

Top Federal Budget Cuts: \$3.5 Trillion Worth, Just for Starters

By: Julie Borowski

Congress is on an unprecedented spending binge. Washington's reckless spending habits have skyrocketed the annual deficit to \$1.3 trillion and the national debt to over \$14 trillion. Unless Congress significantly reins in spending, Americans' future prosperity and standard of living will continue to be in jeopardy. If Congress only enacts the 20 budget cuts listed below, we could save roughly \$3.5 trillion over the next decade.

1. Cut Federal Pay By At Least 10 Percent

*Save taxpayers \$20 billion annually*¹

With benefits included, the average federal government employee is paid \$123,049 while the average private sector worker receives only \$61,051 annually. After adjusting for inflation, federal employee wages increased 36.9 percent while private sector wages rose only 8.8 since 2000.² In order to restore fiscal sanity, federal government employees should be paid more sensibly by taking a 10 percent pay cut.

2. Completely End Federal Farm Subsidies

*Save taxpayers \$25 billion annually*³

Federal farm subsidies are America's largest corporate welfare program, costing taxpayers more than \$245.2 billion since 1995. Despite the claims that farm subsidies go to struggling family farmers, two-thirds of farm subsidies check go to the wealthiest 10 percent of farmers. Forcing taxpayers to pay for the hobby farms of rich celebrities such as David Rockefeller, Ted Turner, or Scottie Pippen is hard to justify.⁴

3. Reform Fannie and Freddie Mac

*Save taxpayers at least \$30 billion*⁵

So far, taxpayers have been forced to spend \$145 billion to bail out the irresponsible actions of Fannie and Freddie Mac.⁶ Action must be taken immediately to break up the current government sponsored mortgage companies and move them to the private sector. If Congress delays reforming Fannie and Freddie Mac, taxpayers will likely be on the hook for billions more dollars.

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Average compensation in 2009:



Source: Bureau of Economic Analysis
By Julie Snider, USA TODAY

¹ "With All Due Respect President, We're Still Waiting." *Cato Institute*. <http://www.cato.org/files/downsizing_alternate.html>

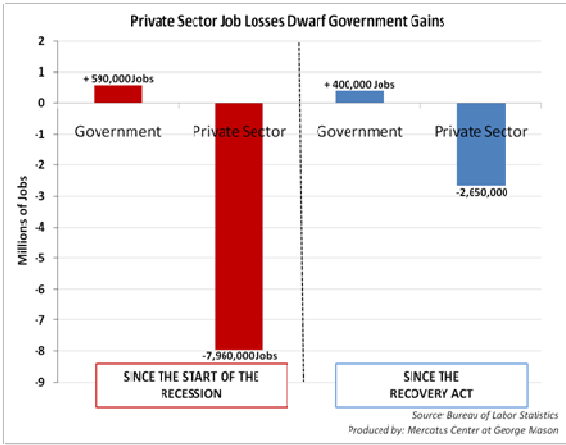
² Cauchon, Dennis. "Federal Workers Earning Double Their Private Counterparts." *USA Today*. <http://www.usatoday.com/money/economy/income/2010-08-10-1Afedpay10_ST_N.htm>

³ *Supra*.

⁴ Riedl, Brian and Frydenlund, John. "At the Federal Trough: Farm Subsidies for the Rich and Famous." *Heritage Foundation* <<http://www.heritage.org/research/reports/2001/11/at-the-federal-trough-farm-subsidies-for-the-rich-and-famous>>

⁵ "Reform Fannie May and Freddie Mac." *YouCut*. <<http://republicanwhip.house.gov/YouCut/week3.htm>>

⁶ *IBID*.



4. Reduce Government Employment to 2008 Levels *Save taxpayers \$35 billion over the next decade*⁷

Since 2008, federal government employment has grown by 188,000 (excluding temporary Census workers.) However, the private sector has lost over 7.9 million jobs.⁸ Taxpayers in the private sector cannot afford to pay for an excessive number of government employees that do not perform necessary functions of government. A policy should be implemented that the federal government may only hire one employee for every two that leave government service until the workforce is reduced to 2008 levels.

5. Sell Excess Federal Property *Save taxpayers up to \$15 billion*⁹

According to the Office of Management and Budget, the federal government owns at least \$18 billion in property that it does not need. Rather than selling this property to the public, federal law requires usually requires that government buildings must be first offered to other government agencies at no cost. Federal law should be amended to require the federal government to sell excess property to potentially save taxpayers billions of dollars.

6. End Energy Subsidies *Save taxpayers \$20 billion a year*¹⁰

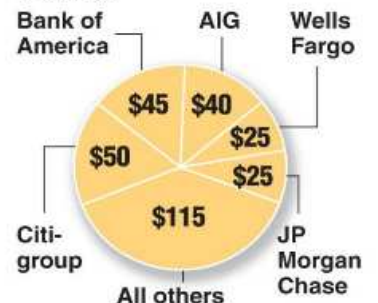
Over the last 30 years, energy subsidies have failed to produce any promising results. The private sector is fully capable of investing in energy technology. Unfortunately, government subsidies have crowded out private investment in energy and distorted energy markets. While it may take some time, the private sector has already begun to invest in more efficient energy sources. Rather than attempting to pick winners and losers in the marketplace, the government should promote a more competitive and open market for energy.

7. Completely End TARP *Save taxpayers at least \$7 billion over next five years*¹¹

Taxpayers should not be forced to bailout banks that engaged in risky behavior. While the TARP program was supposed to end last October, the Dodd-Frank financial overhaul makes it possible for the government to make new bailouts to banks. By canceling TARP once and for all, taxpayers will likely be saved billions of dollars.

Bank shares

Banks in which the U.S. Treasury has the largest investment in stock, purchased with Troubled Asset Relief Program (TARP) funds, in billions:



Source: U.S. Treasury
Graphic: Pat Carr

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⁷ "Reduce Government Employment to 2008 Levels. [YouCut](http://republicanwhip.house.gov/YouCut/week11.htm). <http://republicanwhip.house.gov/YouCut/week11.htm>

⁸ IBID.

⁹ "Sell Excess Federal Property." [YouCut](http://majorityleader.gov/YouCut/week4.htm). <http://majorityleader.gov/YouCut/week4.htm>

¹⁰ "With All Due Respect President, We're Still Waiting." [Cato Institute](http://www.cato.org/files/downsizing_alternate.html). <http://www.cato.org/files/downsizing_alternate.html>

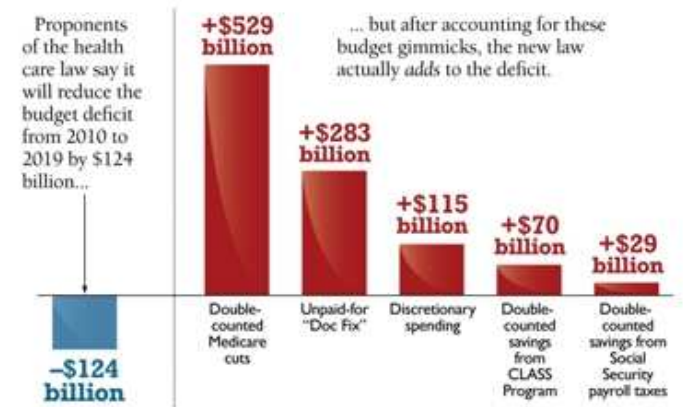
¹¹ "Terminate the TARP Program Prohibiting Any Additional Bailouts. [YouCut](http://majorityleader.gov/YouCut/week12.htm). <http://majorityleader.gov/YouCut/week12.htm>

8. Repeal ObamaCare

*Save taxpayers over \$1 trillion dollars*¹²

This government takeover of health care has already proved to be a bureaucratic nightmare that has raised insurance premiums. The majority of the American people have made it clear that they oppose this unconstitutional law that diminishes the quality of health care while increasing its cost. Just repealing the individual mandate—which forces all Americans to buy health insurance, and takes effect in 2014—would save taxpayers \$252 billion.¹³

Obamacare's bundle of budget gimmicks



Sources: Senate Budget Committee, Congressional Budget Office.

Obamacare in Pictures heritage.org

9. Retire AmeriCorps

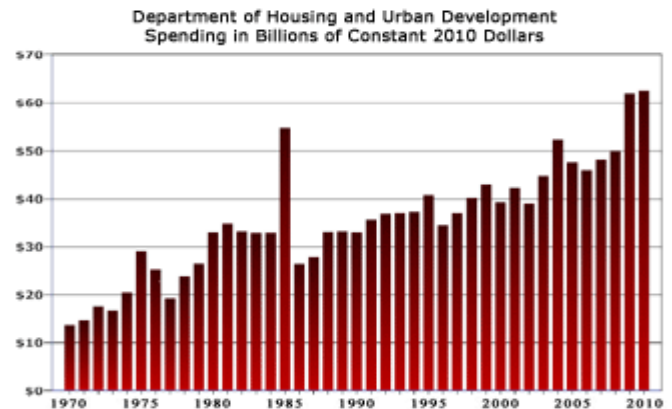
*Save \$10 billion over next decade*¹⁴

Since its creation in 1993, AmeriCorps has remained a deeply flawed program rife with significant mismanagement and cost overruns. While AmeriCorps is often touted as a volunteer program, this is misleading. All individuals are paid with taxpayer dollars to “volunteer” for government-approved service programs.¹⁵

10. Eliminate the Department of Housing and Urban Development

*Save taxpayers \$63 billion annually*¹⁶

The Department of Housing and Urban Development (HUD) insures mortgages for those who normally would not qualify. Since HUD played a major role in contributing to the housing and financial crisis, it has done more harm than good. Housing and urban infrastructures are better handled by the private sector or local governments.



11. Eliminate Subsidies for Amtrak and End Rail Subsidies

*Save taxpayers \$31 billion over next decade.*¹⁷

Despite the fact that the majority of trains remain fairly empty, government-run Amtrak runs an abundance of trains daily. In fact, Amtrak actually *loses* money on most of their train routes. Taxpayers are forced to pay \$32 per Amtrak passenger to make up for these losses. Even still, riders often complain about spotty Amtrak service and frequent delays.

¹² “Discretionary Spending in the Final Health Care Legislation”. [Congressional Budget Office](http://cboblog.cbo.gov/?p=835). <<http://cboblog.cbo.gov/?p=835>>

¹³ Arney, Dick and Kibbe, Matt. “What Congress Should Cut.” [Wall Street Journal](http://online.wsj.com/article/SB10001424052748703779704576073750780454850.html). <<http://online.wsj.com/article/SB10001424052748703779704576073750780454850.html>>

¹⁴ Edwards, Chris. “A Plan to Cut Spending and Balance the Federal Budget.” [Cato Institute](http://www.downsizinggovernment.org/balanced-budget-plan). <<http://www.downsizinggovernment.org/balanced-budget-plan>>

¹⁵ Spalding, Matthew. “AmeriCorps: Still a Bad Idea for Citizen Service.” [Heritage Foundation](http://www.heritage.org/Research/Reports/2002/06/AmeriCorps-Still-a-Bad-Idea-for-Citizen-Service). <<http://www.heritage.org/Research/Reports/2002/06/AmeriCorps-Still-a-Bad-Idea-for-Citizen-Service>>

¹⁶ Graph. “Department of Housing and Urban Development.” [Cato Institute](http://www.downsizinggovernment.org/hud). <<http://www.downsizinggovernment.org/hud>>

¹⁷ Edwards, Chris. “A Plan to Cut Spending and Balance the Federal Budget.” [Cato Institute](http://www.downsizinggovernment.org/balanced-budget-plan). <<http://www.downsizinggovernment.org/balanced-budget-plan>>

12. Privatize the U.S. Postal Service

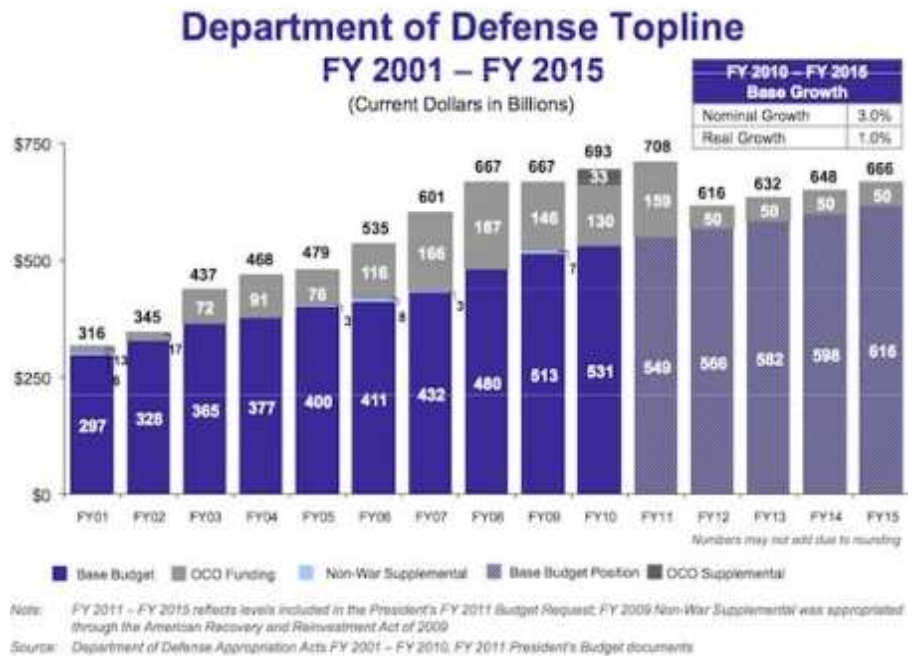
*Potentially save taxpayers \$238 billion in next ten years*¹⁸

The U.S. Postal Service has a government-protected monopoly over first-class mail and standard mail. Under current law, it is illegal for a private company to deliver these mail services. Due to a lack of competition, the U.S. Postal Service is inefficient with few incentives to lower cost. Between the years of 2007 and 2010, the USPS lost \$20 billion. Several countries have improved their post services through privatization, including New Zealand, Sweden, Germany, and the Netherlands. If the USPS continues to be a legal monopoly, taxpayers could be on the hook \$238 billion in USPS losses over the next ten years.

13. Defense Spending Cuts

Save \$154 billion over the next five years

Defense spending should not be a sacred cow. Like all departments, its budget should be carefully scrutinized to eliminate waste, fraud and abuse. Secretary of Defense Robert Gates has proposed cutting waste from the defense budget to save \$154 billion over the next five years. The cuts include disestablishing the Navy's 2nd fleet, the cancelling an Army missile system and restructuring the F-35 joint strike fighter program.²⁰



14. Cutting NASA Spending By 50 Percent

*Save \$90 billion over next decade*²¹

Stern, a former NASA associate administrator, has said that “our space program is run inefficiently, and without sufficient regard to cost performance.”²² Moreover, NASA crowds out private investment in space exploration. Due to competition, the private sector is likely to experience more advances in space exploration and efforts should be made to eliminate barriers to private investment in this area.

¹⁸ DeHaven, Tad. “Privatizing the U.S. Postal Service.” *Cato Institute*. <<http://www.downsizinggovernment.org/usps>>

¹⁹ Garamone, Jim. “Joint Chiefs Fully Agree With Gates’ Efficiency.” *U.S. Department of Defense*. <<http://www.defense.gov/news/newsarticle.aspx?id=62353>>

²⁰ Graph. “Obama is Spending More on Defense Than Bush.” *Washington Independent*. <<http://washingtonindependent.com/75417/obama-is-spending-more-on-defense-than-bush>>

²¹ Edwards, Chris. “A Plan to Cut Spending and Balance the Federal Budget.” *Cato Institute*. <<http://www.downsizinggovernment.org/balanced-budget-plan>>

²² Stern, Alan. “NASA’s Black Hole Budgets.” *New York Times*. <<http://www.nytimes.com/2008/11/24/opinion/24stern.html?pagewanted=print>>

15. Repeal Davis-Bacon Labor Rules

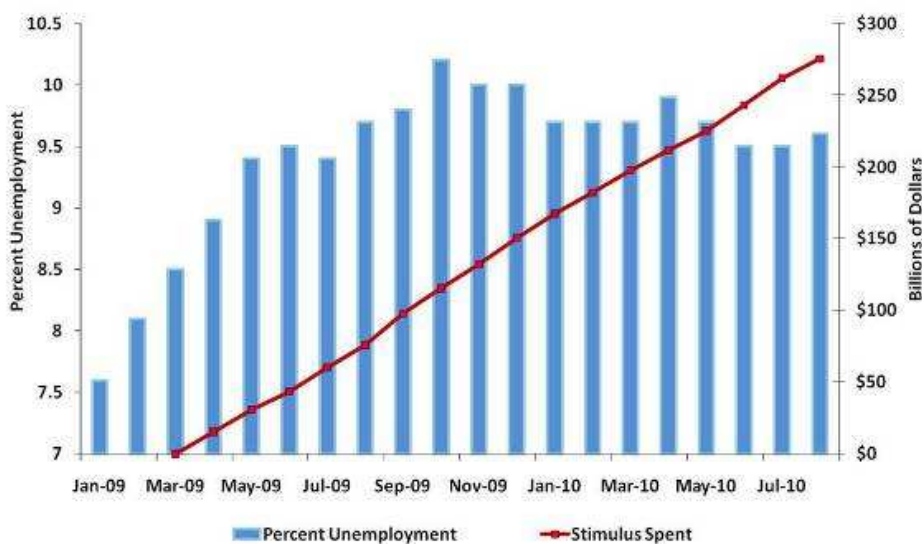
*Save \$60 billion over next decade*²³

In 1931, the Davis-Bacon Act was passed, requiring federal construction contractors to pay their workers prevailing wages for public works projects. Some correctly label this as a Jim Crow law since the law originally was passed to favor white-only unions over non-unionized black workers. It is a costly and bureaucratic law that still has discriminatory effects and substantially increases the costs of federal construction projects.²⁴

16. Return Unspent “Stimulus” Funds to Treasury

*Save roughly \$45 billion*²⁵

Job Creation Update: Stimulus Spending and Unemployment



Source: Bureau of Labor Statistics, The Center for Data Analysis
Produced by: Veronique de Rugy, Mercatus Center

The massive \$814 billion “stimulus” has failed by its own measure. While the American people were told that the “stimulus” would keep unemployment below 8 percent, the unemployment rate has risen to 9.4 percent. All “stimulus” funds that has not been spent should be returned to the U.S Treasury to help pay off the national debt.

17. Shutter the Small Business Administration

*Save \$14 billion over the next decade.*²⁶

In recent years, the Obama administration has increased the budget to make more credit available to businesses. The Small Business Jobs Act, which passed last year, increases the government guarantee on Small Business Administration loans and waives fees for borrowers. This has created what economists call a moral hazard. This means that a party behaves differently than if they were fully exposed to the risk. The Small Business Administration gives banks an incentive to make risky taxpayer financed loans that will only worsen the economic recession.

²³ Edwards, Chris. “A Plan to Cut Spending and Balance the Federal Budget.” *Cato Institute*. <<http://www.downsizinggovernment.org/balanced-budget-plan>>

²⁴ Bernstein, David. “The Davis- Bacon Act: Let’s Bring Jim Crow to an End.” *Cato Institute*. <<http://www.cato.org/pubs/briefs/bp-017es.html>>

²⁵ “Spending Reduction Act of 2011.” *Republican Study Committee*. <http://rsc.jordan.house.gov/UploadedFiles/Spending_Reduction_Act--TWOPAGER.pdf>

²⁶ Edwards, Chris. “A Plan to Cut Spending and Balance the Federal Budget.” *Cato Institute*. <<http://www.downsizinggovernment.org/balanced-budget-plan>>

18. Privatize Air Traffic Control

*Save \$38 billion over the next decade.*²⁷

The Federal Aviation Administration has shown itself to be a mismanaged agency that provides costly air traffic control. A number of countries have privatized air traffic control, including Canada, allowing private companies to adopt the latest innovations to enhance public safety.²⁸ Since private companies have a greater incentive to provide a quality service that emphasizes safety, the United States should seek to privatize air traffic control.

19. End Mass Urban Transit Grants

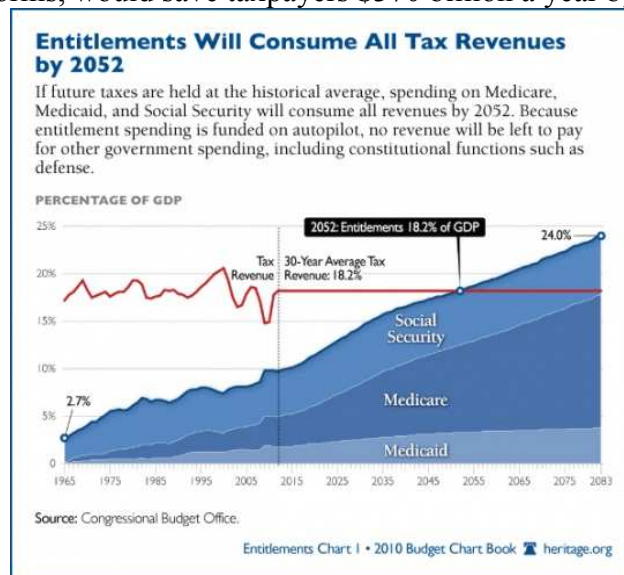
*Save \$52 billion over the next decade*²⁹

Every year, the federal government spends billions of dollars subsidizing inefficient urban rail systems that are rarely used. For instance, members in Congress are planning on spending nearly \$2 billion funding a railroad to nowhere in Honolulu, Hawaii.³⁰ Without these costly federal subsidies, cities would devise a more efficient plan for their transportation needs.

20. Reform Entitlement Programs

*Save \$370 billion over the next decade.*³¹

Rep. Paul Ryan (R-Wis.) has introduced a “Roadmap to America’s Future,” a comprehensive package to reform federal spending, which includes the most complete work to date on entitlement reform. The plan would allow young people to choose an optional Social Security personal account upon retirement that they would own and control. It would also convert Medicare, Medicaid and tax subsidies for employer-sponsored health benefits into capped contributions to individuals. The Congressional Budget Office has found that the entire Roadmap, including these entitlement reforms, would save taxpayers \$370 billion a year by 2020.³²



²⁷ IBID.

²⁸ Edwards, Chris. “Privatization.” *Cato Institute*. <<http://www.downsizinggovernment.org/privatization>>

²⁹ Edwards, Chris. “A Plan to Cut Spending and Balance the Federal Budget.” *Cato Institute*. <<http://www.downsizinggovernment.org/balanced-budget-plan>>

³⁰ See: HonoluluTraffic.com.

³¹ “Analysis of the Roadmap to America’s Future Act.” *Congressional Budget Office*. 27 Jan 2010. <<http://www.cbo.gov/ftpdocs/108xx/doc10851/01-27-Ryan-Roadmap-Letter.pdf>>

