

# STOPPING WASTEFUL AND UNNECESSARY SPENDING

The President's pro-growth policies have set in motion one of the strongest economies in American history. The Budget ensures that the U.S. economy can remain resilient and that the United States maintains its global leadership by prioritizing funding for the most vital functions of Government. However, a bloated Federal Government, with duplicative programs and wasteful spending, remains a critical threat to America's future.

Each year, billions of taxpayer dollars are wasted on programs that are duplicative, unnecessary, and ostensibly without priority. This has reduced the ability of the Federal Government to meet its constitutional responsibilities to the American people.

As with the Administration's past Budgets, the 2021 Budget continues to propose strategic reductions in spending. In fact, the Administration's Budgets have put forward more spending reductions than any other in history. This effort is the foundation of a commitment to the American people to restore trust in their Government.

While the Administration has prioritized the core responsibility of national security by rebuilding its great military, securing America's borders, and advancing emerging technologies, continued waste across the Government must be addressed. The Budget looks to reduce wasteful and unnecessary spending, and put in place procedures to keep a vigilant eye on fraud, abuse, and negligence with taxpayer dollars.

## RESIZING THE BUREAUCRACY TO FIT THE CONSTITUTION

The Federal Government was envisioned by the Founders to be one of limited powers, protecting the unalienable rights of individuals. However, over the past century, the size and scope of the Federal Government has overrun these constitutional guardrails. Today, there are more than two million Federal civilian employees with millions more who are paid entirely by Government contracts and grants.

Taxpayers have repeatedly watched the Federal Government respond to any problem with the creation of new agencies, new programs, and new spending initiatives, instead of reorganizing, or repurposing what is already available within the vast bureaucracy. As a result, there are hundreds of programs in the Federal Government that have outlived their mission, duplicate efforts, or operate below peak efficiencies because of fragmented responsibilities between agencies. This wasteful spending has been a contributing factor to the Government's deteriorating fiscal health as reflected in the *Financial Report of the United States Government*.

The Administration believes the American people deserve better from their Government.

## DEFINING THE PROBLEM

There are universal tenets on which broad bipartisan action to reduce spending should be based:

**First**, all Government programs should have a direct, clear, and immediate purpose and not duplicate other programs.

**Second**, all Federal spending should provide a necessary public service and serve a clear national interest. American taxpayers deserve a Government that is not spending taxpayer dollars to support a Muppet Retrospectacle in New Zealand or millions to prepare religions for discovering extraterrestrial life (which are real, and unfortunate, examples of wasteful spending).

**Third**, all spending should fund its intended purpose and reach its intended recipient. That is, there should not be improper payments that result in monetary loss to the Government, such as when beneficiaries receive an incorrect amount, or deceased individuals continue to receive assistance.

**Fourth**, the Government should be frugal and strive to avoid overpaying for items.

**Fifth**, the Federal Government should spend only the amount necessary to achieve intended goals, and all expenditures should be assessed on that basis.

**Sixth**, each dollar spent should be measured by its effect on actual outcomes.

#### CATEGORIES OF WASTE REQUIRING ACTION

Using these guidelines, the Budget attempts to begin restraining and refocusing taxpayer resources in the following five ways:

- Eliminating Duplicative Programs;
- Eliminating Programs with No Proper Federal Role;
- Putting an End to Improper Payments;
- Conducting Oversight of Spending Categories; and
- Stopping Improper End-of-Year Spending.

The Budget's *Major Savings and Reforms* volume describes the major savings and reform proposals included in the Budget. In total, the discretionary proposals highlighted in the volume

would save \$48 billion in 2021.

#### ELIMINATING DUPLICATIVE PROGRAMS

In May 2019, the U.S. Government Accountability Office released its ninth annual report with recommendations to reduce overlap, duplication, and fragmentation in Federal programs. This annual report identifies opportunities for cost savings, and a better customer experience for the American people, through three types of common inefficiencies in Government:

**Fragmentation:** when more than one Federal agency, or more than one component within an agency, is involved in the same broad area of national need and there are opportunities for improving service delivery.

**Overlap:** when multiple agencies or programs have similar goals, engage in similar activities or strategies, or target similar beneficiaries.

**Duplication:** when two or more agencies are engaged in the same activities or provide the same services to the same beneficiaries.

The Budget addresses many of these inefficiencies by reforming, reducing funding for, and in some cases eliminating these programs. Examples include:

- **U.S. Department of Agriculture (USDA) Programs that Provide Assistance to the Private Sector, Do Not Require Matching Funds, and Duplicate Other Federal Assistance.** For example, USDA has the authority to make crop loss payments under both a disaster assistance program and the crop insurance program, masking market forces and allowing some farmers to receive payments in excess of 100 percent of their loss.
- **Overlapping Elementary and Secondary Programs.** The Budget proposes to consolidate 29 overlapping elementary and secondary programs into a new block grant to States and school districts. This consolidation would allow those closest to students to meet the needs of their students and families. While increasing flexibility, the new block grant also saves taxpayers \$4.7 billion.

- **Disjointed Workforce Programs.** The Federal Government spends \$19 billion per year on more than 40 workforce development programs across 15 agencies. The Budget begins the work of rationalizing this convoluted system by eliminating ineffective, unproven, or redundant job training programs.
  - **Duplicative Health Professional Training.** The Budget eliminates funding for 14 health professions training programs in the Department of Health and Human Services. There are 91 Federal programs that support the training of healthcare professionals, across the Departments of Defense, Education, Health and Human Services, and Veterans Affairs.
  - **Readily Available English Learning Materials.** Several U.S. institutes of higher learning offer free or low-fee English learning materials online. The Budget proposes to eliminate nearly \$2 million for duplicative Government-funded online English-language learning programs and materials for foreign audiences. The U.S. Agency for Global Media spends \$1.5 million on Voice of America's English Learning programming, which produces relatively low-quality educational videos. Similarly, the State Department creates and runs Massive Open Online Courses for English learning.
- resources and mitigates unnecessary risk to taxpayers.
- **The Federal Emergency Management Agency's (FEMA) Continuing Training Grants.** The grants, which support partners to develop and deliver training to prepare for disasters, among other grant programs, are proposed for elimination because they are duplicative of other Federal grant programs or other State or local programs, and are primarily the responsibilities of States and localities.
  - **USDA Rural Business Service Programs.** These programs have spent over a billion dollars during the last 10 years supporting already successful businesses that could qualify for private sector capital. For example, the Value-Added Producer Grant program has provided over \$3 million to wineries and vineyards in 2018, including grant funding to promote wine slushies.
  - **The Department of Housing and Urban Development's (HUD) HOME Investment Partnerships Program.** The Budget eliminates the HOME program, recognizing a greater role for State and local governments and the private sector in addressing affordable housing needs.

#### ELIMINATING PROGRAMS WITH NO PROPER FEDERAL ROLE

There are also Federal programs that duplicate the efforts and expenditures of State and local governments or the private sector. For example, the Budget proposes to eliminate:

- **The Department of Commerce's Economic Development Administration Grant Programs.** The programs are duplicative of other economic development programs within the Federal Government, as well as State and local efforts.
  - **Power Marketing Administration Electricity Transmission Assets.** The vast majority of the Nation's electricity needs are met through for-profit investor owned utilities. Increasing the private sector's role encourages a more efficient allocation of economic
- There are also programs where the Federal Government's role is unclear and unnecessary. For example:
- **Applied Energy Programs.** Private sector-led research and development (R&D) tends to focus on near-term cost and performance improvements where the certainty of profit generation or successful market entry are greatest. The Federal role in energy R&D is strongest at the earlier stages, where the greatest motivation is the generation of new knowledge and the proving of novel scientific or technical concepts. While progress has been made over the past three years, the Budget continues to refocus these programs on earlier-stage R&D energy challenges.

- **Education and Research Centers (ERCs) within the National Institute for Occupational Safety and Health.** The ERCs were created in the 1970s to develop occupational health and safety training programs in academic institutions. Almost 50 years later, the majority of public health schools include this coursework, and many academic institutions have developed specializations in these areas. The Budget would stop directing Federal funding to support academic salaries, stipends, and tuition and fee reimbursements for occupational health professionals at universities.
- **Department of the Interior (DOI) Highlands Conservation Act Grants.** The Budget eliminates grant funding (\$20 million in 2019) under the Highlands Conservation Act for non-Federal land acquisition projects in highland States. These grants serve no clear Federal purpose and divert limited DOI funding from managing national parks, refuges, and public lands.
- **Funding for the National Park Service’s Save America’s Treasures Grants.** The grants are used to support preservation of non-Federal historic buildings, arts, and published works.
- **The National Endowment for the Arts (NEA)/National Endowment for the Humanities (NEH).** Activities funded by NEA/NEH are not considered core Federal responsibilities, and make up only a small fraction of the billions spent each year by arts and humanities nonprofit organizations.
- **The Corporation for National and Community Service (CNCS) (including AmeriCorps).** Funding paid volunteerism and subsidizing the operation of nonprofit organizations is outside the proper role of the Federal Government. To the extent these activities have value, they should be supported by the nonprofit and private sectors and not with Federal subsidies provided through the complex Federal grant structure run by CNCS.

## PUTTING AN END TO IMPROPER PAYMENTS

Every year, the Federal Government makes improper payments. This is an obvious form of wasteful spending, and it costs taxpayers over \$70 billion per year. While the Government has spent years working to eliminate this issue, more must be done to increase appropriate and careful stewardship of taxpayer funds.

Prior to this Administration, the Federal Government failed to properly prioritize its efforts regarding eliminating improper payments. For instance, Agencies spent more time complying with low-value compliance activities than researching the underlying causes of improper payments and building the capacity to help prevent future improper payments. Although working to reduce all improper payments is an important goal, the Administration has prioritized efforts to end the most egregious abuses, such as improper benefits sent to deceased persons that cost taxpayers over \$800 million per year.

The Getting Payments Right Cross-Agency Priority Goal is a key part of the President’s Management Agenda. This agenda is focused on new strategies to reduce monetary loss because protecting taxpayer money and making sure it is serving its intended purpose is a fundamental responsibility of the Federal Government. Progress toward this goal has paved the road for improved prevention of improper payments by: improving the transparency of payment integrity data on <https://paymentaccuracy.gov>; identifying 160 new data sets currently being used by Federal programs for pre-check of payment eligibility; identifying root causes of monetary losses across 57 programs; and identifying eight mitigation strategies with potential for broad impact across multiple programs.

The Budget provides many opportunities for the Congress to achieve maximum savings to the Government, while also considering and balancing costs, risks, and program performance. Families and small businesses could not afford to operate in the careless way that the Federal Government has been operating. CEOs at large companies have lost their jobs for similar carelessness, and rightfully so. The Administration

believes that Government can do better with American's hard-earned tax dollars.

### CONDUCTING OVERSIGHT OF SPENDING CATEGORIES

The Administration has begun identifying spending categories that often become a catchall for wasteful spending. These include:

- Travel;
- Workshops and Conferences;
- Subscriptions;
- Receptions and Refreshments;
- Marketing; and
- Entertainment.

Not every expenditure within these categories is wasteful, but experience has demonstrated that additional scrutiny is necessary. If an agency wants to spend taxpayer dollars on motivational speakers or grants to already successful businesses, it should be prepared to substantiate its request and verify that it is the best and most efficient use of money.

Of the \$550 billion spent annually through Federal acquisition, over \$350 billion is for common goods and services such as software, cell-phones, and information technology. Federal agencies have traditionally purchased goods and services in a fragmented manner, depriving taxpayers of the benefits of the U.S. Government's position as the largest buyer in the world. Category management is a commercial best practice for buying common goods and services that has been adopted by the Administration. Organizing common purchases using category management principles provides agencies with the data and tools they need to comparison shop, obtain volume discounts, and negotiate better deals so taxpayer dollars can be spent on caring for veterans and families.

Applying such leading category management practices has allowed the Government to save taxpayers over \$27 billion since 2017 and

eliminate 31,000 duplicate contracts, all while the Administration continues to exceed annual small business contracting goals.

### STOPPING IMPROPER END-OF-YEAR SPENDING

September, the end of the Federal fiscal year, is traditionally characterized by a surge in spending. Studies of Federal spending have shown that one out of every nine dollars in Federal contracts was spent in the last week of the fiscal year. On average, the Federal Government spends \$3.2 billion a day in contracts. In the last two days of 2018 alone<sup>1</sup>, agencies spent \$10 billion a day.

According to data from the nonprofit group, Open the Books, of the \$97 billion spent by 67 Federal agencies in a "Use It or Lose It" spending spree in the final two days of 2018, expenditures included:

- china tableware (\$53,004);
- alcohol (\$308,994);
- golf carts (\$673,471);
- musical equipment, including pianos, tubas, and trombones (\$1.7 million);
- lobster tails and crab (\$4.6 million); and
- workout and recreation equipment (\$9.8 million).

While there are many reasons that last-minute improper spending occurs, there are currently misaligned incentives in the budgeting process which encourages this practice. Agencies recognize that if significant balances are left in their accounts at the end of a fiscal year, the Congress will likely reduce their topline budget in future fiscal years.

While some end of year spending is legitimate, the Administration is committed to closely scrutinizing how it spends money at the end of the fiscal year, and curtailing wasteful and questionable purchases. Americans deserve a Government that is meticulous at avoiding wasteful and unnecessary spending.

<sup>1</sup> <https://www.openthebooks.com/the-federal-governments-use-it-or-lose-it-spending-spre--open-the-books-oversight-report/>