

Statement of
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Prepared for
The Committee on Oversight and Government Reform
United States House of Representatives

Regarding the Committee's Hearing on
"Waste and Abuse: The Refuse of the Federal Spending Binge"

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Introduction

Chairman Issa and distinguished Members of the Committee, thank you for the opportunity to testify on behalf of the American Taxpayer regarding the important issue of waste in our federal government. My name is Andrew Moylan, and I am Vice President of Government Affairs for the National Taxpayers Union (NTU), a non-partisan citizen group founded in 1969 to work for lower taxes and smaller government at all levels. NTU is America's oldest non-profit grassroots taxpayer organization, with 362,000 members nationwide.

Few citizen groups in Washington can match NTU's 42-year history of principled advocacy, which is why I hope you will find these comments on waste, inefficiency, and duplication in the federal budget of value during your deliberations. You can also find further research into these topics on our website at www.ntu.org.

The Problem

In the past decade, under the direction of Presidents and Congressional leadership from both parties, our federal budget has expanded dramatically no matter what measure one consults. At the dawn of the new millennium in 2001, federal outlays were about \$1.8 trillion, a level below post-World War II averages at 18.2 percent of our economy. Through the middle of the decade, we saw an explosion in spending driven by such factors as the creation of a new cabinet-level Department of Homeland Security as well as increased expenditures on defense and education. By 2003, the modest spending discipline of the late 1990s had given way to federal outlays that now seem permanently fixed at or above the post-war average of 19.6 percent of GDP. Add in the more recent surge in so-called "crisis response" spending, such as the \$700 billion Troubled Asset Relief Program (TARP) of 2008 or the \$862 billion "economic stimulus" bill of 2009, and the picture grows even bleaker.

In 2011, our budget is more than twice as large as in 2001, reaching about \$3.8 trillion. As a percentage of our economy, 2011 outlays will surpass a level unseen since the era of full-scale war mobilization in the 1940s, at over 25 percent. Perhaps most disturbing, President Obama's estimate of our overspending problem at roughly \$1.6 trillion in 2011 is about equal, in inflation-adjusted terms, to the *entire* federal budget in 1982. Put another way, we will raise through the tax code and spend (in real terms) roughly the federal budget of 2003 and throw in an amount approximating the 1982 federal budget just for good measure.

The federal government has seen deficits during 54 of the last 60 years. This fact ought to give pause even to die-hard Keynesians, who believe surpluses should be the norm in most economic growth cycles. While NTU's dedication to limited government would on its own lead us to conclude that this spending spree is unacceptable, sheer mathematics tell us that it is unsustainable. As of today, we are perilously close to the point where our country's debt exceeds its economic output. This sad statistic places us in rare company – just slightly below countries already staggered by debt crisis (like Ireland) and just above countries thought to be under grave threat of one (like Portugal).

If corrective action isn't taken soon, the United States could face a devastating debt crisis that would likely precipitate not only dramatic spending cuts but also massive tax hikes in very short order. If we are to have a sustainable fiscal future, this Congress must begin the hard work of reducing spending immediately. In that pursuit, no portion of federal outlays can be "off the table." The problems confronting us are simply too immense to allow walling off entire portions of the federal budget.

While the causes of the recent spending spree are myriad and complicated, the remedies are relatively straightforward. On the discretionary side, Congress must cancel wasteful programs, root out inefficiencies, and roll back agency spending to at least 2006 levels. With mandatory spending, Congress must take hold of the so-called "third rail" of politics with both hands and enact serious entitlement reforms primarily focused on controlling the growth in spending on Medicare.

Low-Hanging Fruit

Congress should begin with a thorough review of existing outlays to identify the "low-hanging fruit" of federal spending: the waste, inefficiency, and duplication that plague so many federal programs. During the deliberations of the President's National Commission on Fiscal Responsibility and Reform, NTU joined with the liberal U.S. Public Interest Research Group (U.S. PIRG) to do exactly that. Together, we released a report called "Toward Common Ground: Bridging the Political Divide to Reduce Spending," in which we compiled more than 30 specific recommendations to save taxpayers over \$600 billion by 2015, the target date for the Fiscal Commission to reduce our publicly-held debt-to-GDP ratio to a more sustainable level of 60 percent. I am submitting that report along with my testimony.

While our two organizations have widely divergent views on the proper size and scope of our federal government, we are steadfast in the belief that Washington squanders billions of dollars every year on programs that do not serve the interests of the American people. We authored this joint report in an attempt to identify spending reductions that could be undertaken without fundamentally harming the core operations of the federal government, as either conservatives or liberals understand them.

The report laid out nine ways to save up to \$62 billion just by eliminating wasteful subsidies. These focused largely on agriculture supports, subsidies for energy production, and "corporate welfare" programs. For example, the Market Access Program has been on the lists of watchdog groups for years. It consumes taxpayer dollars to fund advertising and promotion in foreign countries for products of American companies, including McDonald's, Nabisco, and Fruit of the Loom. American businesses should compete abroad by making excellent products, not by drawing upon taxpayer subsidies.

In addition, we identified up to \$353 billion in savings from six recommendations to improve contracting and asset acquisition procedures. These items centered on improving procedures in the Defense and Homeland Security Departments. For example, the Government Accountability Office found that the Army, Navy, Air Force, and Defense Logistics Agency were wasting billions of dollars by ordering too many spare parts. Purchasing-process reforms and better data could save taxpayers over \$184 billion.

Furthermore, we offered eight suggestions to eliminate payment errors, end duplicative programs, and sell off unused federal property that could yield up to \$77 billion in total savings. For example, Social Security currently faces a ceiling on its ability to collect mistaken payments from the Supplemental Security Income program. Removing that cap would improve the agency's ability to recover erroneous payments and save taxpayers more than \$500 million.

Finally, ten recommendations to end wasteful or outdated military programs could save taxpayers up to \$104 billion. These suggestions focused on addressing weapons programs that have been riddled with delays and cost overruns or that are no longer needed. For example, according to the Government Accountability Office, the Expeditionary Fighting Vehicle is 14 years behind schedule and highly unreliable. Canceling it could save taxpayers over \$16 billion.

In addition to the NTU-PIRG report, the Republican Study Committee (RSC) has made excellent progress in highlighting areas of federal expenditures that are ripe for reduction. In their recently-introduced "Spending Reduction Act," RSC members identified more than 100 specific program eliminations and spending reductions totaling \$330 billion over ten years. From the controversial, such as zeroing out funding for the National Endowment for the Arts, to the common-sense, such as ending the "Historic Whaling and Trading" program, the RSC has cataloged dozens of actionable items whose impact would be nearly immediate. In fact, the Whaling and Trading scheme is among several items the RSC blueprint has in common with the "Terminations, Reductions, and Savings" section of the President's budget proposal, demonstrating once again that quick bipartisan agreement ought to be achievable in at least some instances.

The RSC bill also contains several eminently practical provisions to cancel ineffective "stimulus" spending and to finally remove the federal government from the housing business by ending its ties to housing giants Fannie Mae and Freddie Mac. Combined, these items would generate \$75 billion toward bringing down future deficits. The Spending Reduction Act derives the bulk of its savings, however, from a non-defense discretionary spending limit set at 2006 levels through 2021. While this is a laudable goal, taxpayers could be saved even more by including defense within that proposal's strictures.

The above recommendations would save, in total, at least \$3.1 trillion over the course of the decade, but even that is insufficient in light of Congressional Budget Office estimates that the federal government will spend nearly \$7 trillion more than it raises in taxes over the next ten years. In order to close more of the gap and prevent enormous spending hikes in out-year budget projections, Congress will have to enact serious reforms to our entitlement programs.

Entitlement Reforms

While it has been clear for more than a decade that our nation's entitlement programs are on a crash-course with disaster, it has been equally clear that most Members of Congress have been reluctant to right the ship. Whenever serious reform plans are put

forth, their sponsors are subjected to unfair attacks about “gutting” the programs and taking benefits away from senior citizens and the disadvantaged. The truth of the matter is that Medicare, Medicaid, and Social Security are “gutting” themselves right now and we simply must act if they are to survive in any form.

The most powerful driver of cost growth is Medicare, which according to the Congressional Budget Office is on track to devour about 4.2 percent of GDP in 2020, and an astonishing 14.3 percent of GDP in 2080. Meanwhile, Medicaid will grow from 2.1 percent of GDP to 3.7 percent over that same time period. For its part, Social Security is set to rise from 5.3 percent of GDP to 6.1 percent. If this growth goes unchecked, our fiscal situation in 2080 will be an unmitigated disaster: federal spending at 34.4 percent of GDP, a deficit equal to nearly 43 percent of GDP, and publicly-held debt at an inconceivable 716 percent of GDP. I use the term “inconceivable,” because the nation’s finances and its economy would almost certainly collapse before reaching such a level.

The most ambitious plan to avert this calamity is Representative Paul Ryan’s (R-WI) “Roadmap for America’s Future.” The Roadmap would tackle spiraling entitlement costs, restructure the tax system, and hold down discretionary spending in order to create a sustainable federal budget.

With Medicare, the Roadmap would provide future beneficiaries a fixed payment that they could apply to a list of Medicare-certified health plans. That payment would be allowed to grow every year by a measure that outpaces GDP growth by one percentage point. This simple yet important alteration would rein in future Medicare outlays, preserve the program for seniors, and inject real market forces into health services for older Americans by giving them strong incentives to seek out cost-effective care. The Medicaid reforms are similar, as the Ryan plan would transition to a system where individuals would have personal ownership of “health care debit cards.”

For Social Security, the reforms would allow younger workers to devote a share of their payroll taxes to personal investment accounts in order to provide them with greater returns and individual ownership.

The Roadmap may not be perfect and its reforms are unlikely to be achieved without significant debate, but it is the only detailed plan in Congress today that is comprehensive in its scope and conservative in its goals.

How to Prevent Future Problems

Though Congress should aggressively pursue the spending reductions that have been detailed in this testimony, they will not be enough to rectify the defects of the budget process itself. Some of these flaws can be addressed by applying or expanding certain budgetary concepts that have proven successful elsewhere. These include the use of technical auditing for infrastructure projects and greater reliance on recovery audit contracting for federal benefit programs. Another approach with promise is the more aggressive use of life-cycle budgeting, which encourages more thoughtful, disciplined, and cost-efficient planning for capital projects. This evaluative tool has helped several states to improve the fiscal accountability of their spending initiatives.

Nonetheless, even with these worthy reforms, the built-in incentives that have fueled debt growth in the past will not disappear with the cancelation of wasteful programs. Thus, Congress must enact with all deliberate speed a robust Balanced Budget Amendment (BBA) to the Constitution.

Since its founding in 1969, NTU's most fundamental and enduring goal has been to establish constitutional limits on the size and future growth of government. Throughout the 1970s and 1980s, my organization helped to launch and sustain the movement for a limited Article V amendment convention among the states to propose a Balanced Budget Amendment for ratification, all while pursuing a BBA through Congress. Our members were elated over the passage of S.J. Res. 58 in 1982, and the passage of H.J. Res. 1 in 1995 through the House of Representatives. In both cases the measures, whose provisions varied somewhat, fell short of enactment in the other chambers of Congress.

This history provides an illustration of how prescient the arguments of BBA advocates have proven to be, and how specious those of opponents have been. For the better part of 40 years, we were told that fiscal discipline would evolve simply by "electing the right people," all while Republican and Democratic Presidents and Congresses abused the nation's good credit. We were told that statutory measures would bring outlays under control, even as laws such as the Gramm-Rudman Hollings Act were trampled underfoot. We were told that our foundational document shouldn't be "cluttered" with mundane matters of budgeting, even as the tax and spend culture in Washington eroded the foundations of prosperity for current and future generations.

The notion that limits on taxes and spending are too trivial for the Constitution seems quaint today, as our national debt tests the ominous level of 100 percent of the nation's economic output. As noted earlier, unsustainable entitlement programs, whose dire condition has been known for at least 20 years now, threaten to heap unfathomable burdens on taxpayers. BBA naysayers sought to derail the constitutional budgetary discipline that could have made adjustments to the realities of these programs gradual and bearable, all while they complained that the measure would "take too long to ratify" for it to have any salutary effect. The question now before Congress is, how could our Constitution not be allowed to contribute toward restoring our nation's fiscal stability? The fiscal crisis our government faces overwhelmingly demonstrates the continued relevance of a BBA to curing the maladies that threaten the health of our economy.

There are several iterations of a Balanced Budget Amendment that have already been introduced in the 112th Congress. The strictest of them, S.J. Res. 5 introduced by Senator Mike Lee (R-UT), would prevent outlays from exceeding receipts with a requirement that a two-thirds supermajority vote in favor of any attempt to override that limit or the nation's debt ceiling. In addition, it establishes a strong spending limitation which says that our federal government cannot spend more than 18 percent of GDP, roughly the historical post-war average for receipts.

Senators Cornyn (R-TX) and Hatch (R-UT) have also introduced a Balanced Budget Amendment, S.J. Res. 3, that would achieve many of the same goals, though its

spending limit is placed at a higher level of 20 percent of GDP, roughly the historical post-war average for outlays. In your chamber, Representative Bob Goodlatte has continued his long history of leadership on this issue by introducing H.J. Res. 1, which incorporates other supermajority requirements and spending limitations. All of these proposals, and perhaps some others yet to be introduced, deserve consideration, but Congress must do so without delay.

Thomas Jefferson once wrote, “I wish it were possible to obtain a single amendment to our Constitution ...; I mean an additional article, taking from the federal government the power of borrowing.” No proposal in Congress today would guarantee such an outcome – an end to deficit spending. What a BBA will guarantee is a more deliberative, accountable budgeting process that avoids the rash impulse to tax or borrow and encourages consensus-building toward spending restraint. Constitutions shouldn’t make policy, but they should set rules within which policymakers operate and they should safeguard the rights of citizens. If the fundamental right – of every generation – to be free of excessive federal debt cannot be protected by our Constitution, little else in that precious document will matter. Jefferson would certainly agree. Thus, the past, present, and future all speak clearly to us on behalf of this reform.

Conclusion

The arithmetic of our budget problems is elementary; it is the political calculus that has proven difficult. NTU urges this Committee and the Congress as a whole to begin a systematic review of our obligations with sharp eyes toward a sustainable budget future. This necessitates not just eliminating waste or tackling entitlements or enacting structural reforms like a BBA; it requires all of them, working together, to effect lasting change. NTU and its members are ready to join you in these tasks – tasks whose completion will be vital to our very future as a nation.. Thank you for the opportunity to submit this testimony.

Toward Common Ground:

Bridging the Political Divide to Reduce Spending

October 2010



Toward Common Ground: Bridging the Political Divide to Reduce Spending

Nicole Tichon, Federal Tax and Budget Reform Advocate, U.S. Public Interest Research Group

Andrew Moylan, Director of Government Affairs, National Taxpayers Union

Our nation faces unprecedented fiscal challenges, as the commitments we've made now and into the future far outpace our fiscal capacity. Congress, the President's National Commission on Fiscal Responsibility and Reform, and citizens across the country must grapple with very difficult decisions about how we can put our fiscal house in order. It will be critical to reach out across party lines and across ideological persuasions to achieve common-sense reforms that can bring us closer to balance.

The U.S. Public Interest Research Group (U.S. PIRG) and National Taxpayers Union (NTU) have joined together to propose a list of 30 specific recommendations to reform our future spending commitments. If enacted in their entirety, these changes would save taxpayers over \$600 billion in total by 2015, the target date for the Fiscal Commission to reduce our publicly-held debt-to-GDP ratio to a more sustainable level of 60 percent. While our organizations have often differed about the proper regulatory scope of government and a host of tax policies, we are united in the belief that we spend far too much money on ineffective programs that do not serve the best interests of the American people.

The cuts deal with specific reforms to entitlement programs, defense spending, wasteful subsidies and a broad range of discretionary items of a smaller scale. While these proposals won't get us all the way there, it is a start that could establish some common ground and make government more accountable in the process.

Some of the suggestions are aimed at procedural improvements, like collecting errant payments for Supplemental Security Income or housing subsidies. Others seek to eliminate programs that are wasteful or unnecessary, like the Market Access Program, which helps some of the most profitable companies in the world advertise their products abroad.

Every item on the list includes a five-year savings estimate for the Commission's 2015 target. Those estimates are backed up by authoritative official sources such as the Congressional Budget Office, Government Accountability Office, Joint Committee on Taxation, or the Office of Management and Budget, as well as bipartisan panels and audit agencies. The recommendations are specific, detailed, and actionable items that Congress could pursue right now to reduce spending.

Most importantly, we strongly believe this list represents a consensus that can be reached between political factions that spend a great deal of their time fighting one another. In our estimation, these recommendations reduce spending without significantly degrading the level of services provided to the American taxpayer and without neglecting the federal government's commitments.

As a nation, we can no longer afford to delay difficult decisions. It is our hope that this list of spending reductions can serve as a starting point for long-overdue reforms and lay the groundwork for a bipartisan approach to those decisions.

What follows is a general summary of spending reductions that fall into four rough categories: ending wasteful subsidies, improving contracting and asset acquisition, improving program execution and government operations, and addressing outdated or ineffective military programs to align spending with current needs. Following the summary is a list of each specific recommendation, with an estimate of its savings by 2015, totaling over \$600 billion, and a reference to the source from which the estimate is based.

Ending Wasteful Subsidies – Total Savings, up to \$62 billion

Every year, the federal government hands out billions of dollars in subsidies for a wide variety of commercial activities. Though the vast majority of such programs are well-intentioned efforts to provide targeted support to businesses or individuals in need, in practice many are a poor use of scarce taxpayer dollars and fail to achieve their stated objectives. This section recommends spending reductions that focus primarily on "corporate welfare" programs, inefficient agricultural supports, and subsidies for energy production.

First, we recommend the elimination of several programs that use taxpayer resources to promote exports. Operations like the Market Access Program and the Overseas Private Investment Corporation have been shown to benefit some of America's most profitable and recognizable multi-national corporations. Companies like McDonald's, Nabisco, and Fruit of the Loom should market their exports out of their ample budgets.

Next, we tackle something that continues to be a battleground issue for many interest groups: agricultural subsidies. While disagreements in this arena can be fierce, we believe that taxpayers deserve agricultural policies that have not been perverted from their original intention or fallen short of their goals. That's why we identify subsidies for large corporate farming businesses and refundable tax credits for ethanol production as areas ripe for reform.

Finally, we recommend cutting several subsidies for energy production that are reaped primarily by profitable businesses in mature industries. For example, we recommend eliminating a research program for developing ultra-

deepwater petroleum and natural gas drilling technologies. While this program is funded from existing oil and gas revenues, it exists outside the annual appropriations process and should be ended because oil and gas companies can more effectively fund their own applied research.

Improving Contracting and Asset Acquisition – Total Savings, up to \$353 billion

Given the hundreds of billions of dollars that flow through the contracting process, it is unsurprising that vast improvements can be made to their efficiency. First, we recommend ending orders for obsolete parts and supplies in the Army, Navy, Air Force, and Defense Logistics Agency. According to the Government Accountability Office, these agencies waste billions purchasing items that go unused or were never required in the first place. In some cases, the agencies purchase 50 percent more parts than necessary. Streamlining this process would save more than \$184 billion over five years without materially impacting national security.

In addition, this section recommends passing and implementing the findings of the Bipartisan Defense Acquisition Panel. The Panel seeks to ensure that the Pentagon reduces waste, spends taxpayer dollars more carefully and pays for services and programs that provide the best value. It has the potential to save \$135 billion.

Improving Program Execution and Government Operations – Total Savings, up to \$77 billion

Payment errors and duplicative programs are a constant source of headaches and wasted money in the federal budget. This section focuses on myriad improvements that could be made to procedures and programs in order to save tens of billions for taxpayers.

Several recommendations deal with overpayments, primarily in entitlement programs. Recalibrating Medicare reimbursement rates in high-cost regions and better aligning payments to teaching hospitals with actual costs could save more than \$30 billion. In Social Security, there is currently a ceiling on collection of mistaken payments from the Supplemental Security Income program. Removing that cap would improve the government's ability to recover erroneous payments, saving more than \$500 million. Similarly, the Department of Housing and Urban Development overpays on housing subsidies due to incorrect calculations of income and billing. Eliminating those overpayments could save nearly \$5 billion.

The federal government also has substantial unused property and commercial holdings that could be sold for the benefit of taxpayers. The Office of Management and Budget has reported that the federal government owns 55,557 buildings that are "not utilized or underutilized," with a value of \$96 billion.

Instructing the General Services Administration to reduce this backlog by 25 percent could generate as much as \$24 billion.

Finally, this section recommends the elimination of two programs: the Troubled Asset Relief Program (TARP) and the National Drug Intelligence Center (NDIC). While TARP has largely wound down by this point, there remain \$15 billion in commitments of taxpayer resources despite the fact that the banking system is no longer under imminent threat. The NDIC has been the subject of numerous scandals and its poor performance is well documented. The GAO has concluded that it duplicates efforts in drug enforcement and it should be eliminated, for a potential savings of more than \$200 million.

Addressing Outdated or Ineffective Military Programs— Total Savings, up to \$107 billion

While the need for a strong national defense is clear, it is equally clear that the Department of Defense has a number of programs that do not advance those goals while wasting federal resources. Selectively reducing or eliminating procurements while improving the operation of other programs could yield billions in savings.

The bulk of such savings would be realized by scaling back or cancelling outdated or unnecessarily costly systems. This section lays out a menu of options for reducing or cancelling procurements of the V-22 Osprey aircraft, the F-35 Joint Strike Fighter, the Space Tracking and Surveillance System, and the Expeditionary Fighting Vehicle. Several of these programs have failed basic cost-benefit analyses and have incurred large delays and cost overruns.

Another large potential source for savings can be found in aligning our nuclear defense programs with current needs and threats. "Rightsizing" our nuclear arsenal has been supported by a wide range of public officials as well as military and national security experts, including Defense Secretary Robert Gates and Senator John McCain (R-AZ). Pursuing this option could save more than \$56 billion.

Finally, we recommend altering the pricing structure for central repair depots. When military vehicle components need repairs, unit commanders can direct them to be completed in-house or send the equipment to central maintenance depots. Making this change would incentivize unit commanders to use central depots more than their less cost-effective local repair facilities. Allowing depots to charge for the "incremental cost" of repairs could save more than \$1 billion.

| Saving Mechanism | Explanation | 2015 (\$ in millions) | Source | Link for Additional Information |
|---|---|-----------------------------|----------------|--|
| End Wasteful Subsidies | | | | |
| Eliminate the Overseas Private Investment Corporation, which subsidizes investment abroad | The Overseas Private Investment Corporation (OPIC) subsidizes the foreign operations of many large multinational corporations through financing and insurance supports. These companies should finance their own operations. | \$ 154 | CBO | www.cbo.gov/showdoc.cfm?index=10122&sequence=0&form=6 |
| Eliminate the Market Access Program, which subsidizes overseas advertising | The Market Access program uses taxpayer dollars to fund advertising and promotion by private companies marketing agricultural products in other countries. These companies include McDonalds, Nabisco, Fruit of the Loom, and Mars. | \$ 1,000 | CBO | http://www.cbo.gov/budget/factsheets/factsheets2010b.cfm |
| Eliminate subsidies to trade associations for marketing abroad | This subsidizes corporate trade associations in promotion of agriculture exports. | \$ 175 | FY 2011 Budget | http://www.whitehouse.gov/omb/budget/fy2011/assets/tables.pdf |

| Saving Mechanism | Explanation | 2015 (\$ in millions) | Source | Link for Additional Information |
|--|--|-----------------------------|---|---|
| Eliminate subsidies to big agribusiness | Many of these programs have been deemed ineffective or go disproportionately to large, corporate farming businesses. In addition, subsidies to wealthy farmers and individuals who do not use the land for actual farming need to be eliminated. | \$ 35,497 | CBO, USDA Budget Summary, Washington Post investigation, Control Spending Now Act | www.cbo.gov/budget/factsheets/2010b/USDA-Policy.pdf |
| Eliminate refundable tax credits for ethanol | Large oil companies that blend gasoline with corn-based ethanol, rather than the ethanol producers themselves, receive billions of dollars in subsidies each year. The credits combined with the Renewable Fuels Standard set up a taxpayer subsidized mandate, which is bad fiscal policy. | \$ 22,650 | Joint Committee on Taxation | http://www.ict.gov/publications.html?func=startdown&id=3642 |
| Eliminate insurance subsidies for repeatedly-flooded homes | The National Flood Insurance Program cannot deny insurance on the basis of frequent losses and thus provides policies for properties that have been repeatedly flooded. While these represent only 1 percent of policies, they account for 25 to 30 percent of claims. When catastrophic weather events hit, taxpayers are on the hook for massive losses. | \$ 891 | GAO | http://www.gao.gov/new.items/d10631t.pdf |

| Saving Mechanism | Explanation | 2015 (\$ in millions) | Source | Link for Additional Information |
|--|---|-----------------------------|-------------------------|---|
| Eliminate ultra-deepwater natural gas and petroleum research program | Funding for this program does not undergo the scrutiny of the appropriations process and this kind of applied research can be more effectively performed by the oil and gas companies themselves. | \$ 158 | CBO 2009 Budget Options | http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf |
| Reduce funding for public timber sales that lose money | The Forest Service has spent more on federal timber sales in recent years than it has collected from the companies that harvest the timber. This is an unwise use of taxpayer dollars. | \$ 279 | CBO 2009 Budget Options | http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf |
| Sell Southeastern Power Administration and related assets | This Southeastern Power Administration subsidizes energy at below-market costs, which leads to significant distortions. Selling the assets would make energy markets more efficient and earn money for taxpayers. | \$ 1,220 | CBO 2009 Budget Options | http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf |
| Improve Contracting and Asset Acquisition | | | | |

| Saving Mechanism | Explanation | 2015 (\$ in millions) | Source | Link for Additional Information |
|--|--|-----------------------------|---|---|
| Implement acquisition reforms identified by the bipartisan Defense Acquisition Panel | Last year Congress passed weapons acquisition reform with bipartisan support. These recommendations would address the other 80% of the Department of Defense acquisition processes, including financial management and information technology. The proposal would also increase competition and improve the acquisition workforce. | \$ 135,000 | Bipartisan Defense Acquisition Panel | http://armedservices.house.gov/pdfs/DARFINALREPORT/DARFINALREPORT032310.pdf |
| Eliminate Department of Homeland Security contracts already identified as wasteful | A recent audit by the Defense Contract Audit Agency found 32 contracts collectively worth \$34.3 billion that have been plagued by waste, abuse, or mismanagement from 2001 through 2006. | \$ 34,300 | House Committee on Oversight and Government Reform - Report | http://oversight.house.gov/index.php?option=com_content&view=article&id=2507&catid=44:legislation |
| End orders for obsolete spare parts and supplies for the Defense Logistics Agency | In examining purchasing and inventory data at the DLA, Army, Navy and Air Force, the Government Accountability Office discovered that the organizations were wasting billions of dollars purchasing items that went unused or were never required (as much as 50% more than required). Reforms to purchasing processes and better data can both save money and better serve the needs of the armed forces. | \$ 35,500 | GAO | http://www.gao.gov/products/GAO-10-469 |
| End orders for obsolete spare parts and supplies for the Army | | \$ 18,000 | GAO | http://www.gao.gov/new.items/d09199.pdf |
| End orders for obsolete spare parts and supplies for the | | \$ 37,500 | GAO | http://www.gao.gov/new.items/d09103.pdf |

| Saving Mechanism | Explanation | 2015 (\$ in millions) | Source | Link for Additional Information |
|--|--|-----------------------------|----------------------------|---|
| Navy | | | | |
| End orders for obsolete spare parts and supplies for the Air Force | | \$ 93,500 | GAO | http://www.gao.gov/new.items/d07232.pdf |
| Improve Program Execution and Government Operations | | | | |
| Remove the ceiling on the collection of overpayments from the Supplemental Security Income program | This option would improve the government's ability to recover erroneous payments while still protecting recipients from undue hardship. | \$ 580 | CBO 2009 Budget Options | http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf |
| Reduce backlog of buildings owned by the federal government that are "not utilized or underutilized" by 25- percent | The federal government owns more than 55,500 buildings that are "not utilized or underutilized," worth more than \$96 billion, according to OMB. Directing the GSA to reduce this by 25 percent over a period of five years would save taxpayers billions. | \$ 24,000 | OMB | http://coburn.senate.gov/public/index.cfm?a=Files.Serve&file_id=2a914cf8-440a-4468-b1c3-2f9f4a571146 |
| Better align Medicare payments to teaching hospitals with actual costs | Re-calibrate payments to cover actual costs for Medicare's graduate medical education program. | \$ 20,500 | CBO | http://www.cbo.gov/doc.cfm?index=9925 |

| Saving Mechanism | Explanation | 2015 (\$ in millions) | Source | Link for Additional Information |
|--|--|-----------------------------|-------------------------|---|
| Recalibrate Medicare reimbursement rates in high-cost regions | Hospitals and providers in some regions of the country are paid as much as twice their counterparts in other areas. These high-cost regions are superb at billing for the most expensive tests and procedures, but the care delivered in these areas is worse than regions which focus on quality, primary care medicine. These inflated reimbursement rates for high cost-regions may enrich some region's health industries but they do not improve care for patients. | \$ 11,700 | CBO | http://www.cbo.gov/doc.cfm?index=9925 |
| Eliminate overpayments for housing subsidies | According to GAO, the Department of Housing and Urban Development wastes hundreds of millions of dollars due to "incorrect subsidy determinations by program administrators, unreported tenant income, and incorrect billing." | \$ 4,480 | GAO | http://www.gao.gov/products/GAO-05-1027T |
| Eliminate the Leveraging Educational Assistance Partnership, which is no longer needed | The Leveraging Educational Assistance Partnership (LEAP) program has already met its objectives to incentivize states to provide for student grant programs and is no longer needed. The President has requested that it be eliminated in his FY 2011 Budget Request. | \$ 272 | CBO 2009 Budget Options | http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf |

| Saving Mechanism | Explanation | 2015 (\$ in millions) | Source | Link for Additional Information |
|---|---|-----------------------------|---|---|
| Return unallocated funds from the Troubled Asset Relief Program (TARP) | While TARP has largely wound down, the Office of Financial Stability reports that \$15 billion in commitments remain outstanding. Because the banking system is no longer at risk, this money should be returned to taxpayers. | \$ 15,000 | Office of Financial Stability Monthly 105(a) Report – August 2010 | http://financialstability.gov/docs/105CongressionalReports/August%202010%20105(a)%20Report%20final%209%202010%2010.pdf |
| Eliminate National Drug Intelligence Center | This center has been the subject of numerous scandals and its performance has repeatedly been called into question. A year after its inception, the GAO concluded that it duplicates efforts in drug enforcement. | \$ 223 | FY 2011 Budget - Dept. of Justice Summary | http://www.justice.gov/jmd/2011summary/html/fy11-ndic-bud-summary.htm |
| End Wasteful or Outdated Military Programs and Systems; Align Military Spending with Current Needs | | | | |
| Cancel production of the V-22 Osprey aircraft that has experienced massive cost overruns and performance issues | This program has come close to being cancelled several times according to the Sustainable Defense Task Force, and has experienced reliability and performance issues. In addition, the GAO reports that the program has had several scheduling, management, cost and production issues. | \$ 6,164 | CBO 2005 Budget Options | http://www.cbo.gov/doc.cfm?index=6075&type=0 |

| Saving Mechanism | Explanation | 2015 (\$ in millions) | Source | Link for Additional Information |
|---|---|-----------------------------|--|---|
| Cancel F-35 Joint Strike Fighter and replace with more advanced, cheap and reliable alternatives | According to the Sustainable Defense Task Force, "the F-35 Lightning may represent all that is wrong with our acquisition process." Beyond the cost growth, it has performance and reliability issues and "would provide a capability that is not warranted considering emerging threats." | \$ 22,500 | CBO 2009 Budget Options | http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf |
| Alternatively, reduce F-35 procurements by cancelling Navy and Marine Corps Joint Strike Fighters | Eliminating F-35 procurements for Navy and Marine Corps. | \$ 7,400 | CBO 2009 Budget Options | http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf |
| End spending for high-risk satellites and replace them with lower-cost alternatives | End funding for high-risk satellites, known as the Space Tracking and Surveillance System, which are not needed and can be replaced alternatives at a lower cost to taxpayers. This program has been subject to poor performance, significant delays and cost overruns. According to a House report, an internal DOD study "indicates that ground based radars not only provide a viable alternative to a space based system, but also provide this capability at significantly lower cost and risk." | \$ 5,000 | DoD Fiscal Year 2011 Budget Estimates, Missile Procurement | www.saffm.hq.af.mil/shared/media/document/AFD-100128-067.pdf |

| Saving Mechanism | Explanation | 2015 (\$ in millions) | Source | Link for Additional Information |
|---|--|-----------------------------|---|--|
| Align nuclear arsenal with current needs and threats | Rightsizing the nuclear arsenal to be aligned with current needs is supported by a range of public officials, former military and national security experts, including Sen. John McCain, Secretary of Defense Gates, and 'Consensus for American Security' members Sec. George Shultz, Sen. Chuck Hagel, Gen. Arlen "Dirk" Jameson (U.S. Air Force, RET), Sen. Gary Hart and Adm. William Owens (U.S. Navy, RET). | \$ 56,750 | Report of the Sustainable Defense Task Force; Center for Strategic and Budgetary Assessments (CSBA) | www.comw.org/pda/fulltext/1006SDTFreport.pdf |
| Cancel the outdated, unreliable and unneeded Expeditionary Fighting Vehicle | According to GAO, the "program's history of cost growth, schedule slips and performance failures and the current challenges (including changing threats) raise the question of whether the business case for the EFV program (in terms of cost, schedule, and performance) is still sound. It is 14 years behind schedule and is highly unreliable." Secretary Gates also acknowledged that amphibious assault capabilities are no longer a huge need. | \$ 16,309 | GAO (assumes 2.5% and 3.5% increase in cost per year for acquisition and units) | www.gao.gov/new.items/d10758r.pdf |

| Saving Mechanism | Explanation | 2015 (\$ in millions) | Source | Link for Additional Information |
|--|---|-----------------------------|-------------------------|---|
| Change depots' pricing structure for repairs to be more cost effective | Incentivize unit commanders to use central depots more than their less cost-effective local repair facilities. The CBO and RAND report that for "the Navy, and the Office of the Secretary of Defense, local maintenance can cost from 25 percent more to twice as much as repairs done at the depots." | \$ 1,030 | CBO 2009 Budget Options | http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf |
| Total | | \$ 600,322 | | |

Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name:

Andrew Moylan

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2008. Include the source and amount of each grant or contract.

None.

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

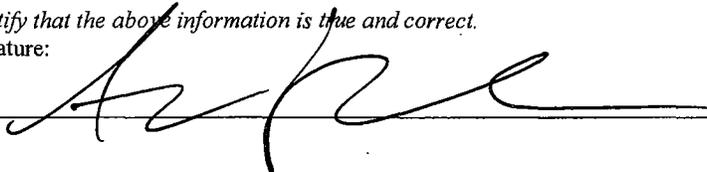
National Taxpayers Union, Vice President of
Government Affairs

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2008, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

None.

I certify that the above information is true and correct.

Signature:



Date:

2/15/11