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Fourteen Ways to Reduce Government Spending

1. **Resurrect the “Byrd Committee.”** One good idea for spending restraint is to restore a committee that once existed, the Joint Committee on Reduction of Nonessential Federal Expenditures (known in the post-War years as the “Byrd Committee”). First proposed in 1941, the committee was a bipartisan, joint committee with subpoena powers that focused only on making rescissions in federal spending. Its proposals enacted over \$38 billion (in 2010 dollars) in savings. The fatal flaw in many other “fiscal commissions” is this lack of narrow focus – only when tax hikes are taken off the table are meaningful spending cuts made. Any recommendations from a committee modeled on the Byrd Committee should be privileged and require an up-or-down vote on the floor. To give an idea of the sort of spending that this committee might curb, the federal government made at least \$98 billion in improper payments in 2009, Medicare spends \$47 billion (12.4 percent of its budget) annually improperly or fraudulently, and Congress recently spent \$2.4 billion on 10 new jets that the Pentagon claims it does not need and will not use. With regards to duplicate programs, the Government Accountability Office reports hundreds of wastefully duplicated programs in areas as wide ranging as economic development, serving the disabled, helping at-risk youth, early childhood development, funding international education, and providing safe water. Indeed, according to the Bush administration OMB's PART program reviews, 22 percent of all federal programs, costing a total of \$123 billion per year, fail to show any positive impact on their target populations.
2. **Give the public five days to read bills before a floor vote.** Congress should enact a five-day waiting period before passing any new or amended legislation. This “cooling-off” time might have prevented \$350 billion in President Bush’s TARP, \$350 billion in President Obama’s TARP, over \$500 billion in the so-called “stimulus” bill, \$183 billion more in discretionary spending in FY 2010, and \$794 billion in healthcare “reform.”
3. **Put every federal transaction and contract online in real time.** Every federal transaction, contract, and grant should be available online in real time. A spending transparency portal is an important tool that can be used to cut waste, locate inefficiencies and empower the people whose money is being spent, the taxpayers, as fiscal watchdogs. This was pioneered successfully by Governor Rick Perry of Texas. Missouri, Kansas, and Oklahoma also have good transparency initiatives.
4. **Term limit appropriators.** Those serving on the Appropriations Committee should be limited to no more than six (6) years on that committee, as is already the case with members of the Budget Committee.
5. **Sitting Congressmen and Senators should not be able to name buildings or other monuments to themselves, and none should be named for them while they are still living.** This encourages Congressmen and Senators to direct pork/earmark projects with more energy, and other Members feel peer pressure to support the projects (with an eye toward their eventual “legacy” vote later on).
6. **Block grant education funding and welfare to the states.** All remaining welfare programs— Medicaid, food stamps, etc.—should be block-granted to the states, the same way that AFDC was in 1996. The cost growth of the block grant should be something less than current law’s cost trajectory. Likewise, the block granting of education funding allows for each state to pursue its own solution and experiment, much as Canadian provinces did when education was federalized. As the Cato Institute has

reported, this experimentation led to innovation, including school vouchers and charter schools, and Canadian students generally outperform their U.S. peers in reading, math, and science.

7. **Freeze the salary and benefit levels of federal employees.** Scholars at the American Enterprise Institute and the Heritage Foundation have estimated that federal employees earn \$14,000 more than their private sector counterparts in salary and benefits (even when controlling for factors such as education level, age, etc.). The pay and benefits disparity is 30 to 40 percent. In the aggregate, bringing federal employee compensation in line with the private sector would save \$47 billion per year. Government salary and benefits should be frozen until the private sector has a chance to catch up. The new government in the United Kingdom recently announced a two year pay freeze for the highest-earning 72 percent of government employees. Moreover, taxpayers presently match federal employees' pension contributions 14 to 1 as reported by Third Way, exemplifying the massive chasm between public sector and private sector benefit packages. To make matters worse, government employees owe over \$3 billion in unpaid taxes from 2008.
8. **Require all eligible federal employees to compete for their job with a private sector bidder.** According to the Office of Management and Budget, some 850,000 federal employees (one-third of all federal employees) have jobs that are commercial in nature, and could be performed by a private contractor. The Heritage Foundation estimates that the mere act of competing all these jobs would save taxpayers \$27 billion annually. The act of competing forces government employees to become more lean and efficient, so even a low success rate by contractors has big savings for taxpayers. To make matters worse, the present lack of competition actively hurts small businesses as well; every White House Conference on Small Business has identified unfair government competition as one of the leading concerns for small business owners. Moreover, as reported by the Business Coalition for Fair Competition, Congress and the White House continue to enact policies that exacerbate this crowding-out of commercial activities by government.
9. **Only hire one new federal employee for every two that retire from government employment.** Over time, the federal workforce can be reduced simply by not filling half the job slots which come up because of retirement. The positions not filled can be consolidated or privatized. According to our research, the career savings for each federal slot not filled would range from just under \$5 million (low-cost employees) to just under \$14 million (high-cost employees), with an average savings of \$7 million per employee. If attrition was used to shed just 10 percent of the current federal workforce, it would save taxpayers nearly \$2 trillion over the next forty years.
10. **Repeal the Davis-Bacon Act.** Other policies that inflate spending include the Davis-Bacon Act, a Depression-era wage subsidy law that artificially inflates the cost of federal construction contracts by mandating workers are paid no less than local prevailing wages. However, there is a high frequency of errors in data the Wage and Hour Division (WHD) of the Department of Labor (DOL) uses to calculate rates; the survey WHD conducts is self-reported and therefore the results could be biased; a wide gap in time between surveys, long times needed to complete and publish surveys – consequently wage determinations are outdated. The Beacon Hill Institute found that, on average, the WHD inflates wages by 22 percent, increases construction costs by 9.91 percent and raised construction costs by \$9 billion in 2009. Repealing the Act could save \$9.5 billion over 2002-2011 and decrease mandatory spending by \$255 million in the same period. By enacting this cost savings, government could do more with less in terms of infrastructure construction and maintenance.
11. **Reform farm subsidies along the lines of the 1996 “Freedom to Farm” Act.** Farm subsidies distort the market by inducing farmers to overproduce, which further perpetuates the cycle of taxpayers

subsidizing the small, well-off group of farm owners. According to the Cato Institute, the largest 10 percent of recipients receive almost 72 percent of all farm subsidy outlays. Moreover, this wasteful injection of government into the economy distorts international trade and reduces competition. When New Zealand, an economy significantly based on agriculture, boldly repealed its farm subsidies in 1984, it met initial resistance, but farm output, productivity, and profitability have soared since.

12. **Leave defense cuts on the table.** As with all other federal departments, the Department of Defense contains waste. Likewise, US military spending in constant dollars presently exceeds Cold War levels, and there remains room to pare the budget, especially since a Government Accountability Office audit of 95 Pentagon weapons systems showed combined cost overruns of \$295 billion.
13. **Stop using “emergency” spending loopholes to get around budget rules.** A recent paper by Veronique de Rugy of the Mercatus Center demonstrates the various ways in which lawmakers hide spending, the most pernicious and expensive being labeling spending as “emergency,” and therefore spending off-budget or avoiding budgetary rules.

Both parties have used this technique to spend abusively. President Bush used it for most of the war supplemental in Iraq and Afghanistan, and Congressional Research Service data obtained by the office of Senator Tom Coburn (R-Okla.) finds that emergency spending has increased deficits by almost \$1 trillion since the 111th Congress was seated in January 2009 as reported by the Cato Institute.

In determining what constitutes emergency spending, Keith Hennessey, a former economic advisor to George W. Bush, offers a pragmatic political definition: “it’s whatever you can get away with labeling as an emergency.”

However, the Office of Management and Budget created a test with a fairly high bar by in 1991. According to Hennessey, *all five* of these conditions had to be met:

1. Necessary; (essential or vital, not merely useful or beneficial)
2. Sudden; (coming into being quickly, not building up over time)
3. Urgent; (requiring immediate action)
4. Unforeseen; and
5. Not permanent.

To restore fiscal responsibility and accountability, Congress needs to adhere to this standard, both to reduce spending and to account for spending that exists better.

14. **Freeze discretionary spending at 2007 levels.** Freezing federal spending at the FY 2008 amounts would return the federal government to pre-bailout and “stimulus” spending levels. Such a spending reduction would bring the budget into balance by 2013 and cut the national debt nearly in half by 2010, even assuming that Congress extends the 2001 and 2003 tax cuts and indexes the Alternative Minimum Tax for inflation. In contrast to the President’s current promise to “freeze” spending at FY 2011 levels, this would ensure the recent spending bonanza is not enshrined in the nation’s fiscal outlook in perpetuity.

Americans for Tax Reform is a non-partisan coalition of taxpayers and taxpayer groups who oppose all tax increases. For more information or to arrange an interview please contact John Kartch at (202) 785-0266 or by email at jkartch@atr.org.