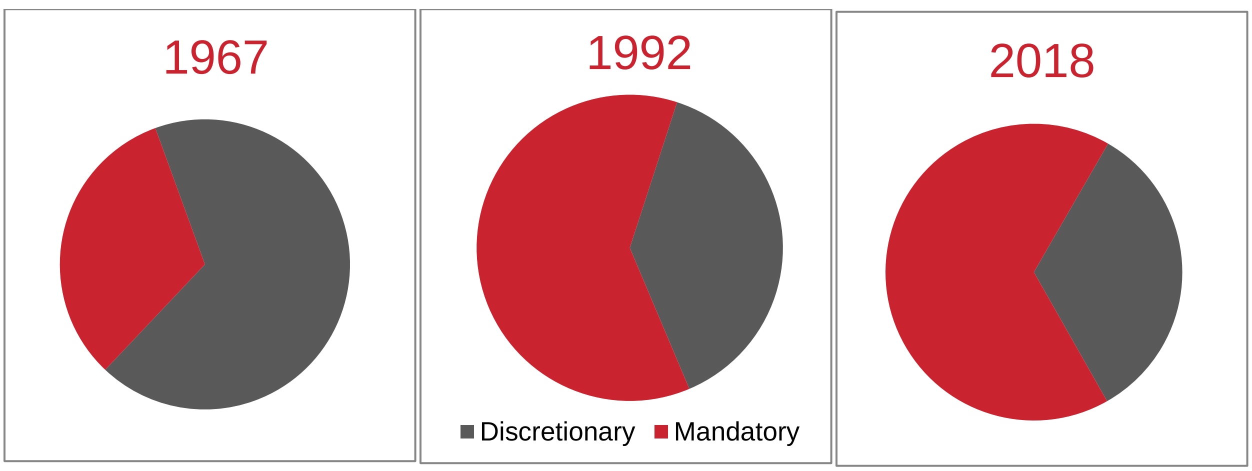
Reconciliation is a powerful tool that has been used to enact high-profile legislation, such as parts of Obamacare, the 2001 and 2003 tax relief, the Balanced Budget Act of 1997, the 1996 welfare reforms, and most recently the 2017 Tax Cuts and Jobs Act.

The reconciliation process should be expanded to make it easier for Congress to follow through on its budget resolution, including by allowing multiple reconciliation bills each fiscal year. Reconciliation should also be able to make changes in law that will affect discretionary outlays, including by modifying discretionary spending limits.

Transition Mandatory Spending Programs to Discretionary Appropriations

Mandatory spending programs operate on budgetary autopilot and do not allow Congress to deliberate and decide if the funds should actually be spent each year. However, the share of the budget that is mandatory has expanded significantly, from only about one-third in 1967 to two-thirds today.

Proportion of the Federal Budget that is Mandatory and Discretionary



The authorizing Committees of the House should be charged with reviewing the direct spending programs within their jurisdictions and producing legislation to transition programs to being subject to annual discretionary appropriations.

For those programs that are not transitioned to discretionary programs, Congress should work to ensure they are considered for reauthorization on a more frequent basis, in some cases by inserting sunset provisions into mandatory spending authorizations that are currently open-ended.

Move to a Calendar-Year Budget Cycle

Under current law, the Federal Government's fiscal year runs from October 1 to September 30. The October 1 date was established by the Congressional Budget Act of 1974, which moved the beginning of the fiscal year back from July 1 in order to give Congress more time to complete its budget process. According to the Department of the Treasury, "the first fiscal year for the U.S. Government started Jan. 1, 1789. Congress changed the beginning of the fiscal year from January 1 to July 1 in 1842."[497]

Even with the later beginning to the fiscal year, Congress rarely completes its work on time. In recent years, the budget process has most often tracked the calendar year. The fiscal year should be re-aligned with the calendar year and the timetable for completion of each step of the budget process should be modified accordingly.

Enhance Agency Auditing

The agencies of the Federal Government must at all times operate in the best interests of the American people. A key aspect of this principle is a dedication to the prudent use of taxpayer funds, and the ability to catalogue how these funds are spent.

The Government Accountability Office (GAO) is an independent legislative branch agency that audits federal agency operations, performs investigations, and provides recommendations for improving agency performance. According to the GAO, in 2016, the agency made over 2,000 recommendations and provided $73.9 billion in measurable financial benefits.[498] Offices of inspector general (OIGs) are independent offices within more than 70 different agencies meant to "combat waste, fraud, and abuse" by conducting audits and investigations of their respective agencies.[499] Congress should support the work of the GAO and the OIGs, along with conducting its own vital oversight work.

End the Political Threat of Default

To prevent the possibility that the United States defaults on its debt, this budget recommends implementing Representative Tom McClintock's Default Prevention Act (H.R. 422). This bill would require the Treasury to make timely payments of principal and interest, including on interest owed to the Social Security Trust Fund, in the event the statutory debt limit is reached. To accomplish this, the Treasury is permitted to issue debt that is not subject to the statutory limit.

The Default Prevention Act is a commonsense measure to protect the full faith and credit of the United States. Those who oppose it risk jeopardizing the nation's standing in the world and seek to use the threat of default as a political weapon.

Additionally, Congress should stop the practice of suspending the debt limit for a period a time rather that raising it by a definite dollar amount. The latter approach is a more transparent approach that makes lawmakers and the public more aware of the fiscal ramifications of adjusting the statutory debt limit.

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[497] Department of the Treasury, Treasury Direct, Historical Debt Outstanding - Annual 2000 – 2015. https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo5.htm.
[498] U.S. Government Accountability Office, "GAO at a Glance", For fiscal year 2017. https://www.gao.gov/about/gglance.html.
[499] Congressional Research Service, "Federal Inspectors General: History, Characteristics, and Recent Congressional Actions", July 20, 2016. http://www.crs.gov/Reports/R43814.

Follow the Budget

For half a decade, both the Republican Study Committee and House Budget Committee budgets have included major reforms to put the federal government on a sustainable fiscal path and ensure the solvency of major social safety net programs. If the Congress had followed these budgets, we would have already prevented the coming fiscal crisis and devastating bankrupting of our nation. Too often, however, the bold policies outlined in these budgets fail to come to fruition. This budget proposes reforms that would strengthen budget enforcement and make it more difficult to deviate from the Congressional Budget Resolution.

For instance, under the FY 2018 concurrent resolution on the budget that was ultimately adopted as proposed by the Senate despite the fact it never balanced, the authorizing committees of the House were required to report and the Congress was supposed to enact legislation reducing outlays by $3.6 trillion over the FY 2018 – 2027 period. However, through 40 percent of the fiscal year, only six percent of the spending reduction target has been met.[500]

Legislative Action on Direct Spending Allocations, As of February 23, 2018
(in millions of Dollars)

302(a) Outlays Allocation	Legislative Action	Difference	Percent of Outlays Allocation Enacted
-3,630,181	-228,904	+3,401,277	6.31%

Binding Spending and Debt Limits

The House and the Senate should be able to work with the president to allow the budget resolution to have the force of law. One way to establish binding spending and debt limits would be to establish a process in each chamber where upon adoption of a concurrent resolution on the budget a joint resolution based on the budget would be sent to the president for his signature into law.

Setting Long-Term Debt Limits, and Enhanced Reconciliation

The current budget process generally focuses on the short term problem of spending and deficits within the ten-year budget window. This narrow view gives lawmakers and the public an inaccurate picture of the nation's fiscal health and encourages budget gimmicks that would balloon spending in the "out years" despite appearing to be responsible within the ten-year budget window. While it is important that the spending problem not be made worse in the short term, overspending due to the autopilot mandatory spending programs is also a long term issue.

H. Con. Res. 71, the Concurrent Resolution on the Budget for FY 2018, established a point of order in the House against legislation that would increase direct spending (or deficits in the Senate) by more than $2.5

[500] Rep. Steve Womack, Congressional Record, "Publication Of Budgetary Material: Status Report On Current Spending Levels Of On-Budget Spending And Revenues For FY2018 And The 10-Year Period FY2018 Through FY2027," H1437, March 6, 2018. https://www.congress.gov/crec/2018/03/06/CREC-2018-03-06-pt1-PgH1437-2.pdf.

billion in any of the four consecutive ten-year periods following the end of the period covered by the budget resolution. This point of order should be codified to restrict spending increases.

Another solution would be to include long-term limits on debt in the budget resolution and in the spin-off joint resolution described in the section above that would be enforced through a combination of enhanced reconciliation and an automatic enforcement procedure. Major legislation could be measured against this long-term baseline.

The president's budget request should also include long-term projections.

Identifying Budget Waivers and Allow Members to Move to Strike Waivers

The special rules for consideration of legislation in the House often waive the application the rules and statutes that are meant to stop lawmakers from violating their own budget. Last Congress, the Rules Committee granted waivers of rules related to budgetary enforcement 111 times as a part of the 129 rules reported by the Committee.[501] Sometimes these waivers come in the form of a blanket waiver of all points of order against the consideration of a bill or amendment.

The rules for consideration of legislation should specifically identify any budget rules it is waiving. Additionally, any Member should be empowered to make a motion to strike any budgetary waiver included in a rule.

Enforcement of Discretionary Spending Limits for the Entire Fiscal Year

Under current law, the statutory limits on discretionary spending are only enforced for two-thirds the fiscal year. Quite simply, this makes no sense.

The Budget Control Act spending limits are enforced by a sequestration process that cancels budget authority. This enforcement only occurs after the Office of Management and Budget (OMB) issues a sequestration report within 15 days after the Congress adjourns for the end of a session.

The practical effect of this is that from October 1 to January 18 of each fiscal year, the discretionary spending limits effectively do not apply. Congress has taken full advantage of this loophole in recent years by enacting Continuing Resolutions (CRs) that spend billions above one or both of the defense and non-defense caps.

To rectify this problem, this budget recommends ensuring that the statutory spending limits are enforced for the entire fiscal year.

Rule Against New Direct Spending Programs

The budget resolution is meant to serve as a fiscal plan for the Congress to follow for the upcoming fiscal year. Therefore, if the budget does not provide for the establishment of a new direct spending program,

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[501] U.S. House of Representatives Committee on Rules, "Survey Of Activities Of The House Committee On Rules For The 114th Congress", Report 114–905, January 2, 2017, VI. Statistical Profile of the Committee On Rules In The 114th Congress, Table A. Statistics on Special Orders or Rules. https://www.gpo.gov/fdsys/pkg/CRPT-114hrpt905/pdf/CRPT-114hrpt905.pdf.

Congress should not pass legislation doing so. This prohibition could be enforced by a point of order against the consideration of a bill creating new direct spending that is not provided for by the concurrent resolution on the budget.

Emergency Designation Reforms

This budget also reforms congressional abuse of "emergency spending" to skirt spending limits set by the Budget Control Act and budget resolutions. According to CBO, net supplemental spending totaled $99 billion in the 1980s and $86 billion in the 1990s. By contrast, from 2000 to 2009, supplemental appropriations often exceeded $100 billion in a single year. A recent CBO report found that Congress has enacted over $1.1 trillion in supplemental appropriations between FY 2000 and FY 2017.[502]

This proposal would require the sponsor of legislation that contains emergency spending— or the Chair of the House Appropriations Committee in circumstances where there is no House sponsor—to submit a statement in the Congressional Record explaining why an emergency designation is necessary. It would also require a three-fifths majority vote in the House to approve legislation that is designated as emergency spending. Because emergency funding should be timely and targeted, there should be a prohibition on emergency appropriations that are available for longer than two fiscal years.

No Adjournment until the Budget Process is Completed

One of the most frustrating aspects of the budget process is that Congress often fails to complete its work in a timely fashion. As shown in the table below, most of the year can already be completed before Congress and the president are willing and able finalize action on the regular appropriations bills.

Number of Days After the Start of the Fiscal Year Before the Government Was Funded by Enacting Appropriations Bills

Fiscal Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Days After Start of Fiscal Year	154	108	176	83	198	78	216	173

To force completion of its budget work, Congress should be unable to adjourn after October 1 until it has completed action on the budget resolution, the regular appropriations acts, and any applicable reconciliation bills. As detailed above, the budget also proposes to re-align the fiscal year with the calendar year. This prohibition on adjournment updates the current prohibition in Section 309 of the Budget Act on the House adjourning during the month of July unless it has already approved all the regular appropriations bills.

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502 Congressional Budget Office, CBO Data on Supplemental Appropriations Budget Authority: 2000 – Present, As of February 3, 2017. http://fedweb.com/wp-content/uploads/2016/12/Supplemental-Appropriations-Since-2000.pdf.

Reconciliation Targets to Implement the Budget

Reconciliation was originally established as a fast track process that would allow Congress to quickly and efficiently complete action on all the unresolved proposals laid out in the concurrent resolution on the budget prior to the beginning of the budget year. However, Congress has lost sight of this purpose and when reconciliation is used it is often only considered for targeted purposes, often after the budget year has already begun. To correct this problem, this budget sets reconciliation targets for the relevant House authorizing committees at the necessary levels to achieve the mandatory reforms assumed in the budget.

Transparency

Account for Debt Service Costs

This year, the Federal Government is projected to run a $804 billion deficit, meaning that 21 percent of the nearly $4 trillion in spending this year will be financed by issuing new debt. By FY 2028, nearly 25 percent of spending will be paid for by new borrowing. And the interest expense on this debt is expensive, totaling $316 billion this year and increasing to $915 billion annually over the next decade under current law.

To more accurately account for the costs of legislation, the CBO should include the projected debt service costs in its estimates of legislation considered by the Congress.

Realistic Scoring

At the beginning of the 114th Congress, the House adopted a new rule that requires CBO and the Joint Committee on Taxation (JCT) to incorporate the macroeconomic effects of major legislation into the budgetary scores of such legislation. This practice—called “dynamic scoring”— takes into account the real-world economic impact of new laws.

This commonsense proposal should be enshrined into law. That way, before voting, lawmakers can be sure they have the most accurate information regarding the fiscal impact of major legislation (defined as having a fiscal effect of at least .25 percent of GDP in any year within the budget window). JCT would continue to field requests for dynamic scoring on legislation from the House and Senate Budget Committee Chairmen.

Disclose the Real Costs of Federal Credit Programs

This budget proposes increasing transparency in federal budgeting by using fair-value accounting for federal insurance programs. This ensures the true costs of these programs are included in the federal budget. A CBO report shows that the current accounting rules hide the real cost to the taxpayers of several programs. For instance, under the current rules, student loans are on paper shown to generate $135 billion for the Treasury; however, the program actually costs $88 billion.[503]

Reports on the Cost of Legislation Passed by Congress

While CBO does publish a biannual report on legislation enacted in each Congress that affects mandatory spending or revenues, this report is lacking in both its timeliness and its completeness.[504]

Unsurprisingly, the federal government does not currently report on the cost of newly enacted laws each year in a centralized, transparent way. This budget calls for the OMB to prepare a report each year that details the cost of each law signed by the president. Further, the CBO should report on the costs of legislation passed by the House and the Senate each session. The Coalition to Reduce Spending has created a website to establish this type of database, so the official scorekeepers for the Congress and the Executive Branch should be able to do so as well.[505]

The Budget Act requires the Director of the CBO to report to the House and Senate Budget Committees on legislation reported by committees or adopted by either House or by the Congress at least monthly. The Chairmen of the Budget Committees are then required to make a summary of the reports available to the members of the chamber. The Chairmen of the Budget Committees sometimes make these reports publicly available in the Congressional Record, but not in a regular way that achieves the goal of transparency. In order to promote this important objective, the monthly CBO reports on the costs of legislation in each chamber should be published in a public way.

Require OMB to Report Unobligated and Reprogrammed Balances

As a part of the supplemental materials to the president's budget request, OMB prepares a document called the Balances of Budget Authority that includes information on end-of-year balances that remain unspent. OMB also produces a report on "Unobligated Balances in Unexpired Accounts for Executive Branch Agencies Reported on SF 133s" on a regular basis. This budget requires OMB to provide Congress and the public with up-to-date information about unobligated balances. Each month, OMB would be required to produce a public report that includes a detailed description of unobligated balances in each account, with details including the years from which the balances were originally made available.

Funding is sometimes diverted from its original congressional intent to a different or even unrelated purpose by reprogramming funds from one account to another. Authority for shifting funds is often provided in appropriations bills to allow reasonable flexibility to accommodate unforeseen events. While some large reprogramming actions are reported to the House and Senate appropriations committees, most of this activity occurs in the dark. Under this plan, the OMB would be required to report to the House and Senate anytime funds are reprogrammed from one account to another, and to include a justification for the shift.

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[503] Congressional Budget Office, Fair-Value Estimates of the Cost of Selected Federal Credit Programs for 2015 to 2024, May 22, 2014. https://www.cbo.gov/publication/45383.
[504] Congressional Budget Office, "Legislation Enacted in the 114th Congress That Affects Mandatory Spending or Revenues", March 31, 2017. https://www.cbo.gov/publication/52505.
[505] Coalition to Reduce Spending, What's My Congressman's Number?. https://spendingtracker.org/.

Welfare Disclosure in the President's Budget

In the 113th Congress, House Republicans adopted a new rule requiring budget resolutions in the House provide a ten-year outlook of means-tested welfare spending. In the interest of transparency, this budget would extend that rule to presidential budget submissions.

Changes in Content of the Budget Resolution

Under current practice, the budget resolution presents the levels of budget authority and outlays under 20 functional categories. These budget functions do not line up with the federal agency, congressional committee jurisdiction, or how the public thinks about the budget. To modernize the budget and make it easier to understand, the budget should be separated into logical categories, including: discretionary spending; Medicare; Medicaid and other health-related spending; Social Security; interest; and other major categories, as appropriate.

Budgetary Treatment of Highway Programs

The budgetary treatment of the highway program contributes to overspending and unaccountability. Normal discretionary spending is limited by the statutory budget caps and sequestration, while mandatory spending is limited by the House CutGO rule and statutory pay-as-you-go requirements. Under current law, the budget authority for transportation programs is treated as mandatory spending, while outlays from the Highway Trust Fund are treated as discretionary spending. This has the effect of exempting transportation programs from any of the standard budget enforcement procedures.[506]

This budget would fix this problem by accounting for highway spending as discretionary.

Count All Programs in the Budget

Under current law, several major programs, including Social Security, the Postal Service, Fannie Mae and Freddie Mac, are all considered "off budget" for purposes of the budget resolution. In reality, these programs all have very significant impacts on the budget and the current status has no effect on the solvency of the program or the health of the federal budget. These programs should be included in the budget resolution.

Transparency from the Budget Scorers

The federal government's official fiscal scorekeepers – the CBO, JCT, and OMB – have a responsibility to the branches of government that they serve, but more importantly they have a duty to the taxpayers. Unfortunately, the scorekeepers have failed to be transparent in their methodology and their modeling. Applying basic academic standards to the work of these agencies by requiring them to make their models available would go a long way in satiating the public's thirst for clarity.

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[506] Committee for a Responsible Federal Budget, "Why Lawmakers Should Fix The Budgetary Treatment Of The Highway Trust Fund", July 26, 2014. http://crfb.org/blogs/why-lawmakers-should-fix-budgetary-treatment-highway-trust-fund.

Where the official sources are failing to be transparent, others are rushing in to fill the void. The Open Source Policy Center at the American Enterprise Institute is an example of opening up the traditionally opaque world of computational modeling to stakeholders and interested parties.[507] The Taxpayers' Budget Office was established by the National Taxpayers Union Foundation to serve "as a watchdog for CBO processes, scoring, and transparency."[508]

The CBO Show Your Work Act, introduced by Rep. Warren Davidson, would implement this important reform.

Transparency for Appropriations Bills

When most legislation is considered in the House, CBO releases a report estimating the fiscal and economic impact of the bill to Congress and to the general public. But this practice is not often followed during the consideration of appropriations bills, which can often include hundreds of billions in spending. In its own words, for appropriations bills the CBO creates and "distributes detailed reports to interested parties in the Congress that display account-level detail of the budgetary effects of that proposed legislation."[509]

In the interest of transparency, the CBO should release this information to each Member of Congress as well as the public.

Many appropriations bills include changes in mandatory programs (CHIMPS). Because of CBO scoring conventions, an appropriations bill can offset increases in discretionary spending by reducing mandatory spending in the first year of the budget window. These CHIMPS are often just gimmicks that shift the timing of mandatory spending, and allow increases in discretionary spending year after year using the same "offset" repeatedly. CBO scores CHIMPS in appropriations bills, but neither CBO nor the House Appropriations Committee generally disclose this information. This budget would require the House Appropriations Committee's accompanying committee reports to disclose CHIMPS.

The current process lacks transparency for other important aspects of appropriations. The committee reports for appropriations bill should also specify the period of availability and the outlay effects of each appropriation in the bill.

All of the requirements for regular appropriations bills should also be required for all appropriations legislation, including supplementals and omnibus bills.

CBO reports for Unreported Measures

House Rule XXI, Clause 8 ensures that all the points of order in the Budget Act also apply to legislation that was not reported by a committee, filling a loophole in the Budget Act. This budget proposes to codify this rule to permanently eliminate the loophole.

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[507] Open Source Policy Center, "What is the Open Source Policy Center?". http://www.ospc.org/about/.
[508] National Taxpayers Union Foundation, The Taxpayers' Budget Office. http://www.taxpayersbudgetoffice.org/.
[509] Congressional Budget Office, "How CBO Prepares Cost Estimates", February 2018. https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53519-costestimates.pdf.

Cost Estimates Prior to Markup

Under current practice, the CBO often only provides a formal cost estimate after a committee has marked up and reported a bill. This makes it difficult for members of a committee that is considering legislation to make informed decisions about the legislation. This budget proposes to allow the chairman of a committee or the Chair of the Committee on the Budget to request that CBO prepare a preliminary report including estimated budgetary authority on legislation to be considered in committee.

Publication of Budget Justifications and Agency Financial Statements

As a part of the president's budget request to Congress, federal agencies submit to Congress detailed budget justifications explaining how requested funds are proposed to be used. These budget justifications are often available on agency websites, but are not always publicly available. This is similarly true of annual financial statements compiled by agencies at the end of each fiscal year. This budget proposes to require that all budget justifications and financial statements be posted online and be publicly available on the OMB's website.

Biennial Budgeting

Consideration of Biennial Budgeting

There are many strong arguments against biennial budgeting. While proponents of biennial budgeting cite its utilization by different states, "The trend among state governments for the past 70 years has been to abandon biennial budgeting for annual budgeting. Forty-four states enacted biennial budgets in 1940. Only 19 do now."[510]

Many conservatives believe that Congress should spend more time carefully reviewing the federal budget, not less.[511] Those who care about managing the size and scope of the government will be concerned that "States with biennial budgets tend to spend more than their annual budgeting counterparts."[512] There is little evidence to suggest that moving to a two year cycle would alleviate the lack of current authorizing legislation to fix the problem of unauthorized appropriations, given the lack of such legislation being reported by the committees of jurisdiction. It is likely that biennial budget would increase the use of "emergency" supplemental appropriations for things that could have otherwise been funded in a normal budget cycle.

The most important argument against biennial budgeting is that it would weaken Congress's Constitutional power of the purse, its most important check on the executive branch. Congress only controls one-third of what the federal government spends on an annual basis now, under biennial budgeting the body would only modify that discretionary spending every other year. Like the proliferation of mandatory spending, this less frequent review could result in spending failing to reflect fiscal realities and policy priority changes.

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[510] Ron Snell, National Conference of State Legislatures, "State Experiences With Annual And Biennial Budgeting", April 2011. http://www.ncsl.org/research/fiscal-policy/state-experiences-with-annual-and-biennial-budgeti.aspx.
[511] Romina Boccia, Heritage Foundation, "Congress Should Spend More Time Budgeting, Not Less", January 29, 2016. http://www.heritage.org/budget-and-spending/commentary/congress-should-spend-more-time-budgeting-not-less.
[512] Jason J. Fichtner, Angela Kuck, and Adam N. Michel, Mercatus Center, "Biennial Budgeting: A Look at Intents vs. Potential Outcomes", March 2016. https://www.mercatus.org/publication/biennial-budgeting-look-intents-vs-potential-outcomes.

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SUMMARY TABLES

RSC- 1A	Revenues, Outlays, and Deficit /Surplus (Nominal Dollars, in Billions)									
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Revenues	3,442	3,611	3,755	3,929	4,127	4,328	4,526	4,762	4,901	5,099	42,480
Outlays	3,715	3,998	4,123	4,297	4,374	4,382	4,573	4,733	4,879	5,098	44,172
Deficit(-)/Surplus	-274	-387	-368	-368	-247	-54	-47	29	22	1	-1,692

	As Share of Gross Domestic Product (GDP)									
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Average**
Revenues	16.3%	16.4%	16.4%	16.6%	16.8%	16.9%	17.0%	17.2%	17.1%	17.1%	16.8%
Outlays	17.6%	18.1%	18.0%	18.1%	17.8%	17.1%	17.2%	17.1%	17.0%	17.1%	17.5%
Deficit(-)/Surplus	-1.3%	-1.8%	-1.6%	-1.6%	-1.0%	-0.2%	-0.2%	0.1%	0.1%	0.0%	-0.7%
GDP	*21,136*	*22,034*	*22,872*	*23,716*	*24,621*	*25,583*	*26,595*	*27,608*	*28,677*	*29,803*	

RSC- 1B	Revenues, Outlays, and Deficit /Surplus *[Adjusted for Outlay Timing Shifts*]* (Nominal Dollars, in Billions)									
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Revenues	3,442	3,611	3,755	3,929	4,127	4,328	4,526	4,762	4,901	5,099	42,480
Outlays											
Adjustment	0	0	0	-62	-5	67	0	0	0	-89	-89
Adjusted Outlays	3,715	3,998	4,123	4,235	4,369	4,449	4,573	4,733	4,879	5,009	44,083
Deficit(-)/Surplus	-274	-387	-368	-306	-242	-121	-47	29	22	90	-1,603

RSC- 2	Major Outlay Categories (Nominal Dollars, in Billions)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Social Security	1,043	1,127	1,185	1,251	1,320	1,389	1,459	1,532	1,607	1,683	13,594
Medicare	601	628	654	723	723	709	802	854	909	1,046	7,649
Medicaid/CHIP	240	240	240	240	240	240	217	211	205	200	2,270
Obamacare	0	0	0	0	0	0	0	0	0	0	0
Other Mandatory	388	382	379	353	333	311	314	331	308	268	3,368
Discretionary	1,066	1,169	1,152	1,168	1,178	1,135	1,163	1,187	1,211	1,240	11,668
Net Interest	378	452	513	563	581	598	618	619	640	662	5,624
Total	**3,715**	**3,998**	**4,123**	**4,297**	**4,374**	**4,382**	**4,573**	**4,733**	**4,879**	**5,098**	**44,172**

RSC- 3	RSC Vs. Current Law (Nominal Dollars, in Billions)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Revenues	-48	-67	-72	-83	-100	-117	-137	-240	-398	-421	-1,682
Outlays	-755	-688	-826	-991	-1,126	-1,306	-1,442	-1,589	-1,736	-1,948	-12,408
Deficit Improvement	**-707**	**-621**	**-755**	**-908**	**-1,026**	**-1,190**	**-1,306**	**-1,349**	**-1,338**	**-1,527**	**-10,726**

RSC- 4	**RSC vs. Current Law Details** (Nominal Dollars, in Billions. Totals may not equal sum of figures due to rounding)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Revenues	**-48**	**-67**	**-72**	**-83**	**-100**	**-117**	**-137**	**-240**	**-398**	**-421**	**-1,682**
Social Security	0	17	6	-2	-10	-22	-36	-51	-69	-91	-259
Medicare	-40	-57	-85	-106	-128	-159	-171	-188	-207	-213	-1,354
Medicaid/CHIP (including Obamacare expansion)	-177	-191	-210	-238	-267	-298	-352	-391	-430	-471	-3,025
Obamacare Exchanges	-60	-61	-67	-74	-76	-78	-81	-83	-87	-91	-757
Other Mandatory	-170	-191	-219	-280	-295	-308	-329	-343	-367	-461	-2,962
Discretionary	-296	-171	-196	-212	-228	-301	-318	-335	-352	-368	-2,777
Interest	-12	-33	-57	-79	-121	-141	-156	-198	-224	-253	-1,273
Total Outlays	**-755**	**-688**	**-826**	**-991**	**-1,126**	**-1,306**	**-1,442**	**-1,589**	**-1,736**	**-1,948**	**-12,408**
Deficit Improvement	**-707**	**-621**	**-755**	**-908**	**-1,026**	**-1,190**	**-1,306**	**-1,349**	**-1,338**	**-1,527**	**-10,726**

RSC- 5	Revenue vs. Current Law (Nominal Dollars, in Billions)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
RSC Revenues	**3,442**	**3,611**	**3,755**	**3,929**	**4,127**	**4,328**	**4,526**	**4,762**	**4,901**	**5,099**	**42,480**
CBO Current Law Baseline	**3,490**	**3,678**	**3,827**	**4,012**	**4,228**	**4,444**	**4,663**	**5,002**	**5,299**	**5,520**	**44,162**
Repeal Obamacare	*-48*	*-64*	*-68*	*-78*	*-89*	*-97*	*-104*	*-111*	*-121*	*-130*	*-910*
Extend Individual Tax Cuts and Full & Immediate Expensing	*0*	*-3*	*-4*	*-4*	*-11*	*-20*	*-32*	*-129*	*-277*	*-291*	*-771*
RSC vs. Current Law	**-48**	**-67**	**-72**	**-83**	**-100**	**-117**	**-137**	**-240**	**-398**	**-421**	**-1,682**

RSC- 6	Discretionary Budget Authority (Nominal Dollars, in Billions)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Defense	716	733	743	760	778	737	752	768	784	800	7,571
Non-Defense	355	362	370	377	385	392	400	408	416	425	3,891
Total Base	1,085	1,109	1,127	1,152	1,178	1,145	1,168	1,192	1,216	1,241	11,613
Cap-Exempt Spending	0	0	0	0	0	0	0	0	0	0	0
Total Discretionary	1,071	1,095	1,113	1,137	1,163	1,129	1,152	1,176	1,200	1,225	11,462

RSC- 7	RSC vs. Current Law Discretionary Base Budget Authority (Nominal Dollars, in Billions)									
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
RSC											
Defense	716	733	743	760	778	737	752	768	784	800	7,571
Non-Defense	355	362	370	377	385	392	400	408	416	425	3,891
Total Base	**1,071**	**1,095**	**1,113**	**1,137**	**1,163**	**1,129**	**1,152**	**1,176**	**1,200**	**1,225**	**11,462**
Current Law Baseline											
Defense	647	576	590	605	620	635	651	668	684	701	6,378
Non-Defense	597	542	555	568	583	597	612	627	643	659	5,984
Total Base	**1,244**	**1,118**	**1,145**	**1,173**	**1,203**	**1,233**	**1,263**	**1,295**	**1,327**	**1,361**	**12,362**
RSC vs. Current Law Baseline											
Defense	69	157	153	155	158	102	101	100	100	99	1,193
Non-Defense	-242	-180	-185	-191	-198	-205	-212	-219	-227	-235	-2,093
Total Base	**-173**	**-23**	**-32**	**-36**	**-40**	**-103**	**-111**	**-119**	**-127**	**-136**	**-900**

RSC- 8	Fiscal Year 2019 Discretionary Detail Budget Authority (Nominal Dollars, in Billions)		
	Budget Control Act (as amended by BBA2018*)	**President's Budget (as amended**)**	**RSC Budget**
Base Defense	647	647	716
Non-Defense	597	540	355
Base Total	**1,244**	**1,187**	**1,071**
OCO - Global War on Terror	***	69	0
OCO - Non-Defense	***	0	0
OCO Total	***	69	0
Total	**1,244**	**1,256**	**1,071**
*BBA2018 = Bipartisan Budget Act, 2018.			
** As amended on April 20, 2018.			
*** Note: The Budget Control Act did not establish OCO targets.			

RSC- 9	RSC Defense Discretionary Budget Authority (Nominal Dollars, in Billions)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
RSC											
Base Defense	716	733	743	760	778	737	752	768	784	800	7,571
Defense OCO	0	0	0	0	0	0	0	0	0	0	0
Total Defense	716	733	743	760	778	737	752	768	784	800	7,571
Budget Control Act* (extended for FY 2022-2028)											
Base Defense	647	576	590	605	620	635	651	668	684	701	6,378
Defense OCO	0	0	0	0	0	0	0	0	0	0	0
Total Defense	647	576	590	605	620	635	651	668	684	701	6,378
RSC vs. Budget Control Act*											
Base Defense	69	157	153	155	158	102	101	100	100	99	1,193
Defense OCO	0	0	0	0	0	0	0	0	0	0	0
Total Defense	**69**	**157**	**153**	**155**	**158**	**102**	**101**	**100**	**100**	**99**	**1,193**
President's Budget (as amended)											
Base Defense	647	713	723	740	758	727	742	758	774	790	7,372
Defense OCO	69	20	20	20	20	10	10	10	10	10	199
Total Defense	**716**	**733**	**743**	**760**	**778**	**737**	**752**	**768**	**784**	**800**	**7,571**
RSC vs. President's Budget (as amended)											
Base Defense	69	20	20	20	20	10	10	10	10	10	199
Defense OCO	-69	-20	-20	-20	-20	-10	-10	-10	-10	-10	-199
Total Defense	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
** As amended by the Bipartisan Budget Agreement, 2018 (BBA2018).											
** Note: The Budget Control Act, as amended by BBA2018, does not establish OCO targets.											

The Republican Study Committee

RSC

Representative Mark Walker, Chairman
Representative Tom McClintock, Chairman, Budget and Spending Task Force

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