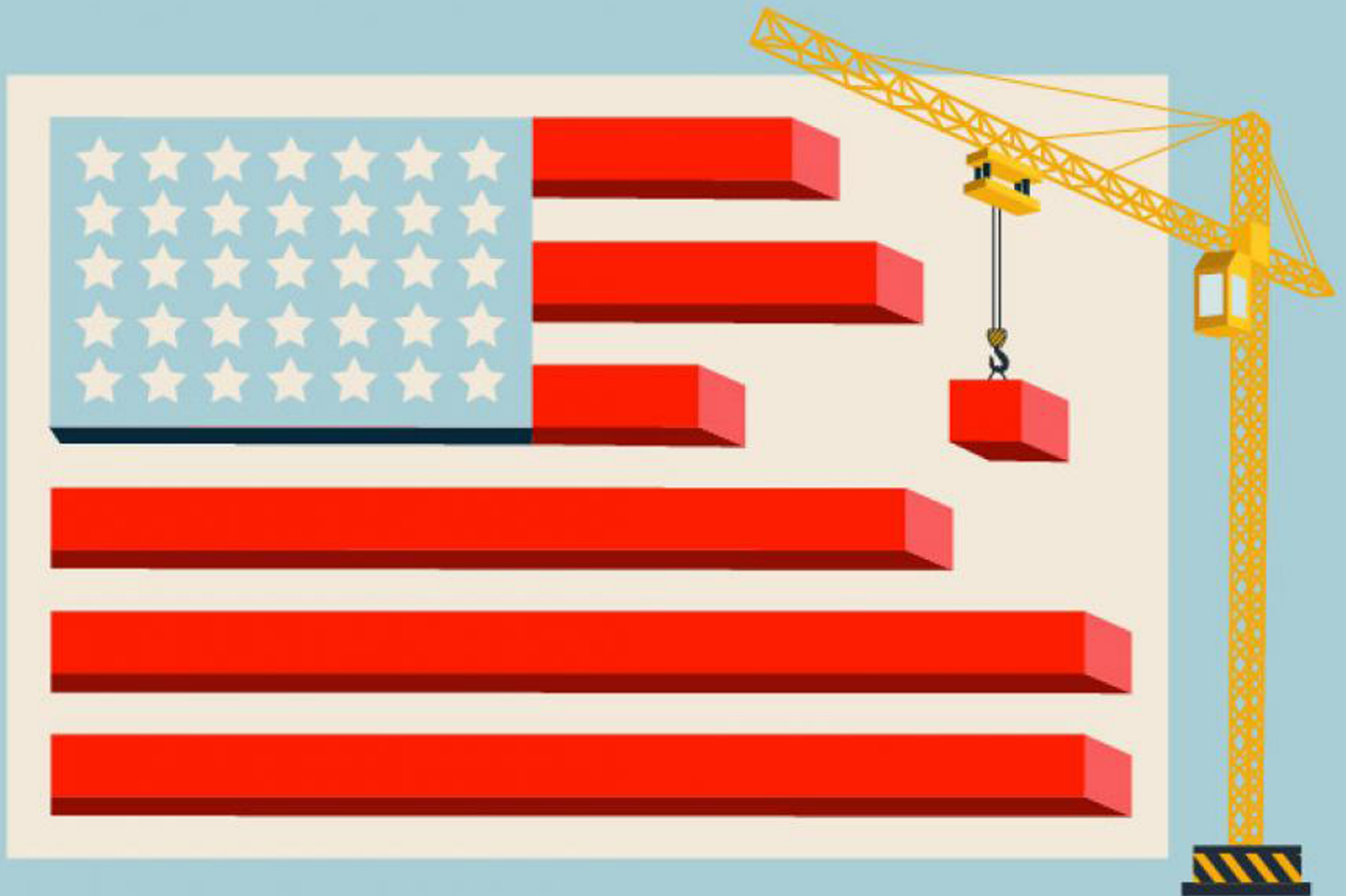


# RECLAIMING OUR

# FISCAL FUTURE



## FISCAL YEAR 2022 BUDGET





Fellow Americans,

We've faced a year of unprecedented spending. Since March of last year, we've spent over \$7.6 trillion dollars, almost \$62,000 per American household, and more than the federal government spent in the first 200 years of our nation's history. We've spent more in the last year than the annual economic production of every country in the world except our own, China, and India. It's not just the spending that stifles our economy. Interest costs on the debt alone are expected to almost triple in ten years, making interest on the national credit card the third largest federal program behind only Medicare and Social Security.

As you can imagine, getting our spending under control and eliminating the deficit will prove to be a herculean task. How do we turn this thing around and ensure the world's largest economy isn't headed toward a fiscal doomsday?

Fortunately for America, producing an alternative budget is the signature issue for the Republican Study Committee. We've gotten pretty good at it. And each year that we produce it, we provide a roadmap toward balancing the budget without raising taxes.

This year, despite the massive amount of new spending, is no different. We—the RSC Budget and Spending Task Force—put our noses to the grindstone and produced a budget that would balance the budget in 5 years.

With our national debt climbing to \$28.1 trillion and beyond, we don't need to tell you why it's so important we reverse our current course. That's why we appropriately named this budget Reclaiming Our Fiscal Future.

That's what we, as House conservatives, are doing. But Speaker Pelosi is ignoring this massive, urgent problem. She and Congressional Democrats are shirking their responsibility and will not be producing a real budget this year—at all.

Speaker Pelosi said at the beginning of the pandemic that we are "captains of the ship." We completely agree. But the American people want to know that responsible people are running it. And we have not seen any signal from Democrat leadership that they will take up their duty and provide a roadmap toward fiscal responsibility.

That's why we've done Democrats' job for them. Now, we urge Speaker Pelosi to take up our budget and put it on the floor for a vote.

A handwritten signature in blue ink, reading "Jim Banks".

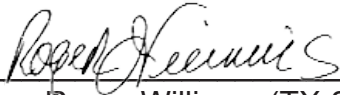
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Rep. Jim Banks (IN-03)  
RSC Chairman

A handwritten signature in blue ink, reading "Kevin Hern".

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Rep. Kevin Hern (OK-01)  
Budget and Spending Task Force Chairman



Rep. Roger Williams (TX-25)



Rep. Trent Kelly (MS-01)



Rep. Ralph Norman (SC-05)



Rep. Ron Estes (KS-04)



Rep. Michael Cloud (TX-27)



Rep. Ben Cline (VA-06)



Rep. Byron Donalds (FL-19)



Rep. Bob Good (VA-05)

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# RSC FY2022 BUDGET:

## *RECLAIMING OUR FISCAL FUTURE*

In a world governed by despots concerned with their own welfare, our nation's founders laid out a vision for a government devoted to safeguarding the pursuit of happiness of all citizens. They used our nation's founding charter to, for the first time, enshrine government recognition of the rights, endowed by God, of all people. They placed their faith, and hope for the future, in the intangible power of our workers, families, and entrepreneurs—what would become the great American middle class. For two and a half centuries, our system has been the backbone of the unprecedented rise in the quality and length of life across the world. It was the faith our founders placed in our people that has made all the difference.

Each of us is clearly given, by our creator, the ability to live and act freely. The choice that each of us has, individually and as a society, is how we apply these gifts. Do we use our abilities to restrict those of others to our own immediate benefit? Or do we live by laws that conserve those rights for all? The despots of our founders' time chose the former. With no faith in their nation, those despots doomed both their people and themselves to poverty and stagnation.

Our founders understood that the key to a prosperous future lies in the innovation of people free to pursue their passions. With their rights protected, people will use them to create systems to meet the needs and desires of themselves and their neighbors naturally and efficiently. This application of our natural rights is the foundation of our nation's free market system. Out of this recognition, the founders devoted our government to conserving the rights essential to safeguard this process. Their hope for the future, rooted in an understanding of the past, led them to this faith - a faith in the process of freedom, bounded by laws that conserve rights. This is at the core of what it means to be a conservative.

Though socialists try to paint people's needs and desires as purely materialistic, we know that is not the case. As conservatives, we understand that "man does not live by bread alone."<sup>1</sup> We are each driven by what we are passionate about: the people, things, and dreams we love. Out of this love and freedom, Americans built a society focused on family and community formation and the importance of art, honor, charity, and sacrifice. Free nations do so much more than focus on material wealth. They cherish these universal motivations and use their freedom to achieve them. Free markets are the system through which a free people can efficiently use their resources to achieve these deeper and more meaningful goals.

Out of this faith, the Republican Study Committee (RSC) was founded to protect the liberty, opportunity, and security of the American people through the conservation of their natural rights. Federal budgets are more than charts and numbers. Budgetary figures reflect the real-world intervention of the government in the lives of our people. This budget is a reflection of the conservative values of its authors. The policies and reforms proposed here are designed to appropriately limit government and prevent tyrannical abuses.

However, in a bid to radically transform our country, these foundational values are under attack from

1 Mathew 4:4, 21st Century King James Version, Bible Gateway, Accessed April 11, 2021, <https://www.biblegateway.com/passage/?search=Matthew%204:3-5&version=CJB>.

two groups: Crony Corporatists and the Socialistic Left. The corporatists try to enrich themselves at the expense of everyone else. They pursue rent-seeking behavior and believe the law should be for sale. They view the law as a tool for the powerful and not a protector of the people. The socialists, faithless and pessimistic, view people as undeserving and wasteful of their natural autonomy. With condescending arrogance, they view the law as a means to redistribute this autonomy to those they deem worthy—the central government planners that attempt to play God. They reject any hope in future innovation and choose to micromanage the present. At their core, what these groups reject is the essence of what it means to be a human being. Working together, they have begun to dismantle the middle class, disempowering and impoverishing the people of our nation.

This agreement, where the socialists sell the law and the corporatists buy the law, masquerades as free market order. Do not be deceived, however. Any system where laws are made at the arbitrary whim of the powerful is just a form of anarchy. There is neither freedom nor order in this ephemeral and materialistic dystopia. Their partnership offers only a return to the despotism our founders fought to rid from the world.

To indulge the false promises of the corporatists and the socialists would be to throw away our God-given rights. They see these rights as a hindrance to their selfish and shortsighted goals. As conservatives, we instead have a resolute faith that these rights serve as the keys to a prosperous and meaningful future.

### **Prosperity through the Free Market System**

Conservatives understand that the only path to prosperity is one dedicated to the free expression of our natural rights. Regardless of philosophy, economic systems are how we use our limited labor and natural resources to produce the goods and services that enrich our lives and fuel our dreams. These products, as the philosopher Adam Smith asserted, are the true wealth of nations, not currency.<sup>2</sup> While we use currency to trade goods and services, that is all it is: a medium of exchange and a measuring tool. And although the reckless coercion of socialism can easily redistribute currency, it cannot produce the products that uplift and enrich.

The failure of the ideology of the corporatists and socialists lies in their arrogant rejection of the essence of what it means to be a human being. They don't understand that the building blocks for prosperity are embedded in each of us—a purpose built into us by our creator. The humble recognition of this fact allows us to see the unmatched positive power of the free market system.

### Voluntary and Mutually Beneficial Commerce

The value of a product is not just its sale price to its producer. It is the usefulness of the product to its buyer. In a system that respects individual rights, only transactions that are beneficial to all parties occur. This is the most fundamental aspect of free markets. When corporatists or socialists bend the law to their will, they create involuntary commerce where they can become enriched through a form of theft without providing a valuable good or service.

However, in a free market, for a seller to be enriched, the buyer must always be as well. That is the result of voluntary commerce. For every self-made billionaire that exists in a free market, there must be billions of dollars of value that they brought to the lives of perhaps millions of people. In this simple

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2 Joy Blenman, "Adam Smith and 'The Wealth of Nations,'" updated April 28, 2021, <https://www.investopedia.com/updates/adam-smith-wealth-of-nations/#:~:text=On%20March%209%2C%201776%2C%20%22,was%20upending%20the%20mercantilist%20system.>

process, it is plain to see that the inventions and innovations of a few necessarily bring wealth to all. What is required to utilize our limited resources as effectively as possible is knowledge.

### Transfer of Knowledge Through Pricing

This knowledge encompasses all aspects of science and human nature, down to the smallest details. It is in the minutia of the day to day lives of individuals and in the dreams of innovators whose work expands what is possible. It is impossible for a small group of despots to collect and fully use this information. However, it does exist in a place that is accessible to everyone: freely determined prices.

As the economist Friedrich Hayek argued, the price of a product in a free market contains this detailed and irreplaceable information.<sup>3</sup> In a free market, the price and availability of a product is the result of the cost of production and distribution (supply) and the usefulness of the product (demand). These freely determined prices represent this vital information aggregated across the entire economy of a region, a nation, and the world.

Using these prices, profit and loss show whether an economic activity is adding to, or taking away from, the total economic pie. Profit is not just what the producer receives, it is the added value of an economic activity. Added value is not just what the producer is paid, it is the usefulness that can only be utilized by the buyer. Far from a simple reflection of greed, the prices of goods and services, the interest rate on credit, and the profit margins of endeavors are the windows through which we see the economy as it truly is. Without these tools there is no way to know whether our actions are adding to, or taking away from, the resources available to our society.

These prices do not simply store and communicate knowledge, they are also essential to the process of gaining knowledge as well. The discovery of a scientific breakthrough is only the first step to innovation. What is crucial is discovering the multitude of ways it can be utilized and adapted. Only through these price windows can an economy fully explore the possibilities for innovation, leading to yet more discoveries. It is through the application of our scientific discoveries that we produce and utilize wealth. The more fully we can apply these discoveries, the more wealth we can generate per person.

The key understanding is that freely determined prices are free from arbitrary controls. They are free to be set in a way that reveals the reality of nature. Controlled pricing, by virtue of not being derived from the real world, reflects only the bias of the price setter. The freer the pricing, and the more it is built on voluntary and mutually beneficial commerce, the clearer a picture of the world around us it yields.

### Equalization of Opportunity Through Lending

The unutilized wealth of our society does not sit idly by. Its untapped potential is instead invested to produce more products and innovation in the future. In a free market, the profit of one endeavor, through lending, becomes the seed capital for the next, keeping our economy efficient and preventing monopolies from concentrating power. In a system without free capital flows, entrenched companies are left unchecked. The risk of capital moving to finance a competitor keeps these companies from exploiting their position. The fewer barriers to investing, the more pressure that is exerted on would-be monopolies, opening up opportunities and fueling economic mobility. Lending and investments are how a free market naturally gives a hand up to people that cannot finance their dreams and innova-

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<sup>3</sup> Will Kenton, "Who Was Friedrich Hayek?" Investopedia, updated on June 4 2020, <https://www.investopedia.com/terms/f/friedrich-hayek.asp>.

tions on their own. These systems put everyone's unused assets to productive use, and, in so doing, free markets organically equalize opportunity. Far from the common misconception, financial markets, by default, empower low- and middle-income Americans. While socialism redistributes the ownership of capital but not its usefulness, free markets redistribute its usefulness while preserving ownership.

It should come as no surprise that the growth in global prosperity over the last two and a half centuries has been built on foundations set by American innovators. Only here, for most of our history, have these three free market mechanisms come together to allow such development and empowerment. However, these systems rest on a delicate balance that distortive and manipulative government action can easily and tragically derail.

### **The Dangers of Government Distortion and Central Planning**

When the government raises revenue or manipulates activity through spending and regulation, it causes a distortion of prices, interest rates, and profits. These actions cause lost production, known as economic deadweight loss.<sup>4</sup> The result is the eventual depletion of wealth that otherwise would have been created. These economic manipulations create financial bubbles and inefficient economic activities that shrink the economic pie for all. No matter the origin of the distortion or how well-intentioned, deadweight loss is the unavoidable consequence of such government interference in the economy.<sup>5</sup>

#### Raising Revenue

When governments impose taxes, no matter who or what is taxed, the effect is a reduction in everyone's access to products and opportunity.<sup>6</sup> Taxes on people reduce both their purchasing power and their contributions to lending markets. Taxes on businesses increase production costs, decreasing the availability of products and jobs, raising prices, and removing the pressure to keep wages high. The burdens of taxes on capital, in a cruel twist, fall mostly on those who would have been employed by these industries, used these products, or borrowed these funds to enrich their lives and invest for the future.<sup>7</sup>

In a similar fashion, the borrowing needed to support government deficits pulls money from the hands of Americans that would otherwise have borrowed these funds to pay for an education, buy a house, and expand or even start a business. The unique position of the government allows it to offer whatever interest rate it needs to crowd out private borrowing and drain the oxygen out of lending markets. When lending is limited, those without capital cannot compete, bringing the competition and innovation that drives prosperity and economic mobility to a halt.

Conservatives believe in keeping the money supply growing at a rate that is proportionate to economic growth, preserving the fidelity of the U.S. dollar as a measuring tool and stable medium of

4 Alicia Tuovila, "Deadweight Loss," Investopedia, updated on February 9, 2021, <https://www.investopedia.com/terms/d/deadweightloss.asp#:~:text=A%20deadweight%20loss%20is%20a,an%20inefficient%20allocation%20of%20resources>.

5 Foundation for Economic Education, "Turgot: The Man Who First Put Laissez-Faire Into Action," April 26, 2018 <https://fee.org/articles/turgot-the-man-who-first-put-laissez-faire-into-action/>.

6 Daren Bakst and Patrick Tyrrell, "Big Government Policies that Hurt the Poor and How to Address Them," Heritage Foundation, April 5, 2017, <http://www.heritage.org/poverty-and-inequality/report/big-government-policies-hurt-the-poor-and-how-address-them>.

7 Veronique de Rugy and Jack Salmon, "The Cost of a 70 Percent Marginal Tax Rate," Mercatus Center, February 11, 2019, <https://www.mercatus.org/publications/federal-fiscal-policy/cost-70-percent-marginal-tax-rate>.

exchange. However, when governments print large sums of new money to inject into the economy, as the socialists support, they do so at everyone's expense. Haphazardly injecting a large amount of currency allows the government to consume as it pleases while destroying the vital information contained in prices and profits throughout the economy. This practice can also cause inflation, which effectively taxes existing dollars and contracts, transferring their value to the government's newly printed currency.

### Distortion by Overt Manipulation

Through spending programs, tax carve-outs, and regulatory policy, heavy-handed governments will support certain people and activities over others. These actions prop up unprofitable industries, allow monopolies to form, and shut off the experimentation and freedom that innovation requires. These propped-up industries, as an unavoidable fact of being unprofitable, waste society's limited resources by refashioning them into lesser products, while government subsidies steal from the rest of the nation to mask the gap. To add insult to injury, as economist Frederic Bastiat highlighted, these industries then often use these subsidies to seek political influence to further distort the law and maintain their power at everyone's expense.<sup>8</sup>

While it is easy to see the unstable economic structures of government manipulation, it is harder to envision what might have been.<sup>9</sup> We will never know what ingenuity and prosperity have been destroyed here or by the nations that have turned their backs on free markets and the natural rights of their people.

### **The Choice Before Us**

It is crucial to see that the systems and structures of free markets are ingrained in each of us and in nature itself. These systems naturally arise from the combination of free human choices, bound by laws that conserve rights, and the physical and scientific laws that govern our world. It is this nexus that allows those systems to generate such incredible innovation and wealth. Free markets do not work because of luck or coincidence. They work by natural design. A design embedded in each of us by our Creator. Whether we embrace this design is, however, up to us.

A young, future president, Abraham Lincoln, once cautioned, "At what point then is the approach of danger to be expected? I answer, if it ever reach us, it must spring up amongst us. It cannot come from abroad. If destruction be our lot, we must ourselves be its author and finisher. As a nation of freemen, we must live through all time, or die by suicide."<sup>10</sup> What he was warning us about was exactly the disregard of our rights that has consumed the corporatists and socialists.

It is easy to lose hope and to make the choice that they have made. It is easy to focus only on the present and only on the material. It is easy to oppress, diminish humanity, and abandon innovation. However, such faithless and shortsighted actions lead only to absolute stagnation and poverty. Every epoch of human history is littered with civilizations that made this ultimate mistake. These chronicles of suffering and unrealized potential call out to us as a warning. It is the same warning given by God when he said, "I call heaven and earth to record this day against you, that I have set before you life

8 Frédéric Bastiat, "The Candlemakers' Petition", Reprinted by Foundation for Economic Freedom, February 28, 1958, <https://fee.org/articles/the-candlemakers-petition/>.

9 Frédéric Bastiat, "That Which is Seen, and That Which is Not Seen," July 1850, <http://bastiat.org/en/twisatwins.html>.

10 President Abraham Lincoln, "Lyceum Address," speech to Before the Young Men's Lyceum, Springfield, Illinois, January 27, 1838, <http://www.abrahamlincolnonline.org/lincoln/speeches/lyceum.htm>.



and death, blessing and cursing.”<sup>11</sup>

We know what choice the corporatists and socialists have made. They have abandoned our history, the last two and a half centuries of prosperity, and all faith in our rights. They have chosen death for the American Dream.

As conservatives, we choose life. We maintain our faith in the core beliefs America was founded on, taking a risk that few nations had. It has made us a light for the world, aiding the rapid rise of prosperity and freedom over the last two and a half centuries. This RSC Budget lays out a vision to reaffirm this commitment. This budget is about more than reclaiming our fiscal future. It is about conserving hope for the future.

As conservatives, we cannot show you the form or origin of the next innovation that will free us from the burdens of the present, but we know it will come. Our conviction is that each of us is fitted with purpose, created to come to know and understand the world around us. With a reliance on these, our natural rights, there is no limit to what a free people can achieve.

Though the challenges we face are daunting, we have overcome these and many before, and we can again. All we need, as President Ronald Reagan advised, is “our best effort and our willingness to believe in ourselves and to believe in our capacity to perform great deeds, to believe that together with God’s help we can and will resolve the problems which now confront us. And after all, why shouldn’t we believe that? We are Americans.”<sup>12</sup>

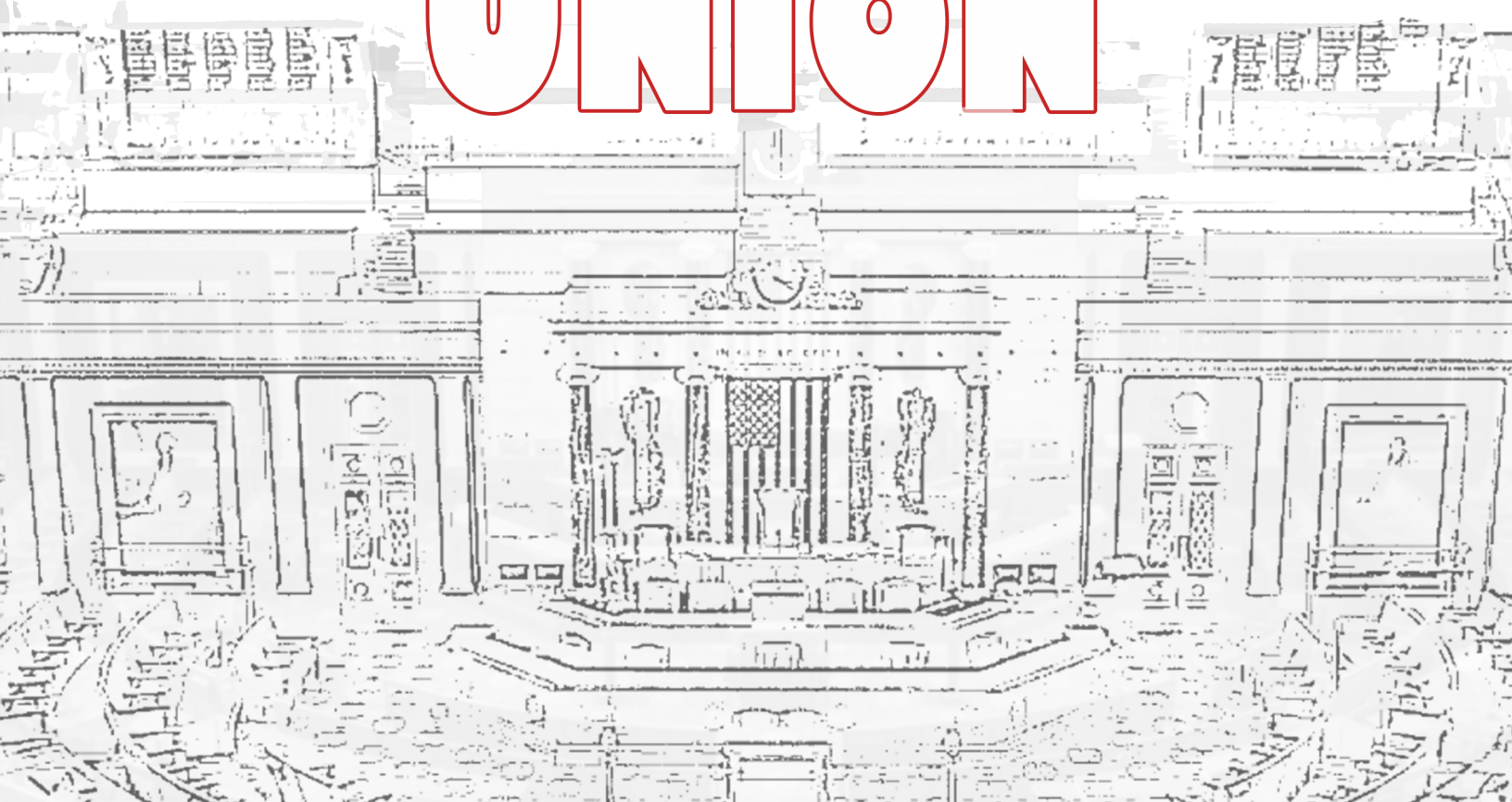
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11 Deuteronomy 30:19, 21st Century King James Version, Bible Gateway, Accessed on April 11, 20201, <https://www.biblegateway.com/verse/en/Deuteronomy%2030%3A19>.

12 President Ronald Reagan, “First Inaugural Address,” speech, Washington, DC, January 20, 1981, <https://www.reaganfoundation.org/media/128614/inaguration.pdf>.



# FISCAL STATE — OF THE — UNION



It is well known that the economic effects and federal response to the COVID-19 pandemic imposed devastating consequences on our nation's finances. Unfortunately, these effects are compounded by the massive, and well-known, debt burden and fiscal trajectory that existed prior to the pandemic. Our debt is a symptom of three generations of reckless spending policies that have grown to be a disease all its own.

For instance, prior to the pandemic, total federal, state, and local spending had already surged to 40 percent of our GDP. More than half of that spending came from the federal government.<sup>13</sup> By February 2020, irresponsible federal spending grew our national debt to more than \$23.4 trillion, eclipsing the size of the entire U.S. economy and equaling roughly one-third of the value of the world's stock markets.<sup>14</sup> Our net interest payments on the federal debt were already projected to far exceed our entire defense budget and be the third largest federal expenditure by 2030 — behind only Social Security and Medicare — and the largest by 2050.

Tragically, spurred by the pandemic, our nation's total federal debt has risen to more than \$28.1 trillion.<sup>15</sup> By not using what had been the longest period of job and economic growth in U.S. history to reduce our spending, our nation has been left fiscally vulnerable in the present crisis. So far, lawmakers have added more than \$4.7 trillion to the national debt through legislation spurred by the pandemic. For comparison, it took 219 years, from the founding of our nation in 1776 until 1995, to accumulate that amount of federal debt. The federal government just did it again in little more than a year.<sup>16</sup>

The total federal debt includes over \$6.1 trillion in intragovernmental debt.<sup>17</sup> Most of these funds were paid by hard-working Americans to federal trust funds for their future retirements. Instead of allowing workers to invest these funds efficiently, these funds are required to be “invested” in federal debt by law, creating a hidden tax on working families.

The debt also includes \$4.9 trillion in Federal Reserve held assets.<sup>18</sup> This represents a dangerous process known as monetization of the debt, where the government prints at inflationary and distortionary levels to cover its deficits. Modern Monetary Theory (MMT) promotes monetizing the debt as a “solution” to our current fiscal situation.<sup>19</sup>

13 Congressional Budget Office (CBO), “Budget and Economic Data: Historical Budget Data”, Accessed on April 20, 2021, <https://www.cbo.gov/data/budget-economic-data#4>; Grant A. Driessen, “State and Local Fiscal Conditions and Economic Shocks,” Congressional Research Service (CRS), Updated June 20, 2020, <https://crsreports.congress.gov/product/pdf/IN/IN11258>.

14 Treasury Direct, “The Debt to the Penny and Who Holds It,” Accessed on April 20, 2021, [https://www.treasurydirect.gov/govt/reports/pd/pd\\_debttothepenny.htm](https://www.treasurydirect.gov/govt/reports/pd/pd_debttothepenny.htm); Jeff Desjardins, “All of the World's Stock Exchanges by Size,” Visual

15 Treasury Direct, “The Debt to the Penny and Who Holds It,” Accessed on April 20, 2021, [https://www.treasurydirect.gov/govt/reports/pd/pd\\_debttothepenny.htm](https://www.treasurydirect.gov/govt/reports/pd/pd_debttothepenny.htm).

16 The White House, “Historical Tables: Table 7.1,” Accessed on April 20, 2021, <https://www.whitehouse.gov/omb/historical-tables/>.

17 Treasury Direct, “The Debt to the Penny and Who Holds It,” Accessed on April 20, 2021, [https://www.treasurydirect.gov/govt/reports/pd/pd\\_debttothepenny.htm](https://www.treasurydirect.gov/govt/reports/pd/pd_debttothepenny.htm).

18 The Federal Reserve System, “Factors Affecting Reserve Balances,” April 15, 2021, <https://www.federalreserve.gov/releases/h41/current/h41.htm#h41tab1>.

19 Jim Edwards and Theron Mohamed, “MMT: Here's a plain-English guide to ‘Modern Monetary Theory’ and why it's interesting,” Business Insider, March 2, 2020, <https://www.businessinsider.com/modern-monetary-theory-mmt-explained-aoc-2019-3>.



With a responsible and limited federal government, we would have been well-situated to deal with the pandemic and easily pay down this new debt after the pandemic had passed. However, after decades of fiscal mismanagement, the cost of this pandemic may now push us over the cliff, taking the American Dream with it.

The following table<sup>2021</sup> includes statistics showing the dire nature of our long-term federal fiscal situa-

**Table A**

<b>Federal Revenues, Outlays, Deficits, and Debt Held by the Public as a Percentage of GDP<sup>20</sup></b>				
<b>Year</b>	<b>2022</b>	<b>2031</b>	<b>2051</b>	<b>Percentage Change 2022 – 2051</b>
<b>Revenues</b>	17.3	17.5	18.5	+6.9%
<b>Outlays<sup>21</sup></b>	21.9	23.2	31.8	+45.2%
<b>Surplus/Deficits</b>	-4.6	-5.7	-13.3	+189.1%
<b>Debt Held by the Public</b>	102	107.2	202	+98%

Table A shows that over the next generation, our federal government will increase its annual outlays by 45.2 percent to nearly one-third of GDP, and in doing so, will consume that amount of our nation's economy. In 2051, nearly a full third of all the value of annual production by the people of our nation will be taken by the federal government, in one form or another, and used at its discretion.

The federal government will acquire 58 percent of these funds through tax collection and the remaining 42 percent through new annual borrowing. By 2051, this massive level of borrowing will drive the annual federal deficit to 13.3 percent of GDP (\$1 out of every \$7.5 of American productivity) and the federal debt held by the public to an unbelievable 202 percent of GDP, nearly twice as much as the highest level ever reached by the United States.<sup>22</sup> As can plainly be seen in Table A, these issues grow exponentially every year, and will continue to do so well past 2051.

Both the extreme tax collection and borrowing levels in this table will pull money out of the hands of our citizens, creating distortions and stunted economic growth in their wake. However, these high levels of taxing and borrowing are only symptoms of the increased government spending levels that demand it.

Table B<sup>23</sup> provides a breakdown of the drivers of these spending levels. It shows that interest on the federal debt, Social Security, and the federal health care programs are the main drivers of our bleak fiscal outlook. However, as can be seen in Table C, further below, this is not a new trend.

20 CBO, "The 2021 Long-Term Budget Outlook," March 4, 2021, <https://www.cbo.gov/publication/56977>.

21 Outlays here reflect the actual expenditures of the federal government in a given year. While programs may be given budget authority (the ability to create outlays) over a period of time (sometimes many years) this reflects the conversion of this authority into spending.

22 Central Intelligence Agency (CIA), The World Factbook, "Country Comparisons – Public Debt," Accessed on April 20, 2021, <https://www.cia.gov/the-world-factbook/field/public-debt/country-comparison>.

23 CBO, "The 2021 Long-Term Budget Outlook," March 4, 2021, <https://www.cbo.gov/publication/56977>.

**Table B**

<b>Federal Outlays by Category as a Percentage of GDP<sup>23</sup></b>				
<b>Year</b>	<b>2022</b>	<b>2051</b>	<b>2022 – 2051 Change</b>	<b>Percentage Change 2022 – 2051</b>
<b>Social Security</b>	5.2	6.3	+1.1	+21.1%
<b>Medicare</b>	3.4	6.3	+2.9	+85.3%
<b>Other Health Care</b>	2.5	3.1	+0.6	+24%
<b>Net interest</b>	1.2	8.6	+7.4	+616.7%
<b>All Other Outlays</b>	9.5	7.4	-2.1	-22.1%

*\*The “All Other Outlays” category contains Defense and Non-Defense Discretionary outlays as well as outlays from non-entitlement mandatory programs.*

**Table C (Historical Spending Prior to the Start of the Pandemic)<sup>24</sup>**

<b>Other Mandatory and Discretionary Outlays as a Percentage of GDP<sup>24</sup></b>			
<b>Year</b>	<b>1962</b>	<b>2019</b>	<b>Percentage Change 1962-2019</b>
<b>Defense Discretionary</b>	9	3.2	-64%
<b>Non-Defense Discretionary</b>	3.3	3.1	-6%
<b>Other Mandatory</b>	2.3	2.4	+4%
<b>Net Interest</b>	1.2	1.8	+50%
<b>Social Security</b>	2.4	4.9	+104%
<b>Health Care Programs</b>	0.7 (1968)	5.3	+657% (1968-2019)

One of the most striking aspects of our present situation is that the single greatest source of increased federal outlays will be interest on the debt.<sup>25</sup> This indicates that we are crossing a dangerous threshold where the burden of the debt itself will, alone, continue to pull our nation underwater, often referred to as a debt spiral. Essentially, our debt is so large that the compounding interest on it alone could push the debt to a size where debt servicing payments are more than our economy can sustain. This automatic chain reaction is as much a threat as other federal outlays. At this point, every dollar we intend to spend through the federal government also adds growing interest costs to the debt and contributes to the likelihood of this self-propagating disaster.<sup>26</sup>

The Left’s calls to increase taxes to close the deficit would be equally as catastrophic for our nation. To close the federal deficit, on the pre-COVID-19 pandemic trajectory, tax revenue would need to be

24 CBO, “Budget and Economic Data: Historical Budget Data,” Accessed on April 20, 2021, <https://www.cbo.gov/data/budget-economic-data>; <https://www.cbo.gov/system/files/2020-01/51134-2020-01-historicalbudgetdata.xlsx>.

25 Committee for a Responsible Federal Budget, “How High are Federal Interest Payments?” March 10, 2021, <https://www.crfb.org/papers/how-high-are-federal-interest-payments#:~:text=This%20year%2C%20the%20federal%20government,and%20over%20%242%2C400%20per%20household>

26 The Default Clock Committee, “Three Minutes to Midnight: The Updated ‘Federal Government Debt Default Clock,’” Debt Default Clock, Accessed April 11, 2021, <https://debtdefaultclock.us/debt-default-clock/>.

increased by 26.6% today (\$8,600 annually per household), 71.9% by 2050 (\$25,000 in today's dollars annually per household), and more each year thereafter in perpetuity.<sup>27</sup>

Despite this grave situation, President Joe Biden and the Left continue their march toward an economy fully owned and controlled by the federal government. The Left's signature policy proposal package, the Green New Deal, would cost an estimated \$93 trillion over the next ten years — spending as much in a decade as the federal government has from our founding until the pandemic.<sup>28</sup> Though they propose a mix of tax increases and even larger deficits to finance this spending, all of the revenue gains and all of the spending would steal from Americans and create dramatic distortions and deadweight loss, crippling the economy.

A hybrid approach to pair increased taxes with some decreased spending to mitigate the debt would still lead to massive distortion and deadweight loss. The distortion of any tax increase would ripple through the economy. Such a hybrid approach would result in wage cuts, increased prices, and increasing poverty levels. Policymakers must remember that tax collection and federal borrowing both work to impoverish our citizens.

In resolute opposition to the path laid before us by the Left, the policy proposals contained in the RSC Budget demonstrate a path back to a prosperous and free future for all Americans.

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27 CBO, "The 2021 Long-Term Budget Outlook," March 4, 2021, <https://www.cbo.gov/publication/56977>; United States Census Bureau, "Quick Facts: Census Overview," Accessed on April 20, 2021, <https://www.census.gov/quickfacts/fact/table/US/PST045219>.

28 Douglas Holtz-Eakin, et al., "The Green New Deal: Scope, Scale, and Implications," American Action Forum, February 25, 2019, <https://www.americanactionforum.org/research/the-green-new-deal-scope-scale-and-implications/>; The White House, "Historical Tables: Table 1.1," Accessed on April 20, 2021, <https://www.whitehouse.gov/omb/historical-tables/>.



# ***ENSURING LIBERTY*** **THROUGH** **DEREGULATION**



The founding fathers intended for Congress, composed of hundreds of elected representatives from every corner of the nation, to be the sole lawmaking branch of a limited federal government. The Constitution was designed to prevent tyranny by separating the powers of government into the three distinct branches backed by a system of checks and balances.

Tragically, the House and Senate have frequently abandoned these fundamental principles and willingly delegated its Constitutional authority to the executive branch, leaving Americans voiceless and at the mercy of unelected bureaucrats. With this abdication, the size and scope of government has grown exponentially into almost every aspect of our daily lives, without direct oversight from Congress or the American people.<sup>2930</sup>

Overregulation, as with all violations of natural rights, suppresses economic and job growth. 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."<sup>31</sup> 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."<sup>32</sup> The burdens of overregulation are ultimately born by Americans and their families through reduced wages; fewer jobs; scarcity of goods; higher consumer prices; and less access to capital to go to school, buy a home, or start a small business.<sup>33</sup> In short, overregulation is an assault on the American Dream.

The Obama administration had "perhaps the most aggressive regulatory record in history."<sup>34</sup> Unfortunately, President Biden's agenda is largely built around returning to an era of overregulation. President Barack Obama's regulatory onslaught created \$890 billion in new economic burdens on the American economy, causing 549 million hours' worth of new paperwork burdens.<sup>35</sup> The Obama administration issued 494 major rules with an economic impact of \$100 million or more, 37 percent more than even President Bill Clinton issued in his time in office, and more than 3 times President Reagan's rate of issuance of economically significant regulations.<sup>36</sup>

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30 Clyde Wayne Crews, "Ten Thousand Commandments 2020: An Annual Snapshot of the Federal Regulatory State," Competitive Enterprise Institute, May 26, 2020, <https://cei.org/studies/ten-thousand-commandments-2020/>.

31 Bentley Coffey, Patrick A. McLaughlin, and Pietro Peretto, "The Cumulative Cost of Regulations," Mercatus Center, April 2016, <https://www.mercatus.org/system/files/Coffey-Cumulative-Cost-Regs-v3.pdf>.

32 Ibid.

33 Sam Batkins, Meghan Milloy, "The Most Expensive Dodd-Frank Rule Adds to Law's Burden," American Action Forum, November 10, 2015. <http://americanactionforum.org/research/the-most-expensive-dodd-frank-rule-adds-to-laws-burden>.

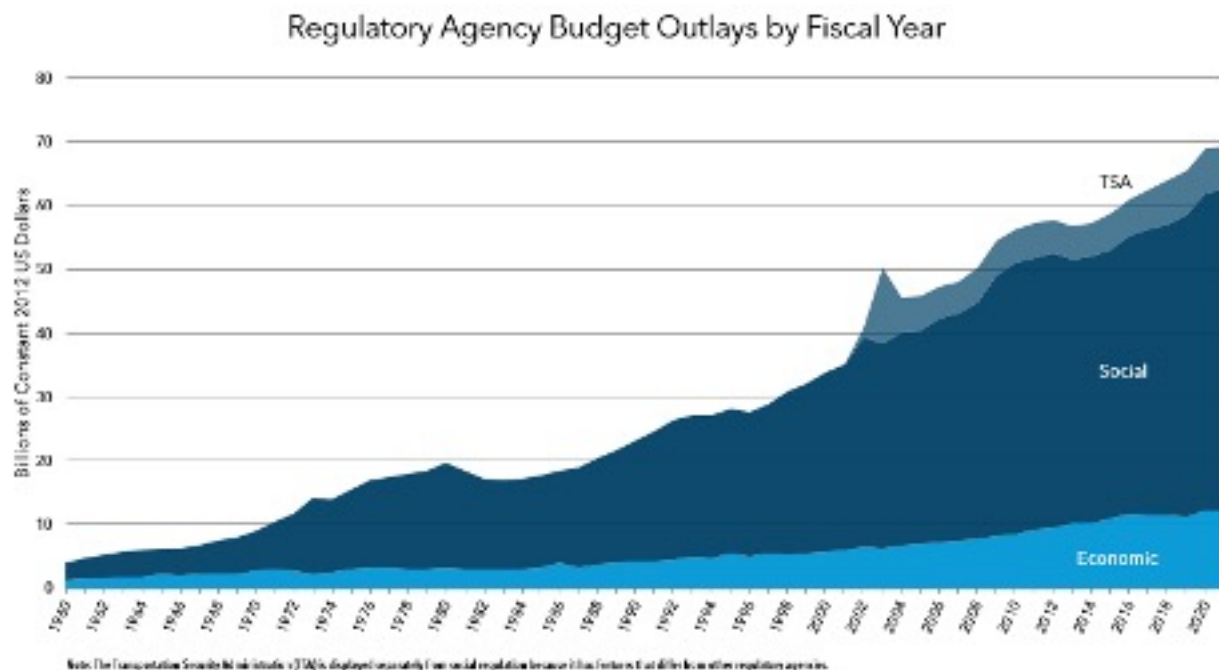
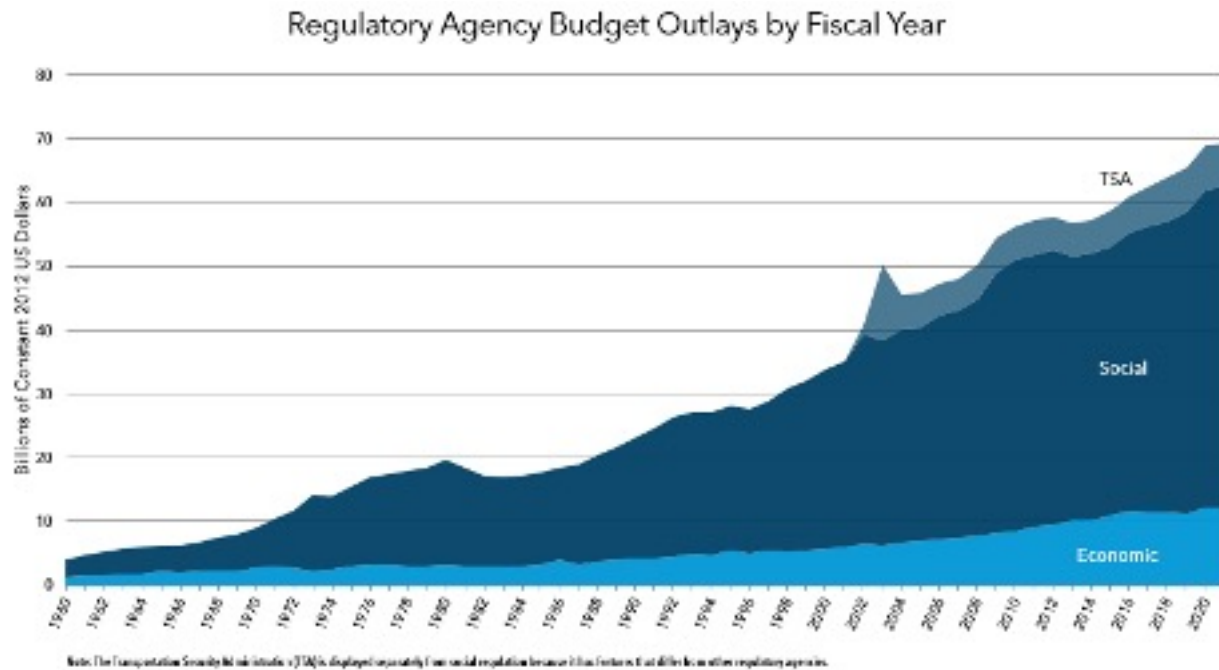
34 Sam Batkins, "Midnight Regulations Push Obama Administration's Regulatory Tally Past \$890 Billion," American Action Forum, February 2, 2017, <https://www.americanactionforum.org/insight/midnight-regulations-push-obama-administrations-regulatory-tally-past-890-billion/>.

35 Ibid.

36 George Washington University Regulatory Studies Center, "Reg Stats," Accessed on April 17, 2021, <https://regulatorystudies.columbian.gwu.edu/reg-stats>.



Federal funds spent on administering the vast regulatory state have grown exponentially in the last several generations. So too have pages added to the federal regulatory code.<sup>37</sup> These facts are demonstrated in the following charts:



Thankfully, President Donald Trump and former OMB Director Russ Vought (and a former RSC Executive Director) made deregulation a pillar of the Trump's Administration. In addition to his constant pursuit of rulemakings designed to reverse Obama-era regulations, they also implemented policies that were designed to place guardrails on the institution of new regulations. For instance, they took the following actions:

- On President Trump's first day in office, the White House issued a memorandum freezing all the Obama administration's pending regulations, halting \$181 billion in pending rules.<sup>38</sup>
- On January 30, 2017, President Trump issued an executive order on Reducing Regulation and Controlling Regulatory Costs requiring all agencies to identify two existing regulations to repeal for each new regulation it proposes.<sup>39</sup>
- On February 24, 2017, President Trump issued a follow-up executive order designed to reign in overregulation.<sup>40</sup> 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 develop a regulatory reform plan.
- On June 14, 2019, President Trump issued Executive Order 13875, which was designed to reduce the number of federal advisory committees.
- On October 9, 2019, President Trump issued Executive Order 13891, which was designed to make agency guidance documents transparent and required agencies to solicit input from the public and conduct analysis before issuing certain guidance documents.
- Also, on October 9, 2019, President Trump issued Executive Order 13892, which strengthened public reporting and transparency requirements on major federal regulatory action.
- On October 10, 2019, President Trump issued Executive Order 13893, which ensured that federal agencies offered cost-cutting proposals along with any proposed action that would result in increased federal spending.

The election of President Biden has signaled the start of a new regime of mass overregulation. For instance, in his first days in office, he reversed President Trump's deregulatory executive orders and directed the reversal of a multitude of Trump-era rules that reduced regulatory burdens. The RSC Budget supports Rep. Ashley Hinson's Red Tape Reduction Act, which would reinstitute President Trump's deregulatory executive orders.<sup>41</sup>

### **Congressional Deregulation Proposals**

This portion of the RSC Budget builds on the recommendations included in the RSC Government Efficiency Accountability and Reform (GEAR) Task Force's report: "Power, Practices, Personnel: 100+ Commonsense Solutions to A Better Government" to preserve the right to liberty for all Americans.<sup>42</sup>

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

39 Federal Register, Executive Order No. 13771, "Reducing Regulation and Controlling Regulatory Costs," January 30, 2017, <https://www.federalregister.gov/documents/2017/02/03/2017-02451/reducing-regulation-and-controlling-regulatory-costs>.

40 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>.

41 The White House, "Executive Order on Revocation of Certain Executive Orders Concerning Federal Regulation," January 20, 2021, <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-revocation-of-certain-executive-orders-concerning-federal-regulation/>.

42 Republican Study Committee, GEAR Task Force, "Power, Practices, Personnel: 100+ Commonsense

The RSC Budget supports the following conservative pieces of legislation needed to restore the appropriate balance of power:

### *Transparency*

- Rep. Blaine Luetkemeyer's (R-MO) Providing Accountability Through Transparency Act, which would require each agency to include a 100-word, plain-language summary of a proposed rule when providing notice of rulemaking;
- Rep. James Comer's (R-KY) Guidance Out of Darkness (GOOD) Act, which would set transparency requirements on regulatory dark matter;
- Rep. Bob Good's (R-VA) Alert Act, which would require monthly disclosures from agencies about the rules they expect to finalize or propose in a given year;
- Similar to Rep. Victoria Spartz' (R-IN) bill, the Sunshine for Regulatory Decrees and Settlements Act, Congress should increase transparency of Sue-and-Settle proceedings and prevent effective regulation through this process. These settlements are often negotiated behind doors. The results of these proceedings often have the same effect as creating a new regulation but without the public participation required under laws governing the regulatory creation process.<sup>43</sup>

### *Containing and Measuring Regulatory Costs*

- Rep. Bob Good's (R-VA) Article I Regulatory Budget Act, which would create a regulatory budget, similar to a fiscal budget. Congress would establish annual caps on the costs executive branch agencies could impose on the economy through new regulations;
- Former Rep. Bob Goodlatte's (R-VA) Regulatory Accountability Act, which would require agencies to choose the least costly method of regulation available to them;
- Rep. Steve Chabot's (R-OH) Small Business Regulatory Flexibility Improvements Act, which would expand the Regulatory Flexibility Act (RFA) to strengthen requirements that regulatory agencies account for the impact on small businesses in their rulemaking.

### *Checking Executive Authority*

- Rep. Kat Cammack's (R-FL) bill, the Regulations from the Executive in Need of Scrutiny Act (REINS Act), which would require Congress to approve of any regulations that have an annual economic impact of \$100 million or more;<sup>44,45</sup>
- Rep. Kelly Armstrong's (R-ND) bill, Separation of Powers Restoration Act, which would rein 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;
- Rep. Bill Posey's (R-FL) Article I Restoration Act, which would sunset all regulations after 3 years;
- Rep. Michael Cloud's (R-TX) Federal Agency Sunset Commission Act, which would create a

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Solutions to A Better Government," [https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/GEAR%20Report\\_Single%20Spread%20FINAL.pdf](https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/GEAR%20Report_Single%20Spread%20FINAL.pdf).

43 Andrew M. Grossman, "Oversight of Litigation at EPA and FWS: Impacts on the U.S. Economy, States, Local Communities and the Environment," CATO Institute, August 3, 2015, <https://www.cato.org/publications/testimony/oversight-litigation-epa-fws-impacts-us-economy-states-local-communities>.

44 Adam Brandon, "Key Vote YES on the REINS Act, H.R. 26," FreedomWorks, January 4, 2017, <http://www.freedomworks.org/content/key-vote-yes-reins-act-hr-26>.

45 Adam Brandon, "Support the Regulations from the Executive in Need of Scrutiny (REINS) Act, H.R. 1776," FreedomWorks, letter, March 11, 2021, [https://fw-d7-freedomworks-org.s3.amazonaws.com/LoS\\_03\\_11\\_2021\\_REINS\\_Act\\_H.R.\\_1776.pdf](https://fw-d7-freedomworks-org.s3.amazonaws.com/LoS_03_11_2021_REINS_Act_H.R._1776.pdf).



commission to review the role and operations of every federal agency and report to Congress on recommendations for merging, reorganizing, or abolishing such agencies. Congress would then have the responsibility to act on these recommendations.

### *Regulatory Process Reforms*

- Rep. Kelly Armstrong’s (R-ND) Federal Permitting Reform and Jobs Act, which reduces the burdens of NEPA and would produce firm timelines for agency action on permit applications;
- Rep. Tom McClintock’s The Endangered Species Transparency and Reasonableness Act, which would require regular use of best science to delist and list animals to the Endangered Species Act (ESA);
- Rep. Mike Johnson’s (R-LA) Critical Habitat Improvement Act, which would require scientific grounding for the listing of a habitat under ESA;
- Former Rep. Tom Marino’s (R-PA) REVIEW Act, which would require a federal agency to postpone the effective start date of any high-impact rule, for either 60 days or the period delineated by the authorizing statute, pending judicial review;
- Rep. Virginia Foxx’s (R-VA) bill, the Unfunded Mandates Information and Transparency Act, which would require CBO to score unfunded mandates in proposed legislation and then would create a point of order against legislation that includes such unfunded mandates.

The RSC Budget also supports a number of other common-sense, conservative reforms needed to restore the appropriate balance of power, including the following:

- Ensure that the creation of all federal rules utilizes empirical evidence-based and scientific-based data to draw conclusions in a transparent process instead of leaning on the ideological bias of regulators;
- Rep. Paul Gosar’s (R-AZ) bill, Regulatory Report Card Act, which would create regulatory report cards for agencies to assess how well they follow laws governing regulatory action, how transparent and accessible the agency is to stakeholders, and how much service they provide to help navigate their regulations;
- Require agencies to disclose the data they use to make rules and regulations, similar to Rep. Tim Burchett’s (R-TN) bill, the Modified Reg Accountability Act;
- Require all regulatory submissions to be made through Office of Management of Budget’s (OMB) Office of Information on Regulatory Affairs;
- Clarify, standardize, and synchronize the definitions of different types of rules (i.e., significant, major, economically significant across all regulatory regimes);
- Require judicial review of regulatory impact analysis data;
- Place limitations on federal injunctive authority, ensuring that a regional federal court could not arbitrarily implement a nation-wide injunction;
- Reform the Congressional Review Act (CRA) to ensure that it can be used to nullify regulatory dark matter and rules that were improperly produced;<sup>46</sup>
- Continue to implement federal efficiency proposals from OMB’s “Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations,” issued June 21, 2018;<sup>47</sup>

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46 Philip A. Wallach and Nicholas W. Zeppos, “How Powerful is the Congressional Review Act?” The Brookings Institute, April 4, 2017, <https://www.brookings.edu/research/how-powerful-is-the-congressional-review-act/>.

47 Office of the President of the United States, “Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations,” Politico, <https://www.politico.com/f/?id=00000164-2324-dbd-c-a96d-373e4e2a0000>.

- Require the federal government should have a “yellow pages test”: if a good or service can be found in the “yellow pages,” government should not 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.<sup>48</sup>

### **Oppose Socialistic Overregulation Related to the COVID-19 Pandemic**

For more than a year, we have seen a global tragedy unfold from the COVID-19 pandemic. Through President Trump’s leadership, we saw the successful containment of the virus and creation and distribution of the vaccines that are making their way around not only the U.S., but the world. The breathtaking accomplishment of producing and distributing these vaccines in such a short period was made possible by a reliance on free market principles and President Trump’s work with private producers to tackle this crisis in a thoughtful and efficient manner.<sup>4950</sup>

The Left saw this global crisis as a moment to enforce brutally oppressive regulations at the state and local level. The RSC Budget condemns officials responsible for a wide range of regulations that were draconian and often illegal. These Leftist officials went beyond what medical science required and regulated to the point of shamefully violating the rights of Americans. President Biden’s abuse of the Defense Production Act slowed down the production and distribution of vaccines as his bureaucrats forced misallocations of resources. The actions of the Left highlight the unavoidable incompetence and inefficiency of top-down central planning.

It is time to recommit to the principles of liberty, opportunity, and security that America was built on. The RSC Budget supports efforts to facilitate school reopenings, undo draconian regulations, and bring back the stolen livelihoods of millions of Americans.<sup>51</sup> Accordingly, the RSC Budget supports the following sampling of bills to reject the Left’s approach:

- Rep. Bob Good’s (R-VA) Right to Earn a Living Act, which would make states that implemented restrictions on business activity ineligible to receive Coronavirus Relief Fund grants;
- Rep. Kevin Hern’s (R-OK) Equal Opportunity First Amendment Act, which would require that stay at home orders and restrictions on gatherings must be evenly applied and not discriminate against certain individuals or groups. It would create an associated private right of action;
- Rep. Bob Good’s (R-VA) Protecting Religion from Government Act, which would ensure that houses of worship could sue political jurisdictions that seek to illegally restrict their operations;
- Rep. Michael Cloud’s (R-TX) legislation to prohibit a major disaster, or public health emergency, declaration from being able to be used to impose gun or ammo controls. It would prohibit such an emergency or disaster from being able to be used to restrict the sale or transfer of firearms or ammo;
- Rep. Bob Good’s (R-VA) Students before Unions Act, which would require school districts to write down and disclose their correspondence with teachers’ unions concerning when they can reopen schools in order to be eligible for certain coronavirus related education funding.

48 Republican Study Committee, “RSC Proposal Spurs Introduction of 7 Government Reform Bills,” press release, August 17, 2020, <https://rsc-banks.house.gov/news/press-releases/rsc-proposal-spurs-introduction-7-government-reform-bills>.

49 Isabelle Morales, “List: 846 Regulations Waived to Help Fight COVID-19,” Americans for Tax Reform, August 4, 2020, <https://www.atr.org/rules>.

50 “#NEVERNEEDED: Many Regulations Being Scrapped to Help Fight COVID-19 Were Never Needed in the First Place,” Competitive Enterprise Institute, Accessed April 11, 2021, <https://neverneeded.cei.org/>.

51 Congressman Jim Banks, H.Res.293, <https://www.congress.gov/bill/117th-congress/house-resolution/293?s=3&r=17>

- Rep. Chip Roy's (R-TX) bill, the Coronavirus Regulatory Repeal Act, which would permanently rescind the federal regulation regulations suspended during the pandemic.

### **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. For these reasons, the RSC Budget supports the following policies:

- Reverse President Biden's executive actions to halt drilling activity in Arctic National Wildlife Refuge (ANWR) and new oil and gas leasing on federal lands, including the Outer Continental Shelf (OCS). The RSC Budget continues to support opening of new areas of the OCS for domestic energy production and energy exploration in the ANWR;
- Allow states to develop resources on federal land within their borders and would prohibit any federal hydraulic fracturing regulations in a state that has already issued its own regulations. The RSC Budget also supports accelerated approval for liquefied natural gas (LNG) exports;
- Reverse President Biden's actions to stop construction on the Keystone XL pipeline and to abide by the Paris climate agreement regulations. These misguided actions will stifle our economy and destroy millions of jobs and families' livelihoods;
- Prohibit the use of an emergency disaster or public health emergency declaration from being used in relation to climate change;
- Block President Biden from introducing a rule similar to Obama's Clean Power Plan that would onerously burden our energy sector to promote green socialism;<sup>52</sup>
- Oppose the creation of a carbon tax, which could cost more than one million jobs and over \$1 trillion dollars of lost income each year by 2030.<sup>53</sup> The burden of these taxes would fall squarely on low-income families and would stifle the innovation that is key to a more efficient future;<sup>54</sup>
- Eliminate the Renewable Fuel Standard (RFS), which is a program that requires fuel sold in the U.S. to contain a minimum volume of renewable fuels. The RFS has caused a dramatic increase in the price of corn, food, and gasoline;<sup>55</sup>
- Oppose President Biden's plan to increase Corporate Average Fuel Economy (CAFE) Standards for passenger cars and light trucks in a way that will go beyond the traditional role of CAFE standards by mandating a level of efficiency that would incur tremendous price increases per vehicle and would have detrimental effects on the economy.<sup>56</sup>

Of particular note, the RSC Budget would continue to oppose any attempt to implement Rep. Alexan-

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52 George Lobsenz and Amena Saiyid, "Biden Moves Past Clean Power Plan, With an Eye to a Clean Electricity Standard," IHS Markit, February 18, 2021, <https://ihsmarkit.com/research-analysis/biden-moves-past-clean-power-plan-with-an-eye-to-a-clean-elect.html>.

53 David Kreutzer, "Impacts of Carbon Taxes on the U.S. Economy," The Heritage Foundation, November 17, 2014, <https://www.heritage.org/testimony/impacts-carbon-taxes-the-us-economy>.

54 Mike Palicz, "ATR Releases Coalition Letter Opposing Any Carbon Tax," Americans for Tax Reform, March 16, 2021, <https://www.atr.org/atr-releases-coalition-letter-opposing-any-carbon-tax>.

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

56 CEI, "Free to Prosper, A Pro-Growth Agenda for the 117th Congress: Energy and Environment," March 17, 2021, <https://cei.org/studies/free-to-prosper-117/>.

dria Ocasio-Cortez's "Green New Deal."<sup>57</sup> The resolution, supported by over 100 House and Senate Democrats, including members of Democratic leadership and President Biden, outlines a 10-year socialist takeover of the U.S. economy, seeking to spend more in a decade than the federal government spent between 1789 and 2019. While some of the goals and projects are directly related to climate change, green energy and carbon emissions, the resolution is far-reaching, seeking to dismantle our labor, healthcare, and education systems, all with the stated goal of creating a Socialist government. In their totality, its implementation would destroy the societal framework and economy of the United States and, as a result, the world.

### **Occupational Licensing Laws**

All levels of U.S. governments should find ways to reduce the burden of occupational licensing requirements, which often have more to do with intentional barriers to entry than safety.<sup>58</sup> It makes no sense for barbers and interior designers to face stricter licensing requirements than emergency medical technicians.<sup>59</sup> Thirty percent of jobs now face government-imposed licensing requirements, up from just five percent from the 1950s.<sup>60</sup> It is estimated that there are as many as 1.9 million fewer jobs today, and nearly \$200 billion of annually misallocated resources, due to these onerous regulations.<sup>61</sup> The need for reform is particularly true during a period of economic recovery when many Americans seek to reenter the labor force.

These licensing requirements are especially burdensome to families of military servicemen and women, who are 10 times more likely to move between states. Most of the military spouses that work in these fields need to be relicensed upon moving.<sup>62</sup> While the problem of onerous occupational licensing laws is mostly caused at the state level, the RSC Budget urges federal lawmakers to examine ways in which the federal government could respect states' rights and still facilitate the state-level adoption of policies that use less restrictive alternatives to occupational licensing.

Though some occupational licensing comes from a legitimate desire for health and safety regulations, many come from a protectionist view. Many local and state governments are now looking at ways to regulate and stop burgeoning so-called sharing industries. For example, at the urging of the taxi and hotel industries, state and local governments are trying to regulate companies like Uber and Airbnb out of existence. These attempts highlight the dangers that arise when powerful economic groups use the government to manipulate commerce to maintain their market share. The RSC Budget stands

57 "H.Res. 109," Congress.gov, Accessed April 11, 2021, <https://www.congress.gov/bill/116th-congress/house-resolution/109/text>.

58 Frances Floresca and Thomas Schatz, "Reducing Licensing Barriers Will Get Millions Back to Work," Citizens Against Government Waste, 2020, <https://www.cagw.org/reporting/licensing-barriers>.

59 James Pethokoukis, "The terrible Economic Burden of Occupational Licensing," American Enterprise Institute, April 21, 2014, <https://www.aei.org/publication/the-terrible-economic-burden-of-occupational-licensing/>.

60 Melissa S. Kearney, Brad Hershbein and David Boddy, "Nearly 30 Percent of Workers in the U.S. Need a License to Perform Their Job: It Is Time to Examine Occupational Licensing Practices," Brookings Institution, January 27, 2015, <http://www.brookings.edu/blogs/up-front/posts/2015/01/26-time-to-examine-occupational-licensing-practices-kearney-hershbein-boddy>.

61 Institute for Justice, "At What Co\$t," November 2018, [https://ij.org/wp-content/uploads/2018/11/Licensure\\_Report\\_WEB.pdf#page=7](https://ij.org/wp-content/uploads/2018/11/Licensure_Report_WEB.pdf#page=7).

62 Shoshana Weissmann and C. Jarrett Dieterle, "Why Do You Need a College Degree to Give Diet Advice?" Wall Street Journal, January 31, 2018, <https://www.wsj.com/articles/why-do-you-need-a-college-degree-to-give-diet-advice-1517439964>.



firmly opposed to this, or any other, type of corporate cronyism and would adopt Rep. Darrell Issa's (R-CA) bill, the Restoring Board Immunity Act, Rep. Diana Harshbarger's (R-TN) bill, the Freedom to Work Act, and Chairman Jim Banks' (R-IN) bill, Portable Certification for Spouses Act.

### **Scaling Back Dodd Frank to Ensure Financial Choice**

The financial sector is the backbone of both the U.S. and world economies. The financial sector is how the unused profit of one productive industry becomes the seed capital of the next. Without a free and open financial market, economic growth, innovation, and economic mobility would grind to a halt. A free and dynamic financial sector is how low- and middle-income families gain access to capital to go to school, buy a home, start a small business, and fulfill the American Dream. Far from the way it is portrayed by the Left, a free financial sector is the natural, organic, and efficient path to economic mobility and the way that markets combat monopolies.

The RSC Budget supports former RSC and Financial Services Committee Chairman Jeb Hensarling's bill, the Financial CHOICE Act, which would undo many of Dodd Frank's strictest and most thoughtless requirements.<sup>63</sup> It would:

- Remove the government's ability to fully dismantle and bail out a failing bank;
- Make it easier for small banks to lend to their communities;
- Eliminate the exceedingly complicated Volcker Rule that limits the investments financial firms are able to hold making them more rigid, reducing their ability to move capital to people or to brace for economic downturns;<sup>64</sup> and
- Deter firms from engaging in illegal or reckless activities by imposing stricter penalties against bad actors.

In the 115th Congress, the Economic Growth, Regulatory Relief, and Consumer Protection Act was enacted, which contained a number of helpful financial regulatory reforms. Overall, the legislation is a solid first step toward dismantling some of Dodd-Franks onerous burdens but left several, largely bipartisan pieces of legislation that could further roll back Dodd-Frank out of the package. Notably, the bill did not include a repeal of the Volcker Rule or the Systemically Important Financial Institution (SIFI) "too big to fail" designation.<sup>65</sup>

The RSC Budget supports the elimination of the duplicative Bureau of Consumer Financial Protection (BCFP), created by the Dodd-Frank Act. The legal structure of the BCFP "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."<sup>66</sup> The BCFP has dramatically expanded its reach with little transparency and accountability.

### **Reforms to Empower American Workers**

63 House Financial Services Committee, "The Financial Choice Act: Executive Summary," [https://republicans-financialservices.house.gov/uploadedfiles/financial\\_choice\\_act\\_executive\\_summary\\_final.pdf](https://republicans-financialservices.house.gov/uploadedfiles/financial_choice_act_executive_summary_final.pdf).

64 Shawn Tully, "This Congressman Could Turn the Dodd-Frank Financial Reforms Upside Down," *Fortune*, November 15, 2016. <http://fortune.com/2016/11/15/jeb-hensarling-trump-dodd-frank/>.

65 Erica Werner, "Trump signs law rolling back post-financial crisis banking rules," *The Washington Post*, May 24, 2018, [https://www.washingtonpost.com/business/economy/trump-signs-law-rolling-back-post-financial-crisis-banking-rules/2018/05/24/077e3aa8-5f6c-11e8-a4a4-c070ef53f315\\_story.html?utm\\_term=.d10e476535a6](https://www.washingtonpost.com/business/economy/trump-signs-law-rolling-back-post-financial-crisis-banking-rules/2018/05/24/077e3aa8-5f6c-11e8-a4a4-c070ef53f315_story.html?utm_term=.d10e476535a6).

66 Scott Johnson, "Understanding The Administrative State," *Powerline*, February 27, 2017, <http://www.powerlineblog.com/archives/2017/02/understanding-the-administrative-state.php>.

The RSC Budget would allow employers to award bonuses and pay raises to employees without having to get permission from union bosses. This is based on former Rep. Todd Rokita's (R-IN) Rewarding Achievement and Incentivizing Successful Employees Act (RAISE Act).

All people have a right to work and enjoy the fruits of their labor. Unfortunately, certain unions have worked to restrict who is allowed to work in certain jobs and what businesses can enter a market. Twenty-eight states have enacted right to work laws, but that leaves millions of Americans under an unjust system.<sup>67</sup> To correct this problem, Congress should enact Rep. Joe Wilson's (R-SC) National Right-to-Work Act, which would repeal provisions of the National Labor Relations Act that allow employers to require employees to join a union as a condition of employment.

The RSC Budget supports Implement Rep. Kevin Hern's (R-OK) Union Accountability Act, which would rescind a Biden executive order expanding federal government related labor union powers and making it harder to fire workers for misconduct.<sup>68</sup>

The RSC Budget supports Rep. Bob Good's bill to repeal of the Davis-Bacon Act, a job-killing requirement that would require that an inflated level of wages be paid for all construction and contracting jobs that use any federal dollars. Removing this job-killing requirement would allow taxpayer dollars to go further for infrastructure projects. This commonsense policy would save taxpayers billions of dollars.<sup>69</sup> In the meantime, the RSC Budget supports Rep. Paul Gosar's (R-AZ) Responsibility in Federal Contracting Act, which would require prevailing wage rates to be more accurately calculated by the Bureau of Labor Statistics (BLS).

The RSC Budget opposes President Biden's efforts to undo President Trump's reforms to the joint-employer rule. Under President Obama, companies that did not have direct and immediate control over an employee could be held liable for labor violations committed by the employee's direct employer and subject to the demands of recalcitrant unions. As a consequence, companies, like franchisors, withdrew services that were beneficial to employees, such as guidance regarding compliance with labor and employment laws. Additionally, the Obama-era rule imposed operational costs that have eliminated between 194,000 and 376,000 potential jobs.<sup>70</sup> Unfortunately, President Trump's rule curtailing Obama's joint-employer rule has largely been vacated in federal court.

### **Promoting Free Trade**

Throughout its history, the RSC 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.<sup>71</sup>

67 Workplace Fairness, "Right to Work Laws," Accessed on April 17, 2021, <https://www.workplacefairness.org/unions-right-to-work-laws#:~:text=Currently%2C%2028%20states%20have%20Right%2Dto%2DWork%20laws>.

68 "H.R.814 - Union Accountability Act," Congress.gov, Accessed on April 17, 2021, <https://www.congress.gov/bill/117th-congress/house-bill/814/text?r=2&s=2>; The White House, "Executive Order on Protecting the Federal Workforce," January 22, 2021,

69 CBO, "Repeal the Davis-Bacon Act," December 13, 2018, <https://www.cbo.gov/budget-options/2018/54786>.

70 Neil Bradley and Robert Cresanti, "The NLRB May Reverse A Job-Killing Regulation," Wall Street Journal, January 13, 2019, <https://www.wsj.com/articles/the-nlr-b-may-reverse-a-job-killing-regulation-11547411545>.

71 Chairman Mike Johnson, "Steering Committee Affirms Free Trade Principles," Republican Study Committee, March 7, 2018, <https://rsc-johnson.house.gov/news/press-releases/steering-committee-affirms-free-trade-principles>.

Though trade is generally discussed among nations, it ultimately is conducted by individual people that have determined a transaction to be mutually beneficial. Trade through voluntary commerce, whether across the world or across the street, is how we allocate resources to best support our families and communities. It supplies the low-cost components that are the lifeblood of our nation's innovators and manufacturers. It gives working class American families access to the best products that stretch their hard-earned dollars. It is how our nation grew from a small imperial colony to the wealthiest and most advanced nation on Earth. Simply put, free trade is how we put America first.<sup>72</sup>

The regulation of trade is a legitimate exercise when used to defend the natural rights of our citizens, including our national security. Beyond this, international trade restrictions unnecessarily violate our individual rights, diminish purchasing power, and reduce the economic efficiency and innovation crucial for job creation and wage growth. The burdens of these regulations ultimately fall on the working and middle classes and America's small businesses.

In The Candlemakers' Petition, Bastiat makes the point that trade practices designed to prop up certain companies and industries ultimately shift hard-earned dollars from working and middle-class Americans to the well-connected few.<sup>73</sup> This wealth transfer takes place not only in the protectionist nation, but also in trading partner nations as well. Take for example the unfair trade practices of the Chinese Communist Party (CCP). When they manipulate investment flows, devalue their currency, or subsidize product dumping, they are redistributing the wealth of low- and middle-income families across the globe into the hands of few high ranking CCP officials. Their actions are a form of theft from not only Americans, but from all nations. The RSC Budget calls on our Allies and partners to work with us to counter these actions and to promote true free trade across the globe.

Perhaps the starkest reminder of the damage done by restricting trade is the Smoot-Hawley tariffs that magnified the Great Depression in the U.S. and abroad. Though these tariffs went into effect shortly after the stock market crash in October 1929, they passed the House in May of 1929.<sup>74</sup> The impending passage of the tariffs threatened the delicate supply chains of many U.S. industries, facilitating the crash of the stock market and large swaths of the U.S. economy. By 1933, the tariffs cut U.S. agricultural exports to a third of the level that they had been in 1929.<sup>75</sup> The ensuing trade war and collapse of many industrial sectors led to immense worldwide suffering. The direct result of which was the election of the extreme statist and socialistic governments across central and Eastern Europe that plunged the world into World War II. We must never again forget this bitter lesson from the past.

The RSC Budget would ensure that President Biden cannot unilaterally impose burdensome trade restrictions by implementing Rep. Warren Davidson's (R-OH) Global Trade Accountability Act. This bill would reassert Congress' constitutional authority over enacting laws that regulate trade. This bill would require congressional review and consent before any increase in tariffs or other restriction in trade can be implemented unless such actions are temporary or necessary for national security or public health. Further, the RSC Budget opposes President Biden's action to limit commonsense waivers to domestic sourcing requirements applicable to federally financed projects.

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72 The Chamber of Commerce, "The Benefits of International Trade," Accessed on April 17, 2021, <https://www.uschamber.com/international/international-policy/benefits-international-trade>.

73 Frédéric Bastiat, "Petition of the Candlemakers," Middlebury University, Accessed April 11, 2021, <https://sites.middlebury.edu/econ0450f10/files/2010/08/bastiat.pdf>.

74 Alan Reynolds, "The Smoot-Hawley Tariff and the Great Depression," CATO Institute, May 7, 2016, <https://www.cato.org/blog/smoot-hawley-tariff-great-depression>.

75 Ibid.

## **Export-Import Bank**

The RSC Budget would eliminate another form of corporate cronyism, the Export-Import Bank (Ex-Im). The Ex-Im Bank is charged with subsidizing certain American exports. In reality, those subsidies come from U.S. taxpayers—including taxes paid by companies in direct competition with the beneficiaries of the subsidies.<sup>76</sup> The taxes that fund Ex-Im make America less competitive, destroy job creation, and make our economic more vulnerable to the economic warfare and unfair trade practices of the Chinese Communist Party. These subsidies go to foreign countries and companies to purchase goods from specific corporations approved by Ex-Im bureaucrats. Many of those favored firms are the biggest and most politically connected in the country, all with well-paid lobbyists.<sup>77</sup>

Additionally, Ex-Im boasts a disturbing culture of corruption and misconduct that has led to numerous criminal indictments in recent 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.<sup>78 79</sup>

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76 Veronique de Rugy, “The Export-Import Bank: Winners and Losers of Government-Granted Privilege,” Mercatus Center, June 2, 2015, <https://www.mercatus.org/publications/export-import-bank/export-import-bank-winners-and-losers-government-granted-privilege>;

77 Ryan Young, “Ten Reasons to Abolish the Export-Import Bank,” CEI, July 15, 2014, <http://cei.org/sites/default/files/Ryan%20Young%20-%20Top%2010%20Reasons%20to%20Abolish%20Ex-Im%20%282%29.pdf>.

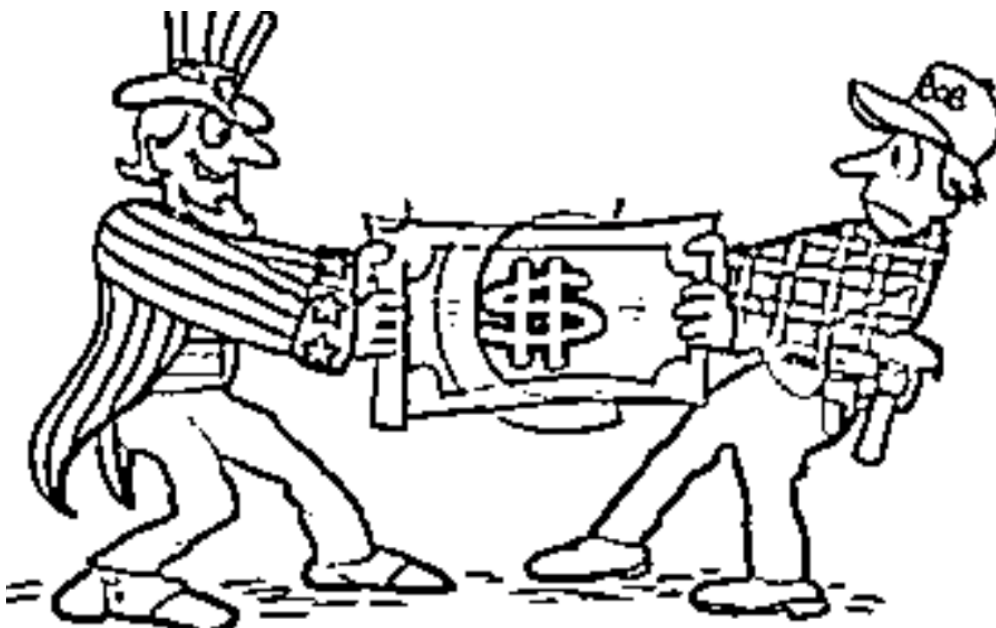
78 Rep. Bill Flores and Sen. Mike Lee, “End Ex-Im Bank, the government’s Enron,” Washington Examiner, May 21, 2015, <http://www.washingtonexaminer.com/end-ex-im-bank-the-governments-enron/article/2564796>.

79 Veronique De Rugy and Justin Leventhal, “Export-Import Bank Makes an Unwelcome Return,” Morning Consult, January 8, 2020, <https://morningconsult.com/opinions/export-import-bank-makes-an-unwelcome-return/>.





***CREATING  
OPPORTUNITY  
— THROUGH —  
TAX REFORM***



The core purpose of government is the defense of natural rights. Therefore, the only moral and responsible role of taxation is to provide enough resources for the government to perform this function. Beyond this, taxation is tantamount to theft. Unfortunately, the extent to which American citizens and their enterprises are taxed today far exceeds the amount necessary to support the core constitutional duties of the federal government. This deprives Americans of the fruits of their labor, reducing savings and earning potential, and starving the economy of the investment needed to create jobs and grow wages.

Though many focus on the \$28.1 trillion federal debt, it is only the tip of the iceberg of the total distortion that the federal government has imposed on our nation,<sup>80</sup> By the end of 2021, the federal government will have pulled over \$84.3 trillion in wealth out of the hands of Americans since 1789 through taxes and other revenue.<sup>81</sup>

While it is paramount that we keep tax levels as low as possible, it is also vital that our tax code distort as little as possible. These distortions come largely in two forms: corporate cronyism and high rates of taxation on investments and savings. All these distortions cause the misallocation of capital, creating a less robust economy, and leading to slower wage growth and job creation.

Tragically, the federal tax code is riddled with carve outs and subsidies inspired by corporate cronyism. These provisions redistribute wealth from hard-working Americans to special interest groups that seek to manipulate the tax code in their favor.<sup>82</sup> They create a more inefficient economy where certain industries and activities exist solely because of tax subsidies, while more productive pursuits fold. The RSC Budget believes that fair application of the law is crucial to the success of a nation and an economy and opposes all forms of corporate cronyism.

Our tax code is also fraught with multiple layers of taxation on investments and savings. The economy can generally be divided into two parts: investment and consumption. By default, a tax on all income places a tax on both. Additional layers of taxation on capital income (interest, dividends, and capital gains) disincentivize savings and investment of income in favor of immediate consumption.

This naturally imbalanced tax system promotes short-term economic activity over long-term planning and the creation of new and innovative productive enterprises. Despite the Left's insistence that they are simply taxing our nation's wealthiest individuals, their policies actually reduce the ability of everyday American workers and their families to build a nest egg, produce stagnant wages, and even eliminate jobs that otherwise would exist. This mentality brings to mind the wisdom of President Ronald Reagan when he said, "Republicans believe every day is the Fourth of July, but Democrats believe every day is April 15."<sup>83</sup>

An ideal pro-growth tax system is one in which only the consumption component of our economy is taxed directly, known as a consumption tax. Investments are only taxed indirectly when they contrib-

80 Treasury Direct, "The Debt to the Penny and Who Holds It," Accessed on April 20, 2021, [https://www.treasurydirect.gov/govt/reports/pd/pd\\_debttothepenny.htm](https://www.treasurydirect.gov/govt/reports/pd/pd_debttothepenny.htm).

81 The White House, "Historical Tables, Table 1.1."

82 Spencer Wood "Cronyism and the Tax Code," NTU, November 21, 2016, <https://www.ntu.org/foundation/detail/cronyism-and-the-tax-code>.

83 James F. Clarity and Warren Weaver Jr., "BRIEFING: 'There You Go Again,'" The New York Times, October 10, 1984, <https://www.nytimes.com/1984/10/10/us/briefing-there-you-go-again.html>.

ute to production.<sup>84</sup> Many of the reforms of the Tax Cuts and Jobs Act (TCJA) were aimed at getting closer to this goal and repealing corporate cronyism inspired carve-outs. It led to record-low unemployment and record high wage levels in the years after its enactment.<sup>85</sup>

### **The Democrats Tax Plan to Kill Jobs and Steal Savings**

**Driving Businesses Overseas** – President Biden has proposed increasing the top corporate tax rate from 21 percent to 28 percent, higher and more punitive than that of Communist China (25 percent). This would make our corporate tax rate one of the highest in the world.<sup>86</sup> He has also proposed creating a minimum book tax that would nearly double business taxes.<sup>87</sup> Democrats have also floated financial transaction taxes and wealth taxes that would significantly impede capital flows and stifle investments, sap retirement savings, and starve start-ups and small businesses of funding, allow the expansion of large monopolies.<sup>88</sup>

In truth, a tax anywhere is a tax everywhere. Even the intentionally redistributive taxes on proprietors and investors simply have the effect of reducing their ability to grow businesses or to lend to families and individuals. Ultimately, this causes a reduction in job opportunities and the availability of products to everyone. Those harmed the most by these policies are, of course, low- and middle-income Americans who have the least capacity to avoid the scarcity imposed by such government action. For example, it is estimated that in our global economy, the burden of lower wages caused by increased corporate taxes exceeds the total value of the tax.<sup>89</sup>

**Paying for a Radical Climate Agenda** – Democrats have made it clear that they view their massive tax hikes as a means to pay for parts of their radical spending and green agenda that would destroy our economy and throw millions into poverty. President Biden has voiced his intent to expand tax credits to green energy producers, create carbon taxes, and hike fuel taxes. A carbon tax alone could cost more than one million jobs and over \$1 trillion dollars of lost income each year by 2030.<sup>90</sup>

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84 William L. Watts, “Friedman: Consumption tax best, but unlikely,” Market Watch, March 31, 2015, <https://www.marketwatch.com/story/friedman-consumption-tax-best-but-unlikely>; Curtis Dubay “A Flat Consumption Tax Would Be Fair and Efficient,” The Heritage Foundation, November 16, 2015, <https://www.heritage.org/taxes/report/flat-consumption-tax-would-be-fair-and-efficient>

85 Catherine Thorbecke, “Unemployment rate falls to its lowest level in 50 years,” ABC News, October 4, 2019, <https://abcnews.go.com/Business/unemployment-rate-falls-lowest-level-50-years/story?id=66058946>; Jeffry Bartash, “At a 10-year High, Wage Growth for American Workers Likely to Keep Accelerating,” Market Watch, March 8, 2019, <https://www.marketwatch.com/story/at-a-10-year-high-wage-growth-for-american-workers-likely-to-keep-accelerating-2019-03-08>.

86 Elke Asen, “Corporate Tax Rates around the World, 2020,” Tax Foundation, December 9, 2020, <https://taxfoundation.org/publications/corporate-tax-rates-around-the-world/>; Chris Edwards, “Corporate Taxes: Rates Down, Revenues Up,” CATO Institute, April 15, 2021, <https://www.cato.org/blog/corporate-taxes-rates-down-revenues>.

87 Garrett Watson, “Biden’s Minimum Book Income Tax Proposal Would Create Needless Complexity,” Tax Foundation, December 13, 2020, <https://taxfoundation.org/joe-biden-minimum-tax-proposal/>.

88 Colin Miller and Anna Tyger, “The Impact of a Financial Transaction Tax,” Tax Foundation, January 23, 2020, <https://taxfoundation.org/financial-transaction-tax/>.

89 Stephen J. Entin, “Labor Bears Much of the Cost of the Corporate Tax,” Tax Foundation, October 24, 2022, <https://taxfoundation.org/labor-bears-corporate-tax/>.

90 David Kreutzer, “Impacts of Carbon Taxes on the US Economy,” The Heritage Foundation, November 17, 2014, <https://www.heritage.org/testimony/impacts-carbon-taxes-the-us-economy>.

**Bolstering the Chinese Economy** – President Biden would transform international taxation in a way that would apply triple taxes on the international and cross-border operations of American businesses. This would direct more American household spending to foreign producers. These misguided policies would tremendously increase incentives for U.S. companies to eventually move all their operations overseas, taking their investments, contributions to employment, wage payouts, and intellectual property (IP) with them. This would likely result in increased manufacturing in China which could aid their current efforts to steal American IP. Furthermore, these policies would penalize U.S. companies that want to bring raw and intermediate inputs to the U.S. to bolster U.S. heavy manufacturing. President Biden’s plan would shamelessly reward foreign companies for dumping products into U.S. markets while taxing American competitors out of our own market.

### **Pro-Growth Tax Reforms**

The following reforms offered below would move our tax code closer to an ideal consumption tax model. While these proposals do not fix everything, they are the down payment on our commitment to the reform principles outlined above. The RSC Budget would reduce taxes by \$1.942 trillion over the next 10 years, returning over \$15,800 in purchasing power, on average, back to each American family.

**Permanence for the Individual Tax Provisions of the Tax Cuts and Jobs Act** – The RSC Budget would make the individual tax code provisions of the TCJA permanent. This includes important pro-growth features such as lower income tax rates, a number of tax base-broadeners, and pass-through tax relief.<sup>91</sup> Allowing the individual cuts and reforms to expire would undo much of the hard-won victories of the TCJA.

**Full and Immediate Expensing for Investments in Economic Growth** – The RSC Budget would permanently allow businesses to fully and immediately expense their investments in research and development, equipment, and education and training services for their workers. These expenditures purchase the inputs used for production and should not be taxed as though they are profits.<sup>92</sup> This policy would move towards an optimal tax system by removing part of the tax code’s current multiple taxation of investments.<sup>93</sup> It would also equalize tax treatment of different types of investments, ensuring that all worker education and training investments receive the same tax treatment given to other investments.<sup>94</sup>

**Accelerate Depreciation for Construction Expenses** – The RSC Budget would accelerate the current 39-year depreciation schedule for nonresidential construction, and 27.5-year depreciation schedule for residential construction, to 20-years each. Additionally, the RSC Budget would index annual write-off levels to maintain the present value of the deduction, known as neutral cost recovery.<sup>95</sup> In-

91 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>.

92 Scott A. Hodge, “An Open Letter to Chairman Peter Roskam on Full Expensing,” Tax Foundation, July 18, 2017, <https://taxfoundation.org/open-letter-chairman-peter-roskam-full-expensing/>.

93 Jason J. Fichtner and Adam N. Michel, “Options for Corporate Capital Cost Recovery: Tax Rates and Depreciation,” Mercatus Center, January 2015, <https://www.mercatus.org/system/files/Fichtner-Corporate-Capital-Cost.pdf>.

94 Erica York, “Expensing Provisions Should Not Favor Physical Over Human Capital,” Tax Foundation, December 17, 2019, <https://taxfoundation.org/expensing-provisions-not-favor-physical-human-capital/>.

95 Erica York, “Improved Cost Recovery Is A Wide-Ranging Policy Solution,” Tax Foundation, July 10, 2020, <https://taxfoundation.org/cost-recovery-wide-ranging-solution/>.

dexing to maintain present valuation would counter lost value due to inflation and opportunity costs.<sup>96</sup> Without such indexing, the multiple layers of taxation on these investments would grow through time. These two proposals would provide a much more optimal tax treatment of construction expenditures, enabling a rapid expansion of growth.

**Universal Savings Accounts** – The RSC Budget would create Universal Savings Accounts (USAs), allowing all Americans to flexibly invest in their future, free of extra layers of taxation. These accounts would allow some of the savings of American families, already taxed twice through income taxes, to avoid a triple round of taxation through capital gains.<sup>97</sup>

**Shielding the Middle Class from Capital Gains Taxes** – The RSC Budget would adjust the second long-term capital gains bracket to start at \$75,000 for single filers (1.5 times for Head of Household filers and twice as much for Widow and Joint filers). This would likely prevent all low- and middle-income families from ever having to deal with the specter of capital gains taxes, removing a duplicative layer of taxation and helping to fuel economic mobility.

**Index Capital Gains Taxes to Inflation** – While assets are currently taxed partially on price changes caused by inflation, this proposal would properly align capital gains taxes by ensuring that they would only apply to the real growth in investments.<sup>98</sup> Adopting this policy would end the systemic undervaluing of American homes and other assets that a non-indexed capital gains tax imposes. Implementing this policy would expand investment in long term projects that benefit all Americans.<sup>99</sup>

**Eliminate Death Taxes** – Death taxes impose yet another layer of taxation on the work of prior generations to build businesses and bring wealth to our nation.<sup>100</sup> Death taxes do not just apply to those that pay the tax directly. All productive capital across an economy has the possibility of facing this layer of taxation in the future. This prospect hangs over, and devalues, all investment in new production and innovation.<sup>101</sup>

**Expand Net Interest Deduction** – Congress should permanently apply the EBITDA (earnings before interest, tax, depreciation, and amortization) definition of income for purposes determining the net interest deduction.<sup>102</sup> Starting in 2022, the tax code will start using EBIT (earnings before interest and

96 Stephen J. Entin, “Tax Treatment of Structures Under Expensing,” Tax Foundation, March 24, 2017, <https://taxfoundation.org/tax-treatment-structures-expensing/>.

97 Adam Michel, “Universal Savings Accounts Can Help All Americans Build Savings,” The Heritage Foundation, December 4, 2018, <https://www.heritage.org/taxes/report/universal-savings-accounts-can-help-all-americans-build-savings>.

98 A. Hendrie, “Senator Cruz Leads Letter Urging Trump Admin to Index Capital Gains Taxes to Inflation,” Americans for Tax Reform, July 29, 2019, <https://www.atr.org/senator-cruz-leads-letter-urging-trump-admin-index-capital-gains-taxes-inflation?amp>.

99 Alec Fornwalt, “Capital Gains Taxes Should Be Indexed to Inflation,” Tax Foundation, July 23, 2018, <https://taxfoundation.org/capital-gains-taxes-indexed-inflation/>.

100 “151 Organizations Sign Coalition Letter Supporting Death Tax Repeal Act,” Family Business Coalition, February 19, 2019, <http://www.familybusinesscoalition.org/2019/02/19/151-organizations-sign-coalition-letter-supporting-death-tax-repeal-act/>.

101 Scott Eastman, “New IRS Data Reiterates Shortcomings of the Estate Tax,” Tax Foundation, October 18, 2018, <https://taxfoundation.org/new-irs-data-reiterates-shortcomings-estate-tax/>.

102 Scott Greenberg, “Tax Reform Isn’t Done,” Tax Foundation, March 8, 2018, <https://taxfoundation.org/tax-reform-isnt-done/>.



tax) to define income. This switch would penalize businesses for spending to expand their operations. In such a case, the cost of borrowing would be taxed as profits and then taxed again as a firm invests more funds in future production. This planned double distortion must be prevented.

**Net Operating Loss (NOL) Reforms** – Firms receive a Net Operating Loss (NOL) deduction when losses for a given tax year exceed revenue. However, delayed use of this deduction allows inflation and opportunity costs to chip away at its value. Further, limitations on the use of these deductions can mean forfeiting them altogether. These effects increase the overall tax burden on investments, reintroducing the multiple layers of taxation that the deduction sought to avoid.<sup>103</sup> Lawmakers should index the remaining deduction annually to maintain its present value and allow unlimited carryforwards and carrybacks of NOL deductions.

### **Repeal Distorting and Monopoly-forming Carve Outs**

As described by the Mercatus Center, “Various deductions, exemptions, and credits create an uneven tax environment...which distort consumption and investment.”<sup>104</sup> The RSC Budget levels the playing field by repealing these carve outs, while simultaneously rolling the savings into reduced tax rates for all Americans in a pro-growth fashion. Doing so removes the manipulating effects of the tax code and reduces barriers to market entry, allowing for vastly more efficient investment and increased economic and job growth.

To this end, the RSC Budget fully repeals the deductibility of state and local taxes to end the federal subsidization of these liberal tax policies. It would adopt the mortgage interest deduction reforms contained in the House-passed version of the TCJA by capping it for newly purchased homes at \$500,000 and limiting the deduction to principal residences only. The RSC Budget also opposes further expansion, or permanence, for pandemic related tax benefits. The RSC Budget also opposes tax extenders, the last round of which were included in the FY 2021 omnibus.<sup>105</sup>

The RSC Budget also supports repeal of the following tax carve outs:

- Clean coal credits
- Private activity bond interest exclusion
- Exclusion from interest income from state and local government bonds
- Lifetime Learning Credit
- American Opportunity Credit
- Student loan interest payments deduction (phase-out)
- Income exclusions for employee meals exclusion, lodging, and transportation benefits
- Income exclusion for employee achievements awards
- Income exclusion for employer-provided gym benefits deduction
- Orphan Drug Credit

### **Other Conservative Tax Reforms**

The following reforms represent a set of ideal reforms that lawmakers should pursue in the future.

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103 Nicole Kaeding, “Net Operating Losses Aren’t Handouts,” National Taxpayers Union Foundation, April 14, 2020, <https://www.ntu.org/foundation/detail/net-operating-losses-arent-handouts>.

104 Veronique de Rugy and Adam N. Michel, “A Review of Selected Corporate Tax Privileges,” Mercatus Center, October 2016, <https://www.mercatus.org/system/files/mercatus-de-rugy-corporate-tax-privileges-v1.pdf>.

105 Erica York, “Tax Extenders Hitch a Ride on Omnibus and COVID-19 Relief Deal,” Tax Foundation, December 21, 2020, <https://taxfoundation.org/tax-extend-ers-omnibus-covid-19-relief-deal/>.

**End Marriage Penalties** – Congress should also continue efforts to eliminate the tax provisions that disincentivize family formation. While the TCJA eliminated a number of marriage penalties, many remain.<sup>106</sup> Marriage penalties represent another instance where the tax code applies disparate treatment to similarly situated individuals to extract more revenue from the American people.

The RSC Budget supports Rep. Vicky Hartzler’s (R-MO) Student Loan Marriage Penalty Elimination Act, which would remove the marriage penalty contained in the student loan interest deduction.

**End Incentives to Hire Illegal Labor** – Congress should also reevaluate tax policies that perpetuate illegal immigration. The RSC Budget supports the New IDEA Act, which would prohibit businesses from deducting wage and benefit compensation paid to illegal immigrants.

**Reform Reporting on Tax Expenditures** – Every year the Joint Committee on Taxation (JCT) produces a list of tax expenditures. The RSC Budget would direct JCT to identify tax expenditures that are either true carve outs or simply remove or reduce multiple layers of taxation on saving and investing.

**Integration of Corporate Taxes** – The RSC Budget would encourage the integration of corporate profits into individual income taxes to avoid double taxation. This could be achieved by allowing corporations to deduct dividends paid from their taxable income, but subjecting income received through dividends to ordinary individual income taxes and not long-term capital gains taxes.

**Creation of Unified Tax Treated Accounts** – The RSC Budget would encourage creating unified tax treated accounts (or tax-free rollovers across accounts) where individuals could move money between retirement and education savings accounts and be able to use those funds to purchase their residence, or vice versa while having such funds excluded from taxable income. This would give individuals and families access to the kind of ideal tax treatment of investments and savings to which only certain businesses have access under current law.

**Protect Donor Advised Funds (DAF)** - The RSC Budget would oppose Democrats’ attempts to effectively eliminate DAFs, which facilitate mid-sized charitable contributions.<sup>107</sup> Democrats have proposed delaying the tax benefit from DAFs in a manner that would negate the reason for creating them in the first place. This would give more power to large organizations and would crowd out many mid-size donors and organizations.

**Preventing Double Taxation of Remote Workers** – This budget would encourage Congress to ensure remote workers are not unduly taxed in multiple jurisdictions on the same income. This threat of double taxation has compounded during the pandemic and has helped to stifle our recovery. Further, this form of double taxation could jeopardize the further development of remote work opportunities.<sup>108</sup>

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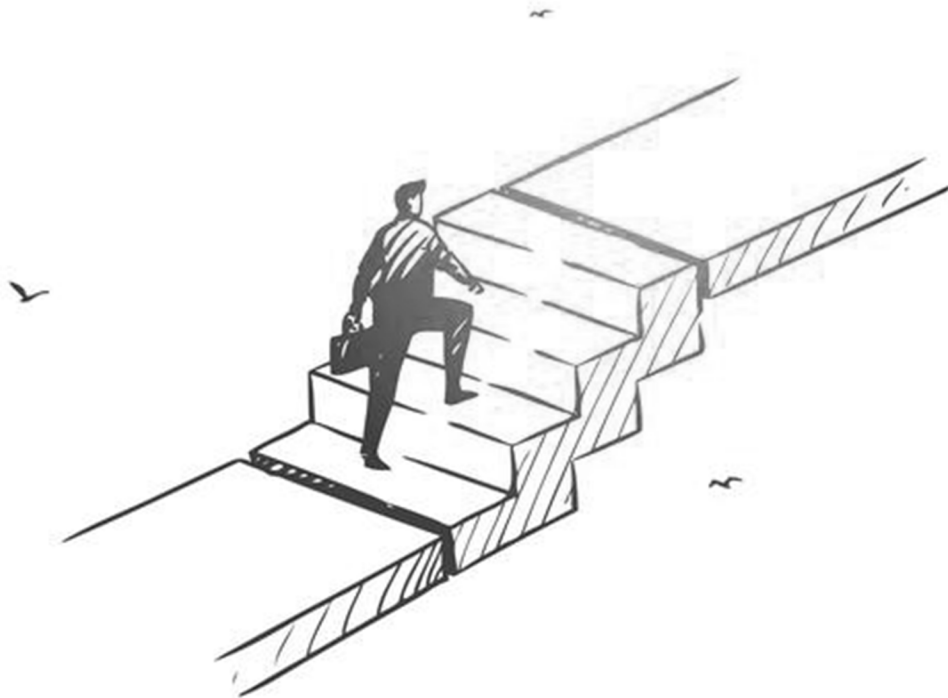
106 Amir El-Sibaie, “Marriage Penalties and Bonuses under the Tax Cuts and Jobs Act,” Tax Foundation, February 14, 2018, <https://taxfoundation.org/tax-cuts-and-jobs-act-marriage-penalty-marriage-bonus/>.

107 Will Kenton, “Donor-Advised Fund,” Investopedia, Accessed on April 20, 2021, <https://www.investopedia.com/terms/d/donoradvisedfund.asp>.

108 National Taxpayers Union, by ANDREW MOYLAN & ANDREW WILFORD, April 17, 2021, “Don’t Let COVID Remote Work Become a Tax Trap”, <https://www.ntu.org/library/doclib/2020/04/Don-t-Let-COVID-Remote-Work-Become-a-Tax-Trap-1-.pdf>



*OPPORTUNITY*  
**— THROUGH —**  
*EMPOWERMENT &  
SELF-SUFFICIENCY*





The notion that every person has a 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 allow all citizens to flourish. Welfare reform is about providing that opportunity to all Americans, instead of prolonging their economic hardship. As conservatives, we believe resolutely that every American deserves this right and has the power to utilize it. While, the Left believes in perpetual poverty, conservatives have a vision of a world without poverty, one that is lifted by the strength of families and communities that know how to meet their needs and that innovate and continue to expand our resources. This isn't just a vision; it is the real-world experience of the last two centuries as the United States has led the world towards a free-market orientated system that emphasizes the value of individual freedom and the strength of family formation.

For years, the RSC has led the way toward turning this positive vision into action. The reforms recommended by this budget build upon years of work done by the RSC, including, most recently, our American Worker Task Force of the 116th Congress, chaired by Rep. Andy Barr (R-KY).<sup>109</sup> The American Worker Task Force's report, *Reclaiming the American Dream*, explores avenues for modernizing our labor market and promoting work. The report proposes bold and innovative ideas to broaden alternative education paths, address nationwide addiction problems, improve our tax code to remove barriers to worker improvement, and break down regulatory obstacles, among others. This section of the RSC Budget aims to undo the tragic federal interventions, starting with President Johnson, that have led to the current cycle of dependency and poverty that threatens the American Dream.

President Lyndon Johnson's War on Poverty has not only failed but created the cycle of dependency that traps millions today.<sup>110</sup> The federal programs we have today focus only on alleviating the material symptoms of poverty, rather than fostering the conditions that allow individuals to escape it. 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."<sup>111</sup>

The current welfare system encourages people to stay single, and, in many cases, pays people to remain out of work or in part-time or low-pay work. This creates a federally induced cycle of broken families and welfare dependency that has exacerbated poverty. The problem was described by Yuval Levin when he stated, "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."<sup>112</sup> This cycle perpetuates a negative loop of economic and social poverty and deprives our nation of the bright potential these individuals might otherwise pursue.

Unfortunately, the millions of Americans that lost their jobs in the midst of the COVID-19 pandemic may also fall victim to this broken system. Moreover, the Left have sought to capitalize on this misfortune to advance their vision for a society rooted in socialism. As the economy continues to reopen, conservatives understand that it is essential for our welfare programs to encourage workers to reenter

109 Republican Study Committee, "Reclaiming the American Dream," <https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/%5bFINAL%5d%20Reclaiming%20the%20American%20Dream%20.pdf>.

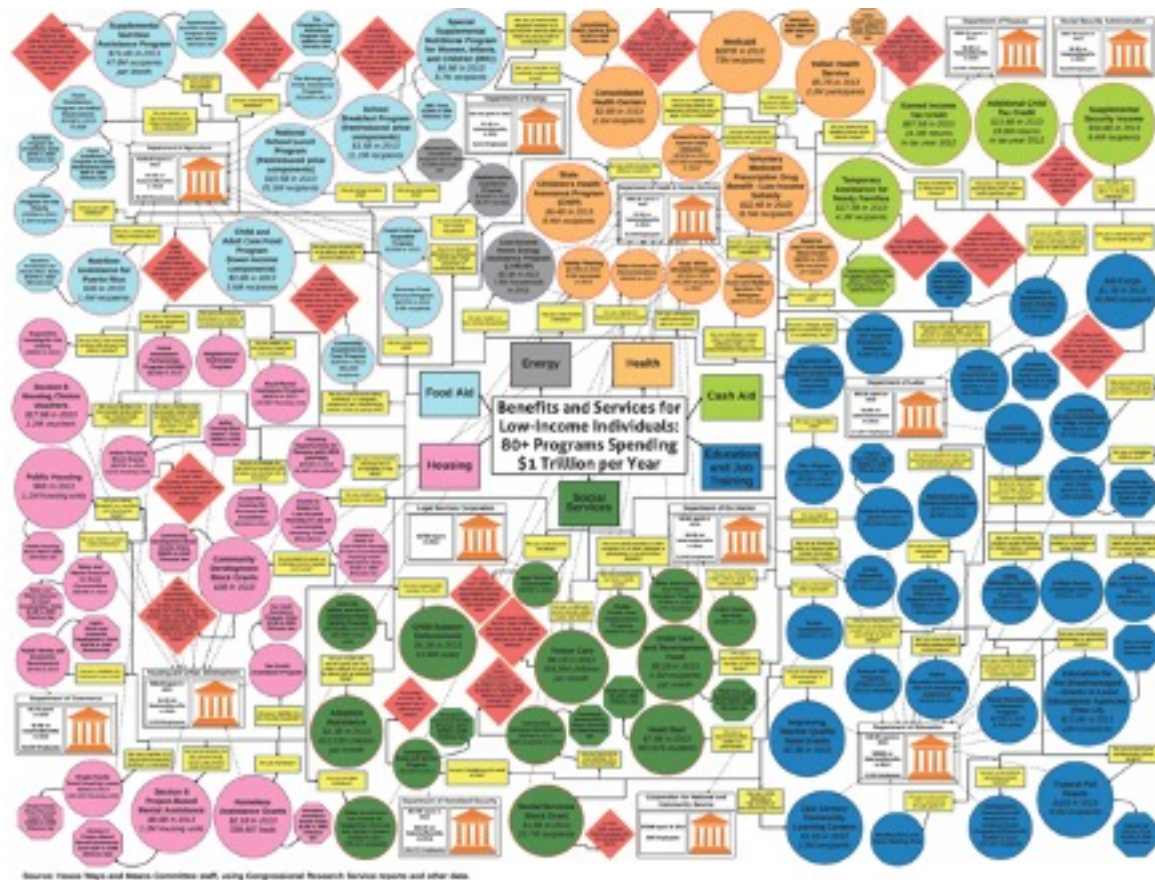
110 President Lyndon B. Johnson, "Annual Message to the Congress on the State of the Union", January 8, 1964, <https://www.presidency.ucsb.edu/documents/annual-message-the-congress-the-state-the-union-25>.

111 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>.

112 Yuval Levin, *The Fractured Republic* (New York, NY: Basic Books), 2016. p. 126.

the workforce and regain self-sufficiency. Federal welfare programs are already designed to expand eligibility—perhaps by too much—in times of economic downturn. While well intentioned, such mechanisms can act as barriers to returning to work. Adding and extending additional barriers will jeopardize not only the individual prosperity of would-be workers, but also the benefits inherently derived from a strong economy. The reforms proposed by the RSC Budget aim to break down these barriers, ensuring opportunity for all Americans.

The War on Poverty has spawned an enormous bureaucracy that has absorbed resources, stifling economic growth and, in turn, creating more need for welfare programs. Further, these programs maintain a symbiotic relationship with vested political classes bent on keeping the broken system. Worst of all, the labyrinth of programs, offices and paperwork is confusing for those who are forced to navigate it in their time of need.



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

The stunning failure of our modern welfare system has also come with a staggering price tag. 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.”<sup>113</sup>

113 Robert Rector and Vijay Menon, “Understanding the Hidden \$1.1 Trillion Welfare System and How to Reform It,” Heritage Foundation, April 5, 2018, [https://www.heritage.org/sites/default/files/2018-04/BG3294\\_4.pdf](https://www.heritage.org/sites/default/files/2018-04/BG3294_4.pdf).

Welfare spending in real terms has increased 12-fold since the mid-1960s.<sup>114</sup> Overall, the Congressional Research Service (CRS) has identified 92 different federal programs meant to assist low-income people on which the federal government spent \$878 billion in FY 2016.<sup>115</sup> When spending by the states is added in, governments spend more than \$1 trillion each year on welfare programs.<sup>116</sup>

This situation is unacceptable. While the Left defends this failed and outdated system, the burden of this failure falls on real families, communities, and our nation as a whole. We should not be surprised that this is the demeaning and dehumanizing policy of the Left. Their dark view that all people can aspire to is a government check threatens not only their livelihoods, but to destroy the American spirit itself.

As conservatives, we reject this brutal and shallow philosophy. We understand that that everyone can escape poverty. It takes more than just a government check. We understand that “man does not live by bread alone,” and that for a person to achieve economic self-sufficiency they require strong families and communities, a sense of purpose, job opportunities, perseverance, and a faith in their own abilities.<sup>117</sup> The goal of welfare policy should be to aid this process to create a world where all can naturally escape poverty, or avoid it altogether.

### **Welfare Cliffs**

A major historical reason our welfare 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 report produced by the Illinois Policy Institute demonstrates the trap the welfare cliff poses to those attempting to become self-sufficient. It shows, for example, that a single mother with two children in Cook County, Illinois would actually be better off making \$12 per hour (about \$25,000 annually) and on welfare than she would be with a job that paid \$77,000 a year. In fact, for each additional dollar per hour this mother earns between \$15 and \$17 (about \$2,000 annually per dollar per hour), she would lose about \$10,000 in annual welfare benefits. The “choice” for this single parent to work harder for additional income in this situation is a farce.

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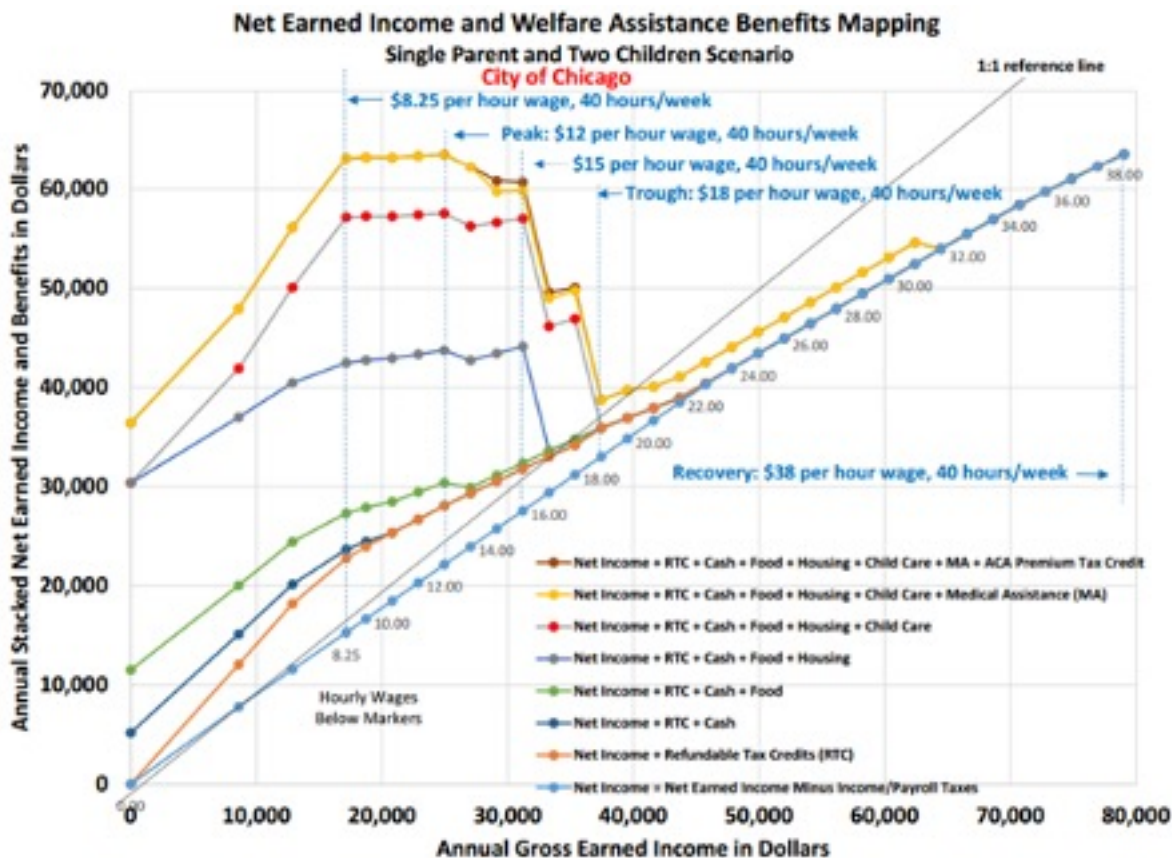
114 Ibid.

115 Gene Falk, Karen Lynch, and Jessica Tollestrup, “Federal Spending on Benefits and Services for People with Low Income: In Brief,” Congressional Research Service, February 6, 2018. <https://fas.org/sgp/crs/misc/R45097.pdf>.

116 Robert Rector and Vijay Menon, “Understanding the Hidden \$1.1 Trillion Welfare System and How to Reform It.”

117 Matthew 4:4.





Foundation for Economic Education “If You Accept this Raise, You Fall Off the Welfare Cliff” August 29, 2016 <https://fee.org/articles/if-you-accept-this-raise-you-fall-off-the-welfare-cliff/>

### The Importance of Families in Civil Society

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.

Any successful system to end poverty must work with the natural relationships of those institutions that make up civil society. For the same reason, the organic institutions of local communities are a more appropriate means to provide the support mechanisms we need to get through life than is the one-size-fits-all system of the federal government. After a half century 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.”<sup>118</sup>

For instance, there are an estimated 350,000 congregations in the U.S. spanning hundreds of religions, each with their own unique belief systems, their own traditions, and their own priorities.<sup>119</sup> 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. In 2019, Americans gave 449.6 billion, more than federal spending on SNAP, TANF, and SSI combined, and more than \$13,000 per person in poverty. Nearly a third of these funds went through religious organizations.<sup>120</sup>

118 Ibid., p. 181.

119 U.S. Religion Census, “U.S. Religion Census 2010: Summary Findings,” May 1, 2012, <http://www.usreligioncensus.org/>.

120 National Philanthropic Trust, “Charitable Giving Statistics,” Accessed on April 18, 2021, <https://www.>

<sup>121</sup>One of the most important predictors of whether a family lives in poverty is whether the mother and father remain married. In 2019, 19 percent of families with a single adult lived in poverty.<sup>122</sup> In contrast, only 4 percent of married-couple families lived in poverty.<sup>123</sup> In 2019, the 25.5 percent of families with one adult made up 61.7 percent of all U.S. families in poverty. Unfortunately, more and more children are facing a higher likelihood they will grow up in poverty as more and more parents reject marriage. Recognizing this, “reducing non-marital childbearing [was] one of the explicit goals that were stipulated in the 1996 welfare reform law.”<sup>124</sup>

In 2019, 40 percent of all babies born in the United States were born out of marriage, 1.498 million in total.<sup>125</sup> In stark contrast, when the War on Poverty began in 1965, only 7.7 percent of children were born outside of marriage.<sup>126</sup>

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 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.<sup>127</sup> 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 the income of the employed spouse. It has even been said that “for most couples on welfare, getting married is among the more expensive decisions. Saying ‘I do’ will reduce welfare benefits, on average, by 10 percent of their total income.”<sup>128</sup> These policies encourage broken families, exacerbating the cycle of

[nptrust.org/philanthropic-resources/charitable-giving-statistics/#:~:text=Americans%20gave%20\\$244.49%20billion%20in,a%205.1%25%20increase%20from%202018.&text=Corporate%20giving%20in%202019%20increased,a%2013.4%25%20increase%20from%202018.&text=Foundation%20giving%20in%202019%20increased,a%202.5%25%20increase%20from%202018.](https://nptrust.org/philanthropic-resources/charitable-giving-statistics/#:~:text=Americans%20gave%20$244.49%20billion%20in,a%205.1%25%20increase%20from%202018.&text=Corporate%20giving%20in%202019%20increased,a%2013.4%25%20increase%20from%202018.&text=Foundation%20giving%20in%202019%20increased,a%202.5%25%20increase%20from%202018.)

121 Census Bureau, “Income and Poverty in the United States: 2019,” September 15, 2021, <https://www.census.gov/library/publications/2020/demo/p60270.html#:~:text=In%202019%2C%20there%20were%2034.0,and%20Table%20B%2D1>).

122 Census Bureau, “Historical Poverty Tables: People and Families - 1959 to 2019” and “Table 4. Poverty Status of Families by Type of Family, Presence of Related Children, Race, and Hispanic Origin: 1959 to 2019,” Accessed April 11, 2021, <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-people.html>.

123 Ibid.

124 Carmen Solomon-Fears, Congressional Research Service, “Teen Pregnancy Prevention: Statistics and Programs,” January 15, 2016,” <https://fas.org/sgp/crs/misc/RS20301.pdf>.

125 Centers for Disease Control, Accessed on April 18, 2021, “Unmarried Childbearing,” <https://www.cdc.gov/nchs/fastats/unmarried-childbearing.htm>

126 Carmen Solomon-Fears, Teen Pregnancy Prevention: Statistics and Programs (Washington, DC: CRS), January 15, 2016, <https://fas.org/sgp/crs/misc/RS20301.pdf>.

127 W. Bradford Wilcox, Joseph Price, and Angela Rachidi, “Marriage Penalized: Does Social-Welfare Policy Affect Family Formation?” American Enterprise Institute, 2016, <https://ifstudies.org/ifs-admin/resources/marriage-penalty-hep-2016.pdf#page=3>.

128 Edwin J. Feulner, Ph.D. “Purging the Marriage Penalty,” The Heritage Foundation, February 14, 2017,



poverty.<sup>129</sup> The RSC Budget supports welfare reforms that would mitigate or remove these penalties.

### **Work Requirements for Earned Success**

The virtues of personal responsibility and initiative are central to the American identity. Arthur Brooks, the former president of the American Enterprise Institute, wrote that “[w]ork gives people something welfare never can.”<sup>130</sup> 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.”<sup>131</sup> Work also provides “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.”<sup>132</sup> For example, in 2019, of the 24.5 million Americans over 16 in poverty, 68.8 percent had not worked that year, whereas only 2 percent of those with full-time jobs were in poverty.<sup>133</sup>

We know work requirements have 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 whom are now employed and earning more than the benefits they once received.<sup>134</sup> 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.”<sup>135</sup> After work requirements were put in place, “[e]nrollees [went] back to work and their incomes more than double[d]; their increased incomes more than offset lost benefits; their time on welfare [was] cut in half.”<sup>136</sup>

Building on the success of the 1996 welfare reforms and reforms in the states, the RSC Budget would require all federal benefit programs be reformed to include work promotion requirements that would help people move away from dependence and toward self-sufficiency.

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<https://www.heritage.org/marriage-and-family/commentary/purging-the-marriage-penalty>.

129 Angela Rachidi, “New CRS report sheds light on need-tested government programs,” American Enterprise Institute, January 21, 2016, <https://www.aei.org/publication/new-crs-report-sheds-light-on-need-tested-government-programs/>.

130 Arthur Brooks, *The Conservative Heart* (New York, NY: Harper Collins), 2015, p. 96.

131 Arthur Brooks, *The Conservative Heart*, pg. 32.

132 People 16 Years Old and Over: 1987 to 2019,” Accessed April 11, 2021, <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-people.html>.

133 U.S. Census Bureau, “Historical Poverty Tables: People and Families - 1959 to 2019” and “Table 25. Work Experience and Poverty Status for People 16 Years Old and Over: 1987 to 2019.”

134 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/>.

135 Robert Rector, Rachel Sheffield, and Kevin D. Dayaratna, “Maine Food Stamp Work Requirement Cuts Non-Parent Caseload by 80 Percent,” The Heritage Foundation, February 8, 2016, <https://www.heritage.org/welfare/report/maine-food-stamp-work-requirement-cuts-non-parent-caseload-80-percent>.

136 Foundation for Government Accountability, “Food Stamp Work Requirements,” Accessed April 11, 2021, <https://thefga.org/wp-content/uploads/2016/12/Food-Stamp-Work-Requirements-One-Pager.pdf>.

### **Unemployment Insurance During the Pandemic**

The Unemployment Insurance (UI) benefits and welfare systems created by state governments and federal government were designed to aid those that require assistance during rough periods of time. However, whenever there is an economic downturn, the Left, looking for more people to trap in the cycle of dependency, always calls for new duplicative aid systems and packages. We must reject these attempts and be careful to not let the temporary programs related to the pandemic turn into more permanent programs that will drain our economy and trap millions more in perpetual poverty. Additionally, this budget would ensure that total UI payments cannot exceed the former wage level of an individual (minus the taxes they paid out of those wages since UI benefits are not taxed as high as wage income is taxed). The RSC Budget would also oppose any extra federal subsidies to states related to their UI programs and trust funds.

### **Prioritizing American Citizens**

For over 100 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 U.S. should deny admission and permanent residence to any individual 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 U.S. for five years. The RSC Budget would build off these reforms to ensure welfare funds are available for U.S. citizens, legal immigrants only after they have become U.S. citizens, and refugees for their first two years in the United States. The RSC Budget also rejects President Biden’s abandonment of the Trump administration’s responsibly structured “public charge” rule.<sup>137</sup>

The RSC Budget supports amending welfare funding formulas to exclude illegal alien populations when calculating grants given to states. Furthermore, it would ensure all people are checked through the DHS E-Verify system before being able to take advantage of a federally funded job training program. This would ensure federal job training program funding only goes people that can legally work in the U.S. The RSC Budget would also support Rep. Glenn Grothman’s (R-WI) Preventing Illegal Immigrants from Abusing Tax Welfare Act, to prohibit illegal aliens from being issued a Social Security number under the Obama-Biden executive amnesty program.

### **Improving the Temporary Assistance for Needy Families Program**

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 TANF program, which replaced the failing, dependence-driven status quo and instead focused on work incentives. Thanks to these commonsense reforms, child poverty decreased and employment for single mothers increased.

Despite the program’s incorporation of work requirements into its original framework, TANF could be much stronger in this respect. For instance, under current law, work participation rate standards require 50 percent of all families and 90 percent of two-parent families be engaged in work. To be con-

<sup>137</sup> The National Law Review, “Biden Administration Abandons Trump-Era Public Charge Rule,” March 23, 2021, <https://www.natlawreview.com/article/biden-administration-abandons-trump-era-public-charge-rule>.

sidered engaged in work,<sup>138</sup> individuals must participate in specified activities during a month. However, states can manipulate their required work participation rate by spending in excess of the state's Maintenance of Effort (MOE) requirement.<sup>139</sup> Consequently, 22 states and territories reduced their 50 percent all-family standard to zero, and 14 states and territories reduced their 90 percent two-parent family standard by more than 50 percent.

Furthermore, states have abused TANF, using more than half of the program's funding on purposes other than supporting work. States even use TANF dollars to plug state budget holes instead of using it on its intended purpose, helping families in need become self-sufficient.

Building off the TANF program's focus on encouraging work and family formation, this budget adopts, with minor adjustments, Ways & Means Ranking Member Kevin Brady's JOBS for Success Act. This legislation makes several important reforms to the TANF program to strengthen the program's focus on work and increase state accountability. In particular, the bill would require universal engagement by mandating all work-eligible individuals receiving assistance meet their work requirements in exchange for monthly benefits. The bill shifts its state compliance standards from the easily manipulated work participation rates to an outcome-based performance system that focuses on the rate of work-eligible individuals move into unsubsidized employment after six months of exiting the program. Additionally, the bill includes language that would prohibit states from diverting federal TANF funding to supplant state spending on social services and limits state use of TANF funds to families below 200 percent of the federal poverty level.<sup>140</sup>

Additionally, the RSC Budget suggests several minor conservative modifications designed to further enhance the bill. States should not be allowed to provide pro-rata benefits to TANF beneficiaries that do not fully comply with their work requirements and maintaining the current 12-month limit imposed on counting vocational educational training as a work activity. The RSC Budget supports including language barring state MOE funds from being spent on beneficiaries beyond the 60-month limit placed on use of federal funding and on non-citizens. While the bill would eliminate the TANF Contingency Fund, the RSC Budget recommends using those savings for deficit reduction rather than using it to boost spending on the Child Care Entitlement to states. Similarly, the bill could be modified to reduce the size of the TANF block grant by the amount of TANF funding that may be transferred to the Social Services Block Grant (SSBG) under current law; but, given that the bill would prohibit such transfers, thereby swelling the amount of funding effectively available for TANF, the TANF block grant should be reduced commensurately.

The RSC Budget supports the eventual consolidation of the SNAP program into TANF to make this larger pool of welfare funding available through the structure of TANF, as reformed by this budget. Doing so would refocus a huge portion of federal welfare funding into a program designed to pro-

138 Gene Falk, "The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements," CRS, December 14, 2017, <https://fas.org/sgp/crs/misc/RL32748.pdf#page=20>.

139 The MOE "requires states to contribute in the aggregate from their own funds at least \$10.3 billion for benefits and services to needy families with children." See: Gene Falk, "The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements."

140 House Committee on Ways and Means, "Rep. Brady, Sen. Daines Introduce Welfare Reform Legislation" March 14, 2019, <https://gop-waysandmeans.house.gov/rep-brady-sen-daines-introduce-welfare-reform-legislation/>.

mote family formation and economic self-sufficiency. Under this proposal, no more than 5 percent of TANF funding would be available for use toward Able-Bodied Adults Without Dependents (ABAWDS), matching the current funding available to them through SNAP today. It would allow TANF funding to be used for people who receive SSI benefits, and SSI beneficiaries would not be subject to time limits or work requirements. Further, states would be required to remove marriage penalties from their TANF cash assistance payments. The income limits on cash assistance payments would match the current income limits for SNAP. Additionally, TANF's cash assistance phase-out structure, which is based on income of the beneficiary, would be reformed to limit its punitive effect and instead promote work and reduce welfare cliffs. Lastly, state MOE requirements would be adjusted based on the outcomes of state TANF programs to lift people and families out of poverty. The better the level of outcomes, the lower the MOE.

Additionally, this budget supports the work of HUD's EnVision Centers under former Secretary Carson guidance.<sup>141</sup> These centers serve as a one-stop-shop to help housing welfare beneficiaries access holistic services designed to empower them. These centers focus on providing services that facilitate long-term gainful employment and that deal more fully with issues stemming from poverty. This budget would expand these centers to help all recipients of any federal welfare and would allow states to use TANF funding to supplement this work.<sup>142</sup>

### **Other Potential Reforms to SNAP**

Though the RSC Budget supports consolidating SNAP into TANF, this section presents SNAP reforms that could be implemented to improve SNAP as a stand-alone program.

The 2018 Farm Bill did not reform SNAP in any substantive way. The version of the bill that passed the House contained vital provisions to broaden the applicability of work requirements for able-bodied adults, restrict the ability of states to waive work requirements, and close the Broad Based Categorical Eligibility and Heat and Eat Loopholes. All of these provisions were left out of the conferenced version of bill. Consequently, the failure of Congress to fulfill its promises to reform SNAP continues to leave millions of families dependent on the federal government and out of the workforce.

The RSC Budget recommends converting SNAP into a block grant to the states based on rates of unemployment, poverty, and the length of time beneficiaries receive aid. Funding would be subject to the annual appropriations process. States would have flexibility to administer their own programs subject to several commonsense requirements designed to ensure the long-term viability and effectiveness of the program.

The RSC Budget also recommends phasing in a state cost share component to this block grant. States pay about half of administrative costs, but these costs comprise only about 10 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 the powers of the federal government are of a limited nature and that the primary 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.

141 Robert Abare, "Urban Wire Poverty, Vulnerability, and the Safety NetRSS," Urban Institute, March 19, 2018, <https://www.urban.org/urban-wire/ben-carsons-plan-envision-centers-looks-familiar-and-needs-realistic-expectations>.

142 U.S. Department of Housing and Urban Development, "EnVision Centers," Accessed on May 11, 2021, <https://www.hud.gov/envisioncenters>



Such a grant would require states to establish and maintain a robust work activation program for able-bodied adults that strictly enforces time limits for how long an individual can receive benefits without meeting certain work requirements.<sup>143</sup> The SNAP law is supposed to limit benefits for able-bodied adults without children that are unwilling to work, search for work, or enroll in job training to three months in any three-year period. However, even before the COVID-19 pandemic, this requirement has been decimated by blanket waivers in recent years.<sup>144</sup>

The RSC Budget would repeal the geographic waivers that allow people from a certain area to avoid meeting the work requirement. Further, it would reduce the percentage of people a state can waive from the work requirement from 12 percent to 5 percent.<sup>145</sup> These reforms are based on aspects of Rep. Garret Graves' (R-LA) bill, the Supplemental Nutrition Assistance Program Reform Act. The RSC Budget would also raise the maximum age for the work-able population to match the Social Security normal retirement age.<sup>146</sup>

In recognition of Congress's failure to enact meaningful pro-work reform in the 2018 Farm Bill, the Trump administration promulgated a Department of Agriculture rule to strengthen the work requirements in SNAP for ABAWDs.<sup>147</sup> The rule set firm, metrics-based, nation-wide standards for how states can apply for geographic waivers. RSC Budget & Spending Task Force Chairman Kevin Hern wrote to Secretary Perdue in support of the rule.<sup>148</sup> In particular, the rule was designed to use Bureau of Labor Statistics defined commuter areas with shared labor and economic activity pools to serve as the standard for determining what qualifies as an area for the program. Effectively, this change would eliminate the availability of state-wide waivers. Additionally, the rule added a 6 percent minimum unemployment rate for a state to be eligible for a waiver based on its relative unemployment rate—a step in the right direction. Unfortunately, the rule was enjoined in federal court and the Biden administration will not fight for its implementation.

Current law requires states to limit SNAP benefits to only those households with assets of \$2,250 without an elderly household member (\$3,500 with an elderly household member) or less in order to focus the program on those who are truly needy.<sup>149</sup> This asset test includes cash and liquid assets like stocks but excludes things such as primary residences, vehicles, and education and retirement savings. Data shows that widespread use of broad-based categorical eligibility has resulted in millions of ineligible individuals receiving welfare benefits. Nationwide, more than 5 million individuals are on

143 See: 7 USC 2015(o)(2) (as amended by the Agriculture Improvement Act of 2018, PL 115-334, December 20, 2018, 132 Stat. 4490).

144 Ibid

145 Jamie Hall, "Geographic-Area Waivers Undermine Food Stamp Work Requirements," The Heritage Foundation, July 19, 2018 <https://www.heritage.org/welfare/report/geographic-area-waivers-undermine-food-stamp-work-requirements>.

146 Robert Rector and Jamie Hall, "Food Stamp Reform Bill Requires Work for Only 20 Percent of Work-Capable Adults," The Heritage Foundation, May 10, 2018, <https://www.heritage.org/hunger-and-food-programs/report/food-stamp-reform-bill-requires-work-only-20-percent-work-capable>.

147 U.S. Department of Agriculture, "Final Rule: SNAP Requirements for Able-Bodied Adults Without Dependents," December 5, 2019, <https://www.fns.usda.gov/snap/fr-120419>.

148 Office of Rep. Kevin Hern (R-OK), "Rep. Hern sends letter of support to Sec. Perdue regarding proposed SNAP Rule," Press Release, February 19, 2019, <https://hern.house.gov/news/documentsingle.aspx?DocumentID=38>.

149 Center on Budget and Policy Priorities, "A Quick Guide to SNAP Eligibility and Benefits," Accessed on April 18, 2021, <https://www.cbpp.org/research/food-assistance/a-quick-guide-to-snap-eligibility-and-benefits>.



welfare despite having assets above the statutory limit. More than half of these households have assets of \$20,000 or more, and more than 20 percent of them have assets of greater than \$100,000.<sup>150</sup> As the Foundation for Government Accountability has exposed, SNAP enrollment loopholes are so broad that millionaires can receive benefits.<sup>151</sup> The RSC Budget would eliminate broad-based categorical eligibility in SNAP. It also supports closing the so-called Heat and Eat loophole.<sup>152</sup>

As of 2018, seven states have mandated child support cooperation as a condition of eligibility for benefits. If more states adopted this policy, it could help more children in single-parent households be lifted out of poverty.<sup>153</sup>

States should also 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. 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 obesity epidemic.<sup>154</sup> 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 (R-AZ).<sup>155</sup>

The RSC Budget also supports reforms to help crack down on the estimated \$960 million to \$4.7 billion in SNAP card trafficking fraud that takes place each year.<sup>156</sup> According to the Department of Agriculture, “About 11.8 percent of all authorized SNAP stores engaged in trafficking” over the 2012 – 2014 period.<sup>157</sup> As a means of recouping administrative expenses associated with retailer applications, the RSC Budget would establish an application fee.

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. Congress should find ways to incentivize states to prevent fraud and improper payments. The RSC Budget would direct states to require nutrition assistance beneficiaries to present a photographic identification card when using an electronic benefit card to make a purchase. Additionally, states should be required to limit

150 Foundation for Government Accountability, “About Asset Tests,” Accessed April 18, 2021, <https://thefga.org/wp-content/uploads/2016/12/Asset-Testing-FAQ.pdf>.

151 Republican Study Committee, “Reclaiming the American Dream.”

152 Ibid.

153 Rebekah Selekmán and Pamela Holcomb, Department of Health and Human Services, by October 2018, “Child Support Cooperation Requirements in Child Care Subsidy Programs and SNAP: Key Policy Considerations,” [https://aspe.hhs.gov/system/files/pdf/260046/EMPOWERED\\_Child\\_Support\\_Cooperation\\_Issue\\_Brief.pdf](https://aspe.hhs.gov/system/files/pdf/260046/EMPOWERED_Child_Support_Cooperation_Issue_Brief.pdf)

154 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/>.

155 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>.

156 GAO “Supplemental Nutrition Assistance Program: Actions Needed to Better Measure and Address Retailer Trafficking” December 14, 2018 <https://www.gao.gov/products/GAO-19-167>.

157 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>.

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, and prohibit cash withdrawals of EBT benefits. As a condition of SNAP eligibility, consent to home visits as a means of deterring welfare fraud should be required in all states.

## **Housing**

The federal government spends over \$50 billion per year on housing assistance and development programs.<sup>158159</sup> 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. In their current form, these programs encourage broken homes, broken communities, and low self-worth among recipients. Surely this is not the aim of housing assistance programs, but it has unfortunately been the result. Policy experts disagree whether the federal government should play a central role in subsidizing housing, but if these programs are to exist, they should focus on moving the poor away from dependence on federal subsidies. The federal government should strive to streamline the federal housing bureaucracy, creating opportunity for upward mobility for participants and unleashing market forces to make housing authorities more competitive and economical.

The RSC Budget would consolidate rental housing assistance programs within HUD that duplicate efforts of Section 8 tenant-based and project-based programs. The list of programs that overlap in this respect is significant, but examples include the Housing Opportunities for Persons with AIDS Program, HOME Investment Partnerships Program (HOME), McKinney-Vento Homeless Assistance Grants, Section 101 Rent Supplement Program, and the Section 236 Rental Assistance Payments Program.

The RSC Budget would also roll subsidies for house building and availability programs, such as the Low-Income Housing Tax Credit, project-based Section 8 rental assistance, Neighborhood Reinvestment Corporation, and public housing, into Section 8 housing vouchers. This would funnel federal housing aid into a market-oriented program where recipients could use these funds to acquire housing in an efficient way that is subject to market price signals and not the guesswork of government bureaucrats. Additionally, given the inherently local nature of housing assistance, the RSC Budget proposes instituting a state share requirement for these programs.

The RSC Budget would allow Section 8 voucher holders to use a capped percentage of their Section 8 funding for moving expenses, including toward a security deposit, if they have a job offer in another Labor Market Area. The program should also be reformed to make vouchers more portable so participants can more easily move to areas where jobs are available and their skills are valued.

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

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158 Congressional Budget Office, "Federal Housing Assistance for Low-Income Households", September 9, 2015. <https://www.cbo.gov/publication/50782>.

159 Peter G. Peterson Foundation, July 29, 2020, "HOW DOES THE FEDERAL GOVERNMENT SUPPORT HOUSING FOR LOW-INCOME HOUSEHOLDS?", <https://www.pgpf.org/blog/2020/07/how-does-the-federal-government-support-housing-for-low-income-households#:~:text=The%20federal%20government%20spent%20%2451,assistance%20to%20low%2Dincome%20households>.

per year, these benefits would be cut nearly in half.”<sup>160</sup> This marriage penalty should be reduced or eliminated.

Under the RSC Budget, a portion of federal housing funding would 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.

Under the RSC Budget, exclusive reliance on the Housing First policy would be abandoned. Rep. Andy Barr (R-KY), chair of the RSC’s American Worker Task Force of the 116th Congress, has worked tirelessly to ensure that this damaging policy is repealed. The Housing First policy requires entities that receive federal housing aid to focus on putting beneficiaries into housing before addressing any other issues and concerns. The Housing First policy prevents community-based housing entities from addressing the causes of homelessness and, in many cases, create unproductive and unsafe situations. The RSC Budget supports former Secretary Carson’s Continuum of Care to mitigate the damaging effects of Housing First.<sup>161</sup>

Additionally, eligibility of entities that can receive federal funding should be expanded beyond Public Housing Authorities (PHAs) to include private organizations such as transitional housing facilities and faith-based organizations. All housing grants should be subjected to competitive bidding based in large part on the ability of local grant recipients to move beneficiaries out of subsidized housing and into permanent, non-subsidized, safe, and secure housing. This reform would be designed to reward only the most effective housing solutions, based on track records of success.

To encourage private investment in public housing, housing authorities should be permitted to use profits to build units without government assistance and to reduce the need for federal funding. For example, Congress should expand the Rental Assistance Demonstration (RAD) Program and remove the statutory cap on the program. This would allow housing authorities to leverage public and private debt and equity to reinvest in public housing stock and ensure federal funding follows the people it is intended to serve—not the bureaucracy.

Furthermore, the waitlist system should be fixed. Currently, the public housing waitlists will not place recipients into a roommate situation, leaving some people without housing and needlessly increasing costs for both the federal taxpayer and the beneficiaries. These waitlists should be amended to allow for the placement of people into roommate situations.

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.”<sup>162</sup> 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. The RSC Budget also supports a minor increase

160 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>

161 Republican Study Committee, “Reclaiming the American Dream”, <https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/%5bFINAL%5d%20Reclaiming%20the%20American%20Dream%20.pdf#page=43>

162 Congressional Budget Office, “Federal Housing Assistance for Low-Income Households”, September 9, 2015. <https://www.cbo.gov/publication/50782>.

in the rent paid by able-bodied tenants to 35 percent of income with a \$150 minimum rent, giving states greater flexibility in modifying their programs. According to the HUD 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 former Rep. Bradley Byrne.<sup>163</sup>

The RSC Budget would also encourage state and local zoning and environmental regulations to be reformed to allow for the creation of more housing. Many states and local governments currently overregulate land use and create housing shortages and inflate housing prices.

Congress should also move USDA's single-family and multi-family loan guarantees and rental assistance programs to HUD. At present, having separate, rural-focused housing programs at USDA makes little sense. Decades ago, the proximity USDA field offices had to rural beneficiaries of existing farm loans justified the separate USDA programs. Today, however, HUD operates everywhere, so consolidation makes more sense for these programs considering their shared objectives of promoting homeownership and increasing housing availability.

### **State Flexibility for Supplemental Security Income**

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.<sup>164</sup> Tragically, children who received SSI payments often end up on the program as adults.

The RSC proposes giving more control of the program and its spending to states through block grants. This would allow all 50 states to experiment and better serve their citizens, such as through empowering those individuals to enjoy the dignity of work and service if they are able.

### **Pay for Success**

One policy that could be explored is incorporating the pay for success model into existing welfare programs by allowing states to issue Social Impact Bonds to finance specific projects to accomplish the goals of the program through 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.

### **Eliminate "Performance Bonuses" that Jeopardize Program Integrity**

Some welfare programs include "bonus payments" to states that may be well intentioned but can unfortunately harm 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 paid performance bonuses for expanding enrollment.<sup>165</sup> Performance bonuses should

163 CNS News, By Zachary Leshin, December 1, 2015, "Rep. Byrne Wants to End Abuse of Public Housing by Tenants Above Poverty Line", <https://www.cnsnews.com/news/article/zachary-leshin/rep-byrne-bill-would-combat-abuse-public-housing-tenants-above-poverty>

164 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>.

165 Lars Larson, "Oregon Gets \$5 Million In 'Bonuses' For Expanding And Servicing The Welfare State",



be thoroughly reviewed and eliminated if they jeopardize the integrity of programs.

### **Focus School Lunch Subsidies for Those Who Actually Need Them**

The RSC Budget would 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 they best believe these funds should be allocated. This model 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.

The RSC Budget would also institute reforms to school lunch subsidies to ensure that they go to needy families, including by eliminating the Community Eligibility Provision (CEP) from the School Lunch Program. This allows schools in very low-income areas to provide free school lunches to all its students, regardless of the individual eligibility of each student.

Further, the “school lunch and breakfast programs are subject to widespread fraud and abuse.”<sup>166</sup> The estimated improper payment rates for the lunch and breakfast programs in FY 2020 totaled 9.14 and 10.3 percent, respectively.<sup>167</sup> 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. This is an issue that has only been exacerbated by the pandemic and plethora of newly created aid programs related to it. According to USDA, fraud is rampant in the SNAP program, growing 128 percent between 2010 and 2016.<sup>168</sup> While not all improper payments are a result of fraud, improper payment rates are a useful indicator of fraud levels. The EITC is plagued with a high improper payment rate at 23.53 percent in FY 2020 equaling over \$16 billion, 11.5 percent for ACTC, totaling \$4.5 billion, and a staggering 21.36 percent for Medicaid, totaling \$86.5 billion.<sup>169</sup> Medicaid’s improper payments alone are larger than most federal programs and four times the size of NASA’s entire annual budget, and more than total federal annual spending on SNAP.

These errors, waste, and fraud do not just cost taxpayers money; they divert resources away from helping those who need it most. With our entitlement programs facing dire financial futures and more Americans receiving welfare and pandemic 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 RSC Budget supports utilizing the Social Security Administration (SSA) as a centralized database to determine the family status of welfare recipients. IRS and the Department of Health and Human

CNSnews, September 29, 2011. <http://cnsnews.com/blog/lars-larson/oregon-gets-5-million-bonuses-expanding-and-servicing-welfare-state>.

166 Chris Edwards, Cato Institute, Downsizing the Federal Government, “Food Subsidies”, May 26, 2016. <https://www.downsizinggovernment.org/agriculture/food-subsidies>.

167 Department of the Treasury, Accessed April 22, 2021. <https://paymentaccuracy.gov/program/earned-income-tax-credit/>.

168 USDA “Supplemental Nutrition Assistance Program, State Activity Report FY 2016” September 2017 <https://fns-prod.azureedge.net/sites/default/files/snap/FY16-State-Activity-Report.pdf#page=57>.

169 Department of the Treasury, Accessed April 18, 2021. <https://paymentaccuracy.gov/program/earned-income-tax-credit/>.



Services would then be able to use the Social Security Number (SSN) of a welfare recipient to cross-check their claimed marital status and claimed dependents against this information database held by SSA. The RSC Budget would make state eligibility for certain welfare block grant funding contingent on state welfare programs providing such data to SSA. This would ensure that SSA's data is complete and up-to-date.

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 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. If the agency determines 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.<sup>170</sup> We should ensure that payments are not issued to deceased individuals. For example, over 1 million stimulus checks went to deceased people.<sup>171</sup>

At all times, agencies need to remember their mission is to keep people out of the welfare dependency trap and to move people to a productive life of self-sufficiency. Under no circumstance should success at a welfare agency be measured by how many can be kept on the rolls. Government employees should be held accountable for doing their jobs with appropriate diligence.

The federal government should also 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.

States should also be encouraged to withhold benefits from individuals who test positive for illegal drugs, as provided by Rep. 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 of an Obama-era Department of Labor regulation that blocked states from even performing limited drug testing for certain welfare applicants.

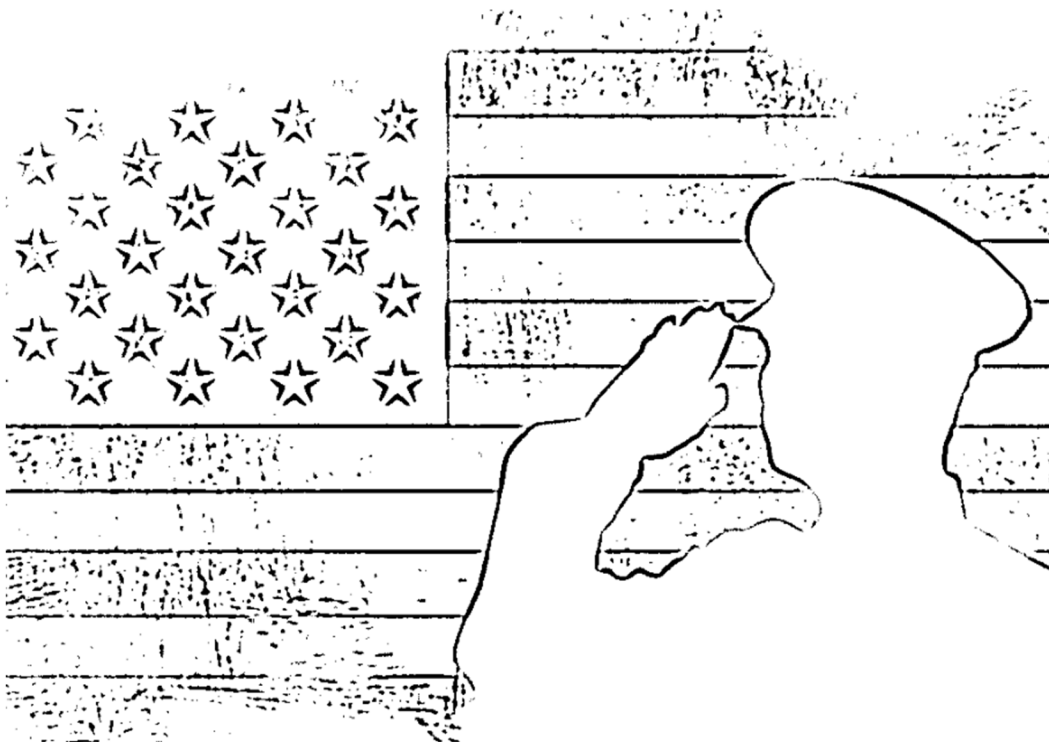
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170 Jonathan Ingram, Foundation for Government Accountability, "Stop the Scam How to Prevent Welfare Fraud in Your State", April 2, 2015. <https://thefga.org/research/stop-the-scam-how-to-prevent-welfare-fraud-in-your-state/>.

171 Washington Post, by Erica Werner, July 25, 2020, "Treasury sent more than 1 million coronavirus stimulus payments to dead people, congressional watchdog finds", <https://www.washingtonpost.com/us-policy/2020/06/25/irs-stimulus-checks-dead-people-gao/>



*PROVIDE*  
— **FOR THE** —  
**COMMON DEFENSE**



Only by maintaining the sovereignty of the United States can the federal government ensure the preservation of the intrinsic rights of our citizens. That sovereignty can only be guaranteed with a strong, ready, and capable military. The RSC Budget commends the steps taken by President Trump and his administration to undo the damage to our military's strength inflicted by President Obama. This budget supports his work to rebuild and recast our resources to match the vision and challenges outlined in his National Defense Strategy<sup>172</sup> and National Security Strategy.<sup>173</sup> This section of the RSC Budget incorporates his policies, that of other conservative leaders, and the work done by the RSC National Security & Foreign Affairs Task Force in their report "Strengthening America & Countering Global Threats."<sup>174</sup>

Tragically, President Biden has already sought to undermine this work and return to the inept and misguided foreign policy of the Obama administration. These policies contributed to the decline of American standing throughout the world. Obama's neglect of America's military left military readiness and force projection capabilities unsuited for the increasingly unstable international environment and rapid escalation in Chinese aggression.

The RSC Budget would provide for a robust U.S. military, strong support for our allies, a foreign aid strategy that supports human rights and American values, and efficient allocation of national defense resources. The RSC Budget seeks to achieve all these aims while attaining fiscal discipline and preventing trillions of dollars from being added to the national debt, which defense experts have said is the greatest threat to our national security.<sup>175</sup> To provide for the nation's continued security, the RSC Budget would provide \$778 billion in FY 2022 for national defense discretionary funding, a growth rate of 3% over inflation from current enacted levels.

### **A Dangerous World: The Re-emergence of Great Power Competition**

Over the past two decades, U.S. dominance has increasingly been challenged by numerous rising threats to the U.S.-led global order. These threats prove the reemergence of great power competition, the likes of which we have not seen since the Cold War. Freedom of navigation, the sovereignty and territorial integrity of nations, adherence to freedom and democracy, and respect for human rights are all now on the decline and in jeopardy. The Trump administration wisely refocused our grand strategy to address the challenges posed by the reemergence of great power competition.

In the last year we have seen how easily one dictatorship, China, can mishandle a novel virus and subject the world to a pandemic that can disrupt the foundations of the free world. In the last month, Russia has sent tens of thousands of troops to the border of Ukraine. Both China and Russia are in the process of rapid and ongoing military modernization programs and have recently spread their malign influence throughout the globe in an unprecedented fashion.

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172 2018 National Defense Strategy for the United States of America; <https://www.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>.

173 National Security Strategy of the United States of America, December 2017; <https://trumpwhitehouse.archives.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>

174 The Republican Study Committee "Strengthening America & Countering Global Threats" [https://rsc-banks.house.gov/sites/repUBLICanStudyCommittee.house.gov/files/%5BFINAL%5D%20NSTF%20Report.pdf?utm\\_source=yxnews&utm\\_medium=mobile](https://rsc-banks.house.gov/sites/repUBLICanStudyCommittee.house.gov/files/%5BFINAL%5D%20NSTF%20Report.pdf?utm_source=yxnews&utm_medium=mobile)

175 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>.

As Admiral Charles Richard, the head of Strategic Command (STRATCOM), has noted:

*Strategic Competition demands we be ready for any threat, in any domain, at any time. Potential adversaries are building advanced nuclear capabilities, fielding increasingly capable conventional forces, and exploiting seams below the level of armed conflict, in an attempt to gain strategic advantages in pursuit of their national objectives. China and Russia are challenging our strength through a wide array of activities that warrant a concerted and integrated whole of government response. For the first time in our history, the nation is on a trajectory to face two nuclear-capable, strategic peer adversaries at the same time, who must be deterred differently. We can no longer assume the risk of strategic deterrence failure in conflict will always remain low.*<sup>176</sup>

The RSC Budget supports actions to bolster our security and that of our allies, to support democracy and human rights around the globe and to sanction human rights violators, to support the formation of free and peaceful societies, and to promote the adoption of free trade agreements with free, human rights respecting, allied nations.

## **China**

In the Indo-Pacific region, where approximately 32 percent of U.S. goods are exported and from where 44 percent of U.S. imported goods originate, China has become increasingly aggressive.<sup>177</sup> As each year goes by, China mounts a more and more aggressive expansionist policy toward nations in the region to enlarge their sphere of influence, control points of trade important to the globe, and to destabilize the democratic world order.

China's military has also continued to modernize and enlarge, eroding the superiority of U.S. forces and our capabilities in the region. China's military budget is more than three times what it was in 2009, and in 2021 alone its spending on R&D climbed 10.3% to \$378 billion, which accounted for 2.4% of its GDP in 2020, according to official statistics. 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 principle of the U.S. and goal of our naval operations since its founding. Moreover, China is rapidly modernizing its nuclear arsenal, presenting an unprecedented risk to our homeland. According to Admiral Richard, "In the very near-term China will possess a credible nuclear triad, supported by its growing stockpile and weapon systems capable of multiple independently targetable reentry vehicles."<sup>178</sup>

In a sweeping and tragic move, the Chinese Communist Party (CCP)'s threat to the world was made clear through their negligent handling of the COVID-19 pandemic. Their negligent response to the virus allowed it to escape containment, shuttering the global economy and killing more than 3.2 million

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<sup>176</sup> <https://www.armed-services.senate.gov/imo/media/doc/Richard04.20.2021.pdf>

<sup>177</sup> United States Census Bureau, Trade in Goods with Asia, Accessed on April 15, 2021, <https://www.census.gov/foreign-trade/balance/c0016.html>. United States Census Bureau, Trade in Goods with the World, Accessed on April 15, 2021, <https://www.census.gov/foreign-trade/balance/c0004.html>

<sup>178</sup> STATEMENT OF CHARLES A. RICHARD COMMANDER UNITED STATES STRATEGIC COMMAND BEFORE THE SENATE COMMITTEE ON ARMED SERVICES, April 20, 2021, Richard04.20.2021.pdf (senate.gov)

people worldwide.<sup>179</sup> This is just a down payment of the full price of autocracy and socialism. It is vital that America and our allies stand together in opposition to the CCP. The RSC Budget supports efforts such as Rep. Tom Tiffany's (R-WI) resolution to abandon the "One China Policy" to strengthen our allies in the region and our coordination with them to ensure proper containment of CCP aggression. This budget support normalizing diplomatic relations with Taiwan, pursuing a free trade agreement, and ensuring they are recognized in international organizations. Further, we would support enhancing their military capabilities to counter CCP aggression. It would support the Pacific Deterrence Initiative to implement a deterrence strategy for defending U.S. interests in the Indo-Pacific. It would allow India to access military equipment and services from the U.S. in the same manner as Japan and Australia can under current law.

The RSC Budget condemns the CCP's use of Confucius Institutes to infiltrate our higher education system and overt threats to manipulate U.S. companies into supporting the policies of the CCP. This budget would support activities to counter China's IP theft, forced data and IP transfers, and other methods of industrial espionage, and would strengthen sanctions related to IP violations. In the strongest possible manner, the RSC Budget condemns the CCP's brutal use of forced Uyghur labor, concentration camps, and genocide of Uyghurs. The RSC Budget supports action to sanction the perpetrators of this genocide and to call upon our allies to do the same.

## **Russia**

The United States and our allies in Europe still face an increasingly belligerent Russia led by dictator, and former KGB agent, Vladimir Putin, who has effectively consolidated all political power in the country. In 2014, the world awakened to Russian armed forces in unmarked military uniforms seizing territory in Eastern Ukraine and the Crimean Peninsula. In recent weeks, Russia has mobilized thousands of its troops on the border with Ukraine in the largest military buildup since 2014. In the Baltics, Russian forces amassed on the border of three key NATO allies, threatening the United States' most enduring and vital military alliance. Russia has also, for the first time since the Cold War, established a military footprint in the Middle East and North Africa, with deployments in both Syria and Libya. It has increased military and economic ties with Gulf states, many of which are U.S. allies and partners. Russia has even provided air cover for Hezbollah and IRGC terrorists in Syria.

Russia has also rapidly expanded its investments in modernizing its nuclear arsenal and in hypersonic missiles to serve as long range, hard to intercept, nuclear delivery vehicles. 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. 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 Budget strongly supports strengthening of the European Reassurance Initiative and the integration of Montenegro into NATO. The RSC Budget also supports continuing support for the Ukraine Security Assistance Initiative in the face of Russia's aggression by providing anti-tank weapons, as well as expanding such assistance to include anti-ship weapons.<sup>180</sup> The RSC Budget also supports continuing support for Georgia through both security assistance and expanding trade and economic partnerships. The United States still must press Georgia's government to develop

179 Johns Hopkins University and Medicine, accessed on May 4, 2021, Coronavirus Resource Center, <https://coronavirus.jhu.edu/map.html>

180 Republican Study Committee, "Strengthening America & Countering Global Threats", [https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/%5BFINAL%5D%20NSTF%20Report.pdf?utm\\_source=yxnews&utm\\_medium=mobile#page=41](https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/%5BFINAL%5D%20NSTF%20Report.pdf?utm_source=yxnews&utm_medium=mobile#page=41).



the rule of law in its institutions, which have been increasingly undermined by the ruling party led by oligarch Bdzina Ivanishvili. In the 21st century, the U.S. must reject the notion of a Russian “sphere of influence” reminiscent of a 19th century construct of geopolitics.

President Biden, like the Obama administration before him, has taken a weak approach to Russia reminiscent of the failed “Russia reset.” Notably, he has refused to impose any sanctions on any new entities over Nordstream 2, circumventing the intent of Congress in recent bipartisan mandatory sanctions legislation, the Protecting Europe’s Energy Security Act. President Biden’s refusal to impose such sanctions before the pipeline is set to be completed this summer will isolate Ukraine and give Putin a new economic lifeline in Europe, which Putin could use to fund even more destabilizing activities.<sup>181</sup> The RSC Budget strongly supports imposing sanctions on the Nordstream 2 pipeline mandated by Congress, as well as new sanctions on Russia’s financial sector including kicking Russia out of the international SWIFT code system, sanctioning Russian state owned banks such as Vnesheconombank, and designating Russia as a State Sponsor of Terrorism. The RSC Budget also supports sanctioning Putin’s network of oligarchs through the Global Magnitsky Act to reign in illicit Russian financial corruption around the world.<sup>182</sup>

The RSC Budget fully supports former President Trump’s decision to withdraw from Intermediate-Range Nuclear Forces Treaty (INF Treaty). Russia has continuously failed to comply with the intent of the treaty.<sup>183</sup> <sup>184</sup> Further, the RSC Budget strongly opposes President Biden’s re-entry into the New START arms treaty with Russia that would not include China and would allow Russia to continue building tactical nuclear weapons while our own stockpiles would be drastically limited.

## Iran

Iran is not a great power or strategic competitor, but it still presents a significant challenge. It is a rogue regime, backed by a military and intelligence apparatus, and the world’s leading state sponsor of terrorism. Iran continues to seek a nuclear weapon and the destruction of the State of Israel, our closest ally in the region. Iran’s navy perpetually threatens to close the Strait of Hormuz, jeopardizing approximately 21 percent of the world’s petroleum trade, and 18 percent of U.S. petroleum imports.<sup>185</sup> Iran has given aid and comfort to Hamas, Hezbollah, Al Qaeda, and the Taliban, as well as other Iranian-backed terrorist militias. The Iranian Revolutionary Guard Corps (IRGC) has created, sponsored, and commanded a worldwide legion of tens of thousands of militia fighters from as far as Afghanistan and Pakistan who, in part due to the cash provided by President Obama’s failed nuclear deal, have created a “land bridge” where such militias now control territory from Tehran through Syria, and Syria and Lebanon to the border of Israel. This is a geographic area far larger than ISIS at its peak. The RSC Budget supports President Trump’s designation of the IRGC as a terrorist entity. According to the State Department, the IRGC “is responsible for the deaths of at least 603 American service mem-

181 Axios, by Jonathan Swan, February 23, 2021, “Scoop: Allies worried Biden shaky on Putin’s pipeline”, Nord Stream 2: Russia’s enemies fear Biden won’t fight to stop Putin’s pivotal pipeline - Axios

182 Public Law 112-208, <https://www.gpo.gov/fdsys/pkg/PLAW-112publ208/html/PLAW-112publ208.htm>.

183 Director of National Intelligence Daniel Coats on

Russia’s INF Treaty Violation, Office of the Director of National Intelligence, <https://www.dni.gov/index.php/newsroom/speeches-interviews/item/1923-director-of-national-intelligence-daniel-coats-on-russia-s-inf-treaty-violation>

184 Intermediate-Range Nuclear Forces (INF) Treaty, U.S. Department of State <https://www.state.gov/t/avc/inf/index.htm>

185 U.S. Energy Information Administration, June 20, 2019, “The Strait of Hormuz is the world’s most important oil transit chokepoint”, <https://www.eia.gov/todayinenergy/detail.php?id=39932>

bers in Iraq since 2003. This accounts for 17% of all deaths of U.S. personnel in Iraq from 2003 to 2011.”<sup>186</sup>

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. Israel continues to face threats to its existence from an emboldened Iran that continues to support Hezbollah and Hamas terrorists on its doorstep. We continue to support the goal of former President Trump to work toward lasting stability in the Middle East region, including his efforts to bring about the Abraham Accords and shore up our allies across these regions. We also support continued military assistance to U.S. allies and partners in the Middle East as they face aggression by Iran.

Iran also continues to support Houthi terrorists in Yemen and given its ballistic missiles, including those that were used to attack Saudi Arabia. The RSC Budget opposes President Biden’s removal of the Houthis from the terrorist list, as well as President Biden’s withdrawal of support for Saudi Arabia in its operations against Houthi rebels in Yemen. This move has not led to peace, but only increasing attacks by the group against Saudi Arabia. The RSC Budget also continues to provide support to Saudi Arabia in its military operations supporting the legitimate government in Yemen and combatting the Iran-backed Houthis.

In countering Iran, it is vital that we prohibit U.S. aid from going to Iranian puppet regimes in the Middle East. Lebanon’s government has come fully under Hezbollah’s control, both through the terrorist group’s control of the parliament and monopoly on the use of force in the country. Accordingly, the RSC Budget supports cutting off aid for the Lebanese Armed Forces (LAF). The RSC Budget also supports cutting assistance to Iraq’s Ministry of Interior and Ministry of Defense until Iraq’s security forces are no longer under the effective control of the Popular Mobilization Forces (PMF). The PMF is a group of militias and includes the Badr Corps, which is commanded by the IRGC and attacked the U.S. Embassy in Baghdad in December 2019. Furthermore, the RSC Budget supports cutting off aid to United Nations programs in regime-held areas of Syria. Even former Obama administration Ambassador to Syria Robert Ford has admitted this aid has been diverted to directly fund the brutal Assad regime, Iran’s main ally in the region.<sup>187</sup> The RSC Budget also supports the imposition of sanctions on individuals and entities that engage in actions to destabilize countries such as Iraq, Syria, and Libya.

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, violating most of its international agreements. The removal of sanctions on Iran by President Obama only helped to fuel its military expansionist policies. The RSC Budget commends the Trump administration’s withdrawal from the deeply flawed Iran nuclear agreement in 2018. The agreement did not prevent Iran’s eventual pathway to a nuclear weapon. The RSC Budget supports President Trump and Secretary Pompeo’s maximum pressure campaign against Iran and supports codifying that campaign through Maximum Pressure Act, sponsored by RSC Chairman Jim Banks, which would implement the toughest package of sanctions on Iran ever proposed by Congress. The Maximum Pressure Act was adopted as an official position of the RSC’s Steering Committee, has 100 cosponsors, and has garnered the support of Secretary Pompeo and a long list of foreign policy organizations. The RSC Budget strongly opposes President Biden’s calls to renew the Iran nuclear agreement which would cement

186 Designation of the Islamic Revolutionary Guard Corps, April 8, 2019, U.S. Department of State <https://www.state.gov/r/pa/prs/ps/2019/04/290963.htm>

187 The Dangers of U.S. Assistance to the U.N. Rewarding Assad. <https://www.atlanticcouncil.org/blogs/syriasource/the-danger-of-us-assistance-to-the-un-rewarding-assad/>

the power of the tyrannical regime that brutally rules Iran today.

Iran continues its material support for the murderous Assad regime in Syria. The IRGC directly assists Assad's forces that are inciting the worst human rights crisis of the 21st Century. This has allowed Syria to become a haven for terror groups while flooding Europe with refugees. To counter these efforts, the RSC Budget would support further expanding sanctions on the Assad regime, and opposing efforts to normalize the regime by some Gulf states.

### **Salafi-jihadi terrorism**

The focus on great power competition should not blind us to the continuing threats faced by Salafi-jihadi organizations. Due to former President Trump's leadership, ISIS has been defeated territorially in Syria and Iraq, and its leader Abu Bakr al-Baghdadi has been killed. However, the threat from ISIS, al-Qaeda, and other Salafi-jihadi groups lingers. ISIS still has an estimated 18,000 fighters left in Iraq and Syria, albeit down from over 70,000 in 2014. The withdrawal of U.S. forces from Afghanistan also increases the risks that al-Qaeda and ISIS may re-establish a foothold in South Asia and expand their operations. Furthermore, ISIS and al-Qaeda are now shifting their operations from the Middle East and South Asia to new theaters in Africa. ISIS and Al Qaeda have been rapidly reconstituting themselves in the Sahel and gaining control over large swaths of territory in Mali, Burkina Faso, and Niger by capitalizing on ethnic and tribal tensions.

The RSC Budget would provide support to our allies in the Middle East to facilitate the war on terrorism. Further, it supports efforts to root out bases of operations and training grounds for Salafi-jihadi groups. It would codify Executive Order 13224, solidifying the President's authority to impose sanctions on those that support terrorism. The RSC Budget also supports stabilization efforts in Africa to prevent ISIS or al-Qaeda from taking root in vulnerable nations. President Biden has already signaled his clear intention to return to the failed policies of Obama, even against the counsel of his military commanders, in prematurely withdrawing from the Middle East and Afghanistan without leaving in place a counterterrorism capability to prevent the resurgence of ISIS or al-Qaeda. U.S. policy should not repeat their mistakes in precipitously withdrawing from the region without ensuring that our interests and security are guaranteed and secured.<sup>188</sup>

### **North Korea**

Additionally, the RSC Budget commends President Trump and Secretary Pompeo's efforts to denuclearize North Korea. Still, the United States must remain vigilant and hold the rogue regime in Pyongyang accountable. President Trump did not provide concessions, such as sanctions relief, to sit at the table with Kim Jong-un. Instead, he expanded U.S. sanctions, including by sanctioning Chinese banks doing business with North Korea. The RSC Budget continues to support this approach and opposes any efforts to provide sanctions relief to North Korea unless the regime undergoes permanent verifiable denuclearization. Although President Biden's North Korea policy review has rightly rejected the Obama administration approach, it appears his policy will nevertheless seek to eventually ease pressure on the Kim regime by falling into the trap of focusing on seeking piecemeal deals that the regime will exploit for maximum benefit. In addition, the RSC Budget supports holding the rogue regime accountable for its abysmal human rights record including through supporting efforts to allow outside information into North Korea, and through the continuing imposition of further sanctions on the Kim

188 Politico Lara Seligman, Andrew Desiderio, Natasha Bertrand by , April 14, 2021, "How Biden's team overrode the brass on Afghanistan" <https://www.politico.com/news/2021/04/14/pentagon-biden-team-overrode-afghanistan-481556>

regime for such abuses. The rogue regime continues to develop an increasingly advanced ballistic missile system. 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 Needs of Our Armed Forces**

The Trump administration's efforts in rebuilding our military have, in the words of the Chairman of the Joint Chiefs of Staff Mark Milley, "done much to address readiness shortfalls, and reduce the backlog of deferred procurement and modernization..."<sup>189</sup> Yet the Armed Forces are still suffering the consequences of decades of delayed weapons modernization. As Mackenzie Eaglen of the American Enterprise Institute has put it, "Time is up, and many pieces of military equipment can no longer limp along—having aged chassis, hulls, and airframes that cannot be upgraded with today's technology and cannot generate the kind of power needed to survive any fight."<sup>190</sup> Such delays in modernizing the force are eroding the competitive advantage that our Armed Forces have with China and Russia and put our forces under increasing risk on the battlefield. The Heritage Foundation's 2021 Index of Military Power has stated "As currently postured, the U.S. military is only marginally able to meet the demands of defending America's vital national interests."<sup>191</sup> "Marginally able" is not good enough. The RSC Budget will continue to support former President Trump's goal of rebuilding our military to counter the mounting threats of our adversaries. It would ensure that our men and women in uniform have the resources they need to keep America safe and counter the growing threat posed by China and Russia in this new era of great power competition. Below are some of the reasons this budget has proposed a strong national security budget that maintains 3% real growth for FY 2022 resulting in total national defense spending of \$778 billion for FY 2022.

### **The Navy**

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 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 296 deployable ships, less than China's fleet of 350 ships.<sup>192 193</sup> This fleet is nearly half the size of what it was under the Reagan administration (592 ships).<sup>194</sup>

The Navy's shipbuilding account had been neglected for the greater part of a decade leading to a severe readiness crisis, marked by a series of deadly accidents. The RSC's Budget supports an increase in our shipbuilding account in order to reestablish our Navy's global reach and capabilities and deter aggressive Chinese naval activities. Specifically, the RSC Budget adopts the Trump administra-

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189 STATEMENT OF GENERAL MARK A. MILLEY, USA 20TH CHAIRMAN OF THE JOINT CHIEFS OF STAFF DEPARTMENT OF DEFENSE BUDGET HEARING, FEBRUARY 26, 2020, <https://www.congress.gov/116/meeting/house/110584/witnesses/HHRG-116-AS00-Wstate-MilleyM-20200226.pdf#page=3>

190 <https://www.aei.org/wp-content/uploads/2021/03/The-2020s-Tri-Service-Modernization-Crunch-1.pdf?x91208#page=8>

191 Heritage Foundation, 2021 Index of U.S. Military Strength: Executive Summary, November 17, 2020, <https://www.heritage.org/military-strength/executive-summary>

192 U.S. Navy, accessed on May 4, 2021, "About: Mission", <https://www.navy.mil/About/Mission/>

193 Popular Mechanics, BY KYLE MIZOKAMI, September 3, 2020, "Yes, China's Navy Is the Largest in the World—but There's a Catch", <https://www.popularmechanics.com/military/weapons/a33901432/china-navy-size/>

194 Harold Hutchison, Daily Caller, "Obama Navy Now Half The Size Of Reagan Navy", October 18, 2015.



tion's ten-year goal of reaching a fleet of 355 fighting ships.<sup>195</sup>

### **The Air Force**

The Air Force is a key foundation of our defense posture in the face of a rising China. China has invested massive resources into a strategy of “anti-access, area denial” (A2/AD), which would prevent the U.S. Air Force from projecting power in the event of an eventual conflict. In 2018, the Air Force performed a congressionally mandated study to assess its force structure and modernization requirements by 2030. The study found that 386 squadrons would be needed by 2030 to meet the demands of the Trump administration's 2018 National Defense Strategy, a 25 percent increase from current levels. In comparison, at the end of the Cold War, the Air Force had 401 operational squadrons.<sup>196</sup> In addition, a number of the Air Force's aircraft are quickly reaching the end of their service life in the next decade, including the Air Force's 234 F-15C/Ds.<sup>197</sup> As Mackenzie Eaglen has pointed out, “80 percent of the Air Force's roughly 2,050 fighters are A-10s, F-15C/Ds, F-15Es, and F-16C/Ds—all originally designed in the 1970s and purchased through the 1990s.”<sup>198</sup> Yet the Air Force's budget remains insufficient to meet modernization goals in time, leaving it with an outdated fleet and delayed next-generation aircraft programs.<sup>199</sup>

The RSC Budget would invest in Air Force modernization to meet current threat requirements. The RSC Budget would support the procurement and fielding of the B-21 Raider Long-Range Strike Bomber, eventually replacing older aircraft like the B-52 which first flew in 1952, as well as the procurement of adequate numbers of F-35 and F-15EX fighters in order to maintain effective force structure to deter current and future threats. Both China and Russia have dramatically increased their procurement of 5th generation fighters including the Sukhoi Su 57 and the Chengdu J-20.

### **The Army**

Despite the shifting of defense priorities to the Navy and Air Force, the Army continues to require investment in both readiness and modernization. Yet its budget has been flat since FY 2018, which, as The Heritage Foundation has pointed out means that it has suffered a decline of over \$13 billion in buying power when considering inflation.<sup>200</sup> General Milley has said the Regular Army should be in the neighborhood of 540,000 soldiers,<sup>201</sup> while it sits at 485,000 soldiers today.<sup>202</sup> Ryan McCarthy, Army Secretary under President Trump, has stated that the Army at least needed 500,000 soldiers,

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195 U.S. Department of Defense, Statement From Deputy Secretary of Defense David L. Norquist on the Department of the Navy's Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels, December 10, 2020, <https://www.defense.gov/Newsroom/Releases/Release/Article/2442969/statement-from-deputy-secretary-of-defense-david-l-norquist-on-the-department-o/>

196 U.S. Air Force, Accessed on May 4, 2021, “The Air Force We Need: 386 operational squadrons”, <https://www.af.mil/News/Article-Display/Article/1635070/the-air-force-we-need-386-operational-squadrons/>

197 AEI, by Hallie Coyne, March 2020, “The 2020s Tri-Service Modernization Crunch”, <https://www.aei.org/wp-content/uploads/2021/03/The-2020s-Tri-Service-Modernization-Crunch-1.pdf?x91208#page=19>

198 Ibid.

199 AEI, by Hallie Coyne, March 2020, “The 2020s Tri-Service Modernization Crunch”, <https://www.aei.org/wp-content/uploads/2021/03/The-2020s-Tri-Service-Modernization-Crunch-1.pdf?x91208#page=52>

200 <https://www.heritage.org/defense/commentary/dont-cut-the-army-2021>

201 The Heritage Foundation, by Thomas W. Spoeher, August 22, 2019, “Rebuilding America's Military Project: The United States Army”, [https://www.heritage.org/sites/default/files/2019-08/SR215\\_0.pdf](https://www.heritage.org/sites/default/files/2019-08/SR215_0.pdf)

202 Center for Strategic and International Studies, by Mark F. Cancian, October 28, 2020, “U.S. Military Forces in FY 2021: Army”, U.S. Military Forces in FY 2021: Army | Center for Strategic and International Studies (csis.org)



which is 20,000 more than current levels.<sup>203</sup> Furthermore, the M-1 tank and the Bradley are now 40 years old and need replacements. Attempts to replace the Army's thousands of Bradleys have been underway since 2003. The Army has had to cut costs and make tough choices and may have to slash troop strength and training to fund its "Big Six" modernization priorities: Long-Range Precision Fires (LRPF), Next-Generation Combat Vehicles (NGCV), Future Vertical Lift (FVL), air and missile defense, secure battlefield networks and soldier lethality. Of these, the most pressing priority is the modernization of long-range artillery and missiles in the LRPF which would replace the Cold War-era ATACMS.<sup>204</sup> As CRS has noted, "Both the 2018 National Defense Strategy and the Army's Multi-Domain Operations operational concept call for improved Army LRPF capability to counter what has been described as Russian and Chinese anti-access, area denial (A2/AD) strategies designed to limit the freedom of movement and action of U.S. forces in both Europe and the Pacific region."<sup>205</sup>

The RSC Budget supports increasing the Army's force structure, readiness, as well as investment in modernization efforts to fund the Big Six priorities, especially the procurement of LRPFs. The RSC Budget also supports enlarging the Army's force structure in order to meet Combatant Command needs. Last, it supports the continued deployment of Terminal High Altitude Air Defense (THAAD) batteries, Future Long-Range Assault Aircraft, Future Attack Reconnaissance Aircraft, and the procurement of CH-47 Block II heavy-lift helicopters.

### **The Marine Corps**

In entering the new era of great-power competition, the Marines have had to pivot their focus away from land armies for ground warfare in the Middle East and South Asia to a new concept focused on amphibious assault in the Indo-Pacific. In implementing this new concept, Marine Corps Commander General David Berger has envisioned smaller units of Marines operating across a large geographic area. As Eaglen has pointed out, "this will drive the need for longer-range transportation, communications, sensors, and fires to support a more distributed, agile force."<sup>206</sup> In modernizing its ground forces, the Marines will be replacing the aging Assault Amphibious Vehicle with the Amphibious Combat Vehicle. It will also be replacing the high-mobility multipurpose wheeled vehicle with the Joint Light Tactical Vehicle (JLTV) and will soon replace the almost 40-year-old Light Armored Vehicle with a new vehicle. The Marines will also be replacing the F-35B/C and CH-53K aircraft in the next 5 years.

The RSC Budget supports the expansion of the Pacific Deterrence Initiative and recognizes the Marine Corps' vital participation in those efforts. The RSC Budget supports the development of the Marine Corps' long-range precision fires capability necessary to deter the Chinese military throughout the Pacific region and implement the Trump administration's National Defense Strategy and opposes efforts by House Democrats to slash funding for the program.<sup>207</sup> The RSC Budget supports the Marine

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203 Heritage Foundation, 2021 Index of U.S. Military Strength: U.S. Army, November 17, 2020, <https://www.heritage.org/2021-index-us-military-strength/assessment-us-military-power/us-army>

204 Institute for Defense and Government Advancement, by Elizabeth Mixson, May 29, 2019, "The Army's Top LRPF Strategic Priorities & Developments", <https://www.idga.org/land/whitepapers/long-range-precision-fires-in-2019-the-armys-top-priorities>

205 Congressional Research Service, March 16, 2021, "U.S. Army Long-Range Precision Fires: Background and Issues for Congress", <https://fas.org/sgp/crs/weapons/R46721.pdf>

206 AEI, by Hallie Coyne, March 2020, "The 2020s Tri-Service Modernization Crunch", <https://www.aei.org/wp-content/uploads/2021/03/The-2020s-Tri-Service-Modernization-Crunch-1.pdf?x91208#page=47>

207 Defense News, by Jen Judson, December 23, 2020, "Lawmakers slash funding for Marine Corps' long-range fires development", Lawmakers slash funding for Marine Corps' long-range fires development (defense-news.com)

Corps' development of Ground-Based Anti-Ship Missiles and the procurement of Marine Corps Tomahawk missiles. Finally, it supports the Marine Corps' continued replacement of its Assault Amphibious Vehicle, and plans to replace the Light Armed Vehicle, and continued procurement of CH-53K heavy-lift helicopters, and F-35B-Cs.

### **The Space Force**

The RSC Budget supports the Trump administration's establishment of the Space Force and former President Trump's goal of ensuring American dominance in space. The Space Force will be absolutely essential in the new era of great power competition, especially as both China and Russia have established a space force of their own and continue to upgrade their capabilities.<sup>208</sup> As John Venable from The Heritage Foundation has noted, "The U.S. is only now reaching parity with Russia and China's counter-space capabilities."<sup>209</sup>

The Space Force has just six dedicated satellites for space situational awareness (SSA) and will launch two more in 2021, but, as John Venable of The Heritage Foundation has noted, this will still be far too few sensors to monitor the satellites of China and Russia.<sup>210</sup> Furthermore, despite the establishment of the Space Force in 2019, only around half of all space-related assets and personnel have been assigned to the Space Force.

The RSC Budget supports the fielding of a new constellation of less costly surveillance platforms in low earth orbit (LEO) by the Space Force. It supports placing space-related assets in the primary responsibility of the Space Force. In addition, the RSC Budget supports the continued development of the X-37 Orbital Test Vehicle for the Space Force, as well as the deployment of space-based radars capable of rapid revisit rates. Finally, the RSC Budget also continues to support the creation of an independent acquisition office for the Space Force.<sup>211</sup>

### **Nuclear, ICBM, Outer Space, and Cyberspace Capacities**

Regardless of the advances and investments made in America's conventional forces, a failure in U.S. capabilities with regards to nuclear weapons, cyberspace and outer space can render our conventional military incapacitated and leave our homeland vulnerable to attack. The RSC Budget continues to support the goals of the Trump administration to maintain and modernize our nuclear warheads, the triad of delivery vehicles, and our command and control and early warning systems. This budget also supports new low-yield device development, which adds flexibility to our nuclear arsenal.<sup>212</sup> It is imperative that the U.S. maintain the ability to deploy both strategic and low-yield weapons by submarine and land-based missiles, as well as air-launched and dropped vehicles. It is also essential that we maintain our capacity to produce the plutonium-239 and tritium (heavy hydrogen) that is required to produce warheads and keep existing ones operational.<sup>213</sup> The RSC Budget also supports the

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208 The Heritage Foundation, "Does the United States Need a Space Force?", <https://www.heritage.org/space-policy/heritage-explains/does-the-united-states-need-space-force>

209 The Heritage Foundation, by John Venable, April 27, 2021, "Rebuilding America's Military: The United States Space Force", <https://www.heritage.org/defense/report/rebuilding-americas-military-the-united-states-space-force>

210 Ibid.

211 Ibid.

212 2018 Nuclear Posture Review <https://media.defense.gov/2018/Feb/02/2001872886/-1/-1/1/2018-NUCLEAR-POSTURE-REVIEW-FINAL-REPORT.PDF>

213 Franklin C. Miller and John R. Harvey "Commentary: The looming crisis for US tritium production." <https://www.defensenews.com/opinion/commentary/2017/03/06/commentary-the-looming-crisis-for-us-tritium/>

Ground Based Strategic Deterrent, the land-based intercontinental ballistic missile system to replace the obsolete Minutemen III missiles. While Russia, China and North Korea continue to expand their nuclear and missile capacities, a failure in any component of our nuclear and missile systems could allow these adversaries to negate all the other abilities of our military and to destroy critical military infrastructure, including even our ability to use nuclear weapons in a second-strike capacity. As such, the RSC Budget flatly rejects the misguided and ill-informed policy of the Biden administration which seeks to diminish our nuclear capabilities, and to block modernization of these vehicles and war-heads.

Beyond the commonly discussed threat from nuclear weapons, they can be used to generate an electromagnetic pulse (EMP).<sup>214</sup> A single nuclear device, detonated at high altitudes, can produce an EMP capable of destroying electronic devices and power grids over a large region of the U.S. This threat, and the developments of both the Russians and Chinese to produce anti-satellite weapons, highlights the prudence of former President Trump to centralize military space functions under a Space Force so the United States can continue to enhance its presence and capacities in outer space.<sup>215</sup> This budget supports the goals of former President Trump to ensure the U.S. is capable of intercepting long range missiles, most of which would traverse space if used, and can have adequate offensive and defensive abilities with regards to satellites. The satellite network around our planet is vital for banking, telecommunications, GPS, and a host of other military and civilian systems that are vital to our modern life and national security. Without the ability to operate in outer space, our enemies could easily destroy these systems that every American relies on.

Furthermore, RSC supports continued investments in U.S. cyber operations. This arena is similarly vital to the everyday lives of Americans. The failure of our military to adequately defend cyberspace could allow an adversary to incapacitate our entire electrical grid. This would bring our nation to the edge of destruction and threaten the lives of almost everyone in the nation. This is not simply a future threat. For instance, North Korea and Russia have already engaged in this realm with repeated cyber-attacks on Americans.<sup>216 217</sup>

### **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. As expensive as peace-time military operations are, major wars can demand the quick expenditure of large amounts of capital. The American Revolution, the Civil War, and World War I all required adding roughly 30 percent of GDP to the national debt, with World War II alone requiring roughly 60 percent. We must ensure the federal government's fiscal house is in order should this level of borrowing be necessary in another worst-case scenario. The grievous level and trajectory of our national debt led a bipartisan group of leading national secu-

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um-production/.

214 March 27, 2019 <https://www.dhs.gov/news/2019/03/27/secretary-nielsen-statement-executive-order-protect-us-electromagnetic-pulse-attacks>.

215 Sandra Erwin U.S. intelligence: Russia and China will have 'operational' anti-satellite weapons in a few years <https://spacenews.com/u-s-intelligence-russia-and-china-will-have-operational-anti-satellite-weapons-in-a-few-years/>.

216 As Trump and Kim Met, North Korean Hackers Hit Over 100 Targets in U.S. and Ally Nations <https://www.nytimes.com/2019/03/03/technology/north-korea-hackers-trump.html>.

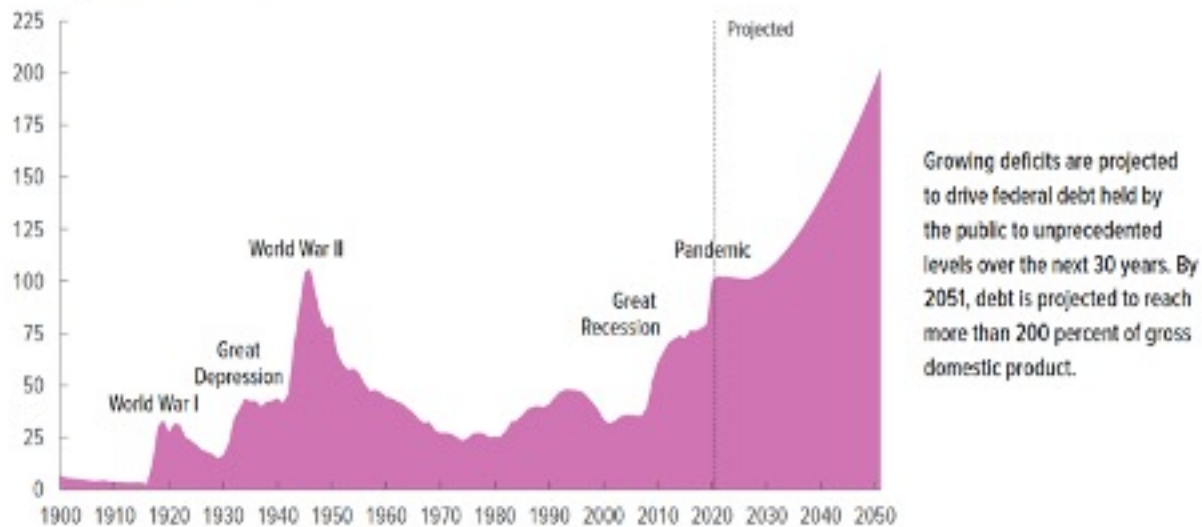
217 BBC, April 15, 2021, "US imposes sanctions on Russia over cyber-attacks", <https://www.bbc.com/news/technology-56755484>

rity officials to write that “[o]ur long-term debt is the single greatest threat to our national security.”<sup>218</sup> Regardless of how capable our standing military is, if those that wish us and our allies ill know we cannot afford to use it for long, it will not serve as an effective deterrent nor be able to guarantee our freedom and safety.

Figure 1.

### Federal Debt Held by the Public, 1900 to 2051

Percentage of Gross Domestic Product



Data source: Congressional Budget Office. See [www.cbo.gov/publication/56977#data](https://www.cbo.gov/publication/56977#data).

Growing deficits are projected to drive federal debt held by the public to unprecedented levels over the next 30 years. By 2051, debt is projected to reach more than 200 percent of gross domestic product.

CBO “The 2021 Long-Term Budget Outlook” March 4, 2021 <https://www.cbo.gov/publication/56977>

Congress and the Department of Defense (DOD) should commit to comprehensive acquisition reform, not only to prevent wasteful spending, but also to ensure America’s warfighters have the best and most affordable equipment available. Simply put, the DOD needs to improve the way it buys weapons and services. Until 2018, “DOD was the only large federal agency not under full financial statement audit.”<sup>219</sup>

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. According to the Congressional Budget Office (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, explain most of the growth.<sup>220 221</sup> While it is imperative our soldiers and veterans receive the best possible care available, these increases can crowd out funding for readiness. Congress and the DOD should also consider the recommendations of the congressionally established Military Compensation and Retirement Modernization Commission to ensure our

218 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>.

219 Ibid

220 Congressional Budget Office, “Approaches to Changing Military Health Care,” October 2017. <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53137-approachestochangingmilitaryhealthcare.pdf>.

221 Ibid.



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.”<sup>222</sup> The commission recommended replacing 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.”<sup>223</sup>

According to the Congressional Research Service (CRS), “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.”<sup>224</sup> In recent years, the defense budget has included over half a billion dollars 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).<sup>225</sup> According to the Taxpayers for Common Sense, “These programs are clearly earmarks and therefore take money away from other necessary Defense Department functions.”<sup>226</sup> The RSC Budget would transition the non-defense related medical research out of the defense budget.

DOD should not waste valuable taxpayer dollars on inefficient forms of energy. Energy needs should be met through the most cost-effective and tactically sound methods possible. The DOD 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 Budget also opposes efforts by Democrats to turn the annual defense authorization bill into a testing ground for its progressive social and environmental goals.

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

### **International Assistance Reform**

The RSC Budget views our international assistance and aid money as a tool to help develop a freer, more prosperous, more stable, and more peaceful planet. The RSC Budget champions efforts to support the development of institutions that defend human rights and freedoms globally and in developing nations. We should ensure that U.S. aid is used for intended purposes and not to support corrupt regimes. The RSC Budget supports UN reforms to limit the power of nations such as Russia, China, state sponsors of terrorism, and human rights abusers. Furthermore, the RSC Budget would continue to support a certification requirement in annual appropriations, that unfortunately was removed from recent appropriations bills, which would condition some assessed contributions to the UN on protections for whistleblowers. Finally, the RSC Budget supports reigning in U.S. assessments to the UN

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222 Military Compensation and Retirement Modernization Commission, “MCRMC Recommendations Overview,” January 29, 2015. [https://www.cna.org/cna\\_files/pdf/Presentation-MCRMC-Recommendations.pdf](https://www.cna.org/cna_files/pdf/Presentation-MCRMC-Recommendations.pdf).

223 Ibid

224 Don J. Jansen, Congressional Research Service, “Congressionally Directed Medical Research Program Funding for FY2015 and FY2016,” February 2, 2016.

225 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](https://report.nih.gov/categorical_spending.aspx).

226 John M. Donnelly, CQ, “Funding Medical Research With Defense Dollars,” July 28, 2012. <http://public.cq.com/docs/weeklyreport/weeklyreport-000004132596.html>.



for peacekeeping operations, ensuring that such assistance does not constitute over 25% of the UN's peacekeeping operations budget.

The RSC Budget would also reform the State Department and replace the Foreign and Civil Service systems with a modernized hiring standard based on merit, similar to reforms offered in other parts of this budget reforming federal hiring for other agencies. The RSC Budget would also reform U.S. global broadcasting programs and counter-disinformation efforts by moving public diplomacy bureaus, and the Global Engagement Center, out of the State Department and into a reconstituted U.S. Information Agency (USIA) run by an empowered CEO. A reconstituted USIA should also be able to allow its media organizations to provide grants in a competitive process to both for-profit and nonprofit private organizations to create content for counter disinformation efforts. In the media landscape, the private sector is more dynamic and creative than government bureaucrats at the Department of State.

The RSC Budget supports a realistic review of our support of multilateral and international organizations in the mold of the United Kingdom's multilateral aid review. Such a review should withdraw support from international organizations that are corrupt and unfixable, which would likely include both the World Health Organization and the UN Human Rights Council. Upon withdrawal, the United States could attempt to establish alternative mechanisms of multilateral cooperation with democratic partners. At the same time, the RSC Budget would seek to reform other international organizations or UN bodies which the U.S. remains a part of and work with allies and partners to compete against China. The RSC Budget also supports the work of the Millennium Challenge Corporation, which gives aid to nations that reform their policies to be freer, more free-market oriented, and that implement protections for the natural rights of their citizens.

The RSC Budget calls for the repeal of Cargo Preference For Food Aid (CPFA) requirements 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).<sup>227</sup> Former head of US-AID, Andrew Natsios, testified that "in the last ten years, the U.S. 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."<sup>228</sup>

The RSC Budget would also call for the reform of the Food for Peace program by eliminating U.S. procurement requirements for agricultural commodities. It would further reform the program by eliminating the practice of "monetization," which forces the government to procure agricultural commodities from domestic sources, ship them overseas on U.S.-flagged vessels, and donate them to nongovernmental organizations. Under current law, these organizations 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, prevent aid efforts to millions

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227 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>; Cargo Preference Increased Food Aid Shipping Cost; Benefits Remain Unclear GAO-18-193T: Published: Oct 19, 2017. Publicly Released: Oct 19, 2017 <https://www.gao.gov/products/GAO-18-193T>

228 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>.

of recipients in need, distort local markets and stunt economic development in these areas. 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 and support American geopolitical interests around the world.



# ***PROTECTING CONSERVATIVE VALUES***



Congressional and Presidential budgets reflect the values of their authors. The RSC remains committed to policies that abide by the Constitution and that defend the God given and individual rights to life, liberty, and property.

Emboldened by the pandemic, the Left has taken steps to undo these founding principles. Their efforts mirror the devastating Fascist and Socialist regimes of the 20th Century and seek to destroy the notion of individual rights. At its core, the disagreement between socialists and conservatives lies with the concept of what it means to be human. In their arrogance, the Left believes that power should be concentrated in the hands of a few, that individuals cannot be allowed to manage their own lives, and that the individual is worthless without the guiding hand of the state. This disastrous notion has led to some of the worst horrors in human history. It must not be repeated. The RSC is committed to stopping this movement and safeguarding our foundational values.

This section of the RSC Budget is dedicated to preserving our natural rights and to championing the values that make up the foundation for a prosperous future.

### **The Right to Life**

Abortions are responsible for over 1 billion lives lost since 1920, globally,<sup>229</sup> and 73 million lost annually (equal to all the deaths of the Second World War).<sup>230</sup> It is clear that current federal policies fail to uphold the 14th Amendment and protect the right to life of our nation's most vulnerable.

The RSC Budget prioritizes the sanctity of human life and is the most pro-life congressional budget ever proposed. Under no circumstance should any federal policy or benefit directly or indirectly facilitate or subsidize abortions.

The RSC Budget also supports the many pro-life appropriation amendments consistently offered by conservative members. It will continue to push for the codification of these vital protections in order to provide them on a permanent and reliable basis.

At the beginning of the 117th Congress, the RSC's Steering Committee took an official position to adopt a letter spearheaded by RSC Chairman Jim Banks that pledged to vote against any legislation that eliminates or weakens the Hyde Amendment or other existing pro-life policies. The RSC Budget reiterates this position.

Additionally, the RSC Budget supports the following measures designed to advance the pro-life cause:

- Rep. Virginia Foxx's (R-VA) bill, the Title X Abortion Provider Prohibition Act, which would prohibit abortion providers, including Planned Parenthood, from receiving Title X funding.
- Rep. Mike Kelly's (R-PA) bill, the Heartbeat Protection Act, which would prohibit abortions after a fetal heartbeat has been detected.
- Rep. Jody Hice's (R-GA) bill, the Sanctity of Life Act, which would declare that human life begins at conception.
- Rep. Ann Wagner's (R-MO) bill, the Born-Alive Abortion Survivors Protection Act, which would

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229 Family Research Council, "Abortion Worldwide Report: 100 Countries, 1 Century, 1 Billion Babies," January 25, 2017, <https://www.frc.org/events/abortion-worldwide-report-100-countries-1-century-1-billion-babies>.

230 Guttmacher Institute, "Unintended Pregnancy and Abortion Worldwide," July 2020, <https://www.guttmacher.org/fact-sheet/induced-abortion-worldwide>

protect infant survivors of abortion and ensure that all infants born alive receive the same degree of care, regardless of their gestational age. Rep. Kat Cammack also led a successful discharge petition of the bill, breaking the 1st day record. The discharge petition currently has 209 Republican Members signed onto the bill.

- Rep. Michael Cloud's (R-TX) bill, the Women's Public Health and Safety Act would amend Medicaid to allow states to prevent abortion providers from receiving funding.
- RSC Chairman Jim Banks' (R-IN) bill, the Taxpayer Conscience Protection Act, which would require public reporting on Medicaid funds given to abortion providers.
- Rep. Blaine Luetkemeyer's (R-MO) bill, the Protecting Life and Integrity in Research Act, which would prohibit fetal tissue research on remains obtained from induced abortions
- RSC Chairman Jim Banks' (R-IN) bill, the Patients First Act, which would promote the use of adult stem cells for research purposes and prohibit the use of fetal stem cells or the creation of a human embryo for research purposes.
- Rep. Debbie Lesko's (R-AZ) bill, the Dismemberment Abortion Ban Act, which would ban dismemberment abortions.
- Rep. Ron Estes' (R-KS) bill, the Protecting Individuals with Down Syndrome Act, which would ban the performance of an abortion because a baby received a prenatal diagnosis of Down Syndrome.
- Rep. Bob Latta's (R-OH) bill, the Support and Value Expectant Moms and Babies Act, which would block the approval of new drugs that cause medical abortion.
- RSC Rep. Chairman Jim Banks' (R-IN) bill to prohibit Biden from rescinding President Trump's Title X family planning program, which stops funds from going to entities, such as Planned Parenthood, that use Title X funds to provide abortion.
- Rep. Chris Smith's (R-NJ) bill, the No Taxpayer Funding for Abortion and Abortion Insurance Full Disclosure Act, which would 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 being used to purchase of health plans that include elective abortion coverage.
- Rep. Andy Harris' (R-MD) bill, the Conscience Protection Act, which would prevent government at the local, state, or federal level from discriminatory practices and penalization of health care providers that do not participate in highly controversial abortion services.
- RSC Rep. Chairman Jim Banks' (R-IN) bill, the Taxpayer Conscience Protection Act, which would require States to report information on Medicaid payments to abortion providers.
- Rep. Jason Smith's No Abortion Bonds Act, which would remove the tax-exempt status of any bond that goes to an abortion provider or abortion clinic. While the Hyde Amendment prohibits the use of taxpayer funds for abortion or abortion-related services, a loophole exists in the tax code that has allowed millions in municipal bonds to go toward the construction of abortion provider offices and clinics.
- Rep. Ann Wagner's Prenatal Nondiscrimination Act, which would ban discrimination against the unborn on the basis of sex and ban sex-selective abortions.

### **Protect the Second Amendment**

While the First Amendment defends our rights as individuals, the Second Amendment ensures the protection of these rights from others and would-be tyrants. Tragically, the Second Amendment is under siege from the Left, including President Biden. The RSC budget opposes the Left's crusade to infringe on Americans' right to bear arms.



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 state governments to acknowledge or not acknowledge 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 19 today.<sup>231</sup>

The RSC Budget calls for enactment of Rep. Richard Hudson’s (R-NC) 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. The RSC Budget would also implement Rep. Jeff Duncan’s (R-SC) Hearing Protection Act to stop considering silencers as firearms and effectively remove silencers from regulation under the National Firearms Act, as well as Rep. Bob Good’s (R-VA) SHUSH Act.

### **Defense of Religious Freedoms**

Since *Obergefell v. Hodges*, many individuals and organizations that hold the belief that marriage is between one man and one woman have faced federal discrimination for their sincerely held religious beliefs. The RSC continues to pursue policies that protect Americans’ right to live according to their beliefs without discrimination, persecution, or retaliation from the federal government. The RSC Budget supports legislation to protect our First Amendment rights, uphold the Constitution, restore religious freedom, and prevent discrimination against our churches, non-profits, and faith-based organizations. The RSC Budget would ensure that such organizations are not discriminated against in federal grant making procedures. It adopts Rep. Mike Kelly’s (R-PA) Child Welfare Provider Inclusion Act, a bill that would ensure faith-based institutions and individuals can continue to provide child welfare services and will not be discriminated upon based on their beliefs and Rep. Ted Budd’s (R-NC) bill, the Equal Treatment of Faith-Based Organizations Act.

### **Opposing Federal Efforts to Redefine Gender and Protecting Conscience Rights**

The RSC Budget reaffirms our commitment to oppose federal efforts to redefine gender and to protect women, girls, and children while also protecting conscience rights. We condemn the efforts of President Biden and Congressional Democrats to redefine and demonize traditional American values. These assaults on conscience rights and protected groups undermine our entire society. This budget would adopt the following legislation to begin pushing back on these efforts and to restore our foundational values:

- Rep. Mary Miller’s (R-IL) bill, the Safety and Opportunity for Girls Act, to protect spaces for women and girls in schools. This bill would prevent the Title IX provisions in President Biden’s Executive Order on sexual orientation and gender identity from being implemented.
- Rep. Greg Steube’s (R-FL) bill, the Protection of Women and Girls in Sports Act, reaffirming the purpose of Title IX, ensuring that women and girls are allowed a fair playing field in competitive sports by prohibiting the use of Title IX funds to support women’s sports in which biological male athletes are allowed to participate against biological female athletes.
- Rep. Doug LaMalfa’s (R-CA) bill, the Protecting Children From Experimentation Act, which prohibits doctors from performing experimental gender reassignment treatment on minors
- Rep. Doug LaMalfa’s (R-CA) bill, the End Taxpayer Funding of Gender Experimentation Act, which prohibits federal funding of gender reassignment surgeries and treatments.

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231 U.S. Concealed Carry Association, “Constitutional Carry/Unrestricted/Permitless Carry,” Accessed April 11, 2021, <https://www.usconcealedcarry.com/resources/terminology/types-of-concealed-carry-licensurepermitting-policies/unrestricted/>.

## **Secure America's Borders and Protect the Homeland**

The RSC Budget recognizes that protecting American security hinges on maintaining operational control of our nation's borders. Additionally, we believe U.S. immigration policy should be designed to primarily serve the interest of American citizens, families, and workers. We embrace these principles:

- Immigration policy should protect our national security by protecting the American people from terrorism, cartels, and other threats to their safety;
- Immigration policy should prioritize American workers, help grow our middle class, raise wages, and enhance economic opportunity for all lawful residents;
- Immigration policy should respect the rule of law, along with immigrants that honor our legal immigration processes, rather than incentivize law breaking; and
- Immigration policy should aim to assimilate legal immigrants into the American family so they too can take pride in our values, history, and heritage.

An immigration policy that embraces these principles would lead to a safer, more secure, more prosperous, and more united country.

Conversely, President Biden and Congressional Democrats have rolled out the welcome mat to all who would illegally cross into the United States. President Biden has promised a complete welfare state and amnesty to illegal aliens. Following in President Obama's footsteps, Biden has issued numerous executive orders supporting illegal Obama-era policies and undermining the enforcement of our nation's immigration system and border security.

This open invitation has triggered a full-blown border crisis marked by a surge in illegal crossings and human trafficking. This is exactly the crisis that President Trump and Republicans predicted and worked to prevent. The RSC Budget condemns the reckless actions of the Biden administration that have allowed the following to occur:

- At 136,679, the average monthly illegal crossings of the Southwest border since Biden took office is 142% higher than the average of 56,420 during this time period averaged over the three full fiscal years Trump was in office after beginning to secure our borders.<sup>232</sup> In certain sectors, encounters are up over 368% since last year.<sup>233</sup>
- According to the Texas Department of Public Safety, the number of illegal aliens that cross the border and then disappear into the interior of the country is up 156%.<sup>234</sup>
- 2 Yemenis on a Terror Watchlist arrested attempting to cross into the US across the Southern Border.<sup>235</sup>
- Some of Biden's holding cages for kids were at 1556% capacity, and he denied Congress and the press access to these facilities.<sup>236</sup>

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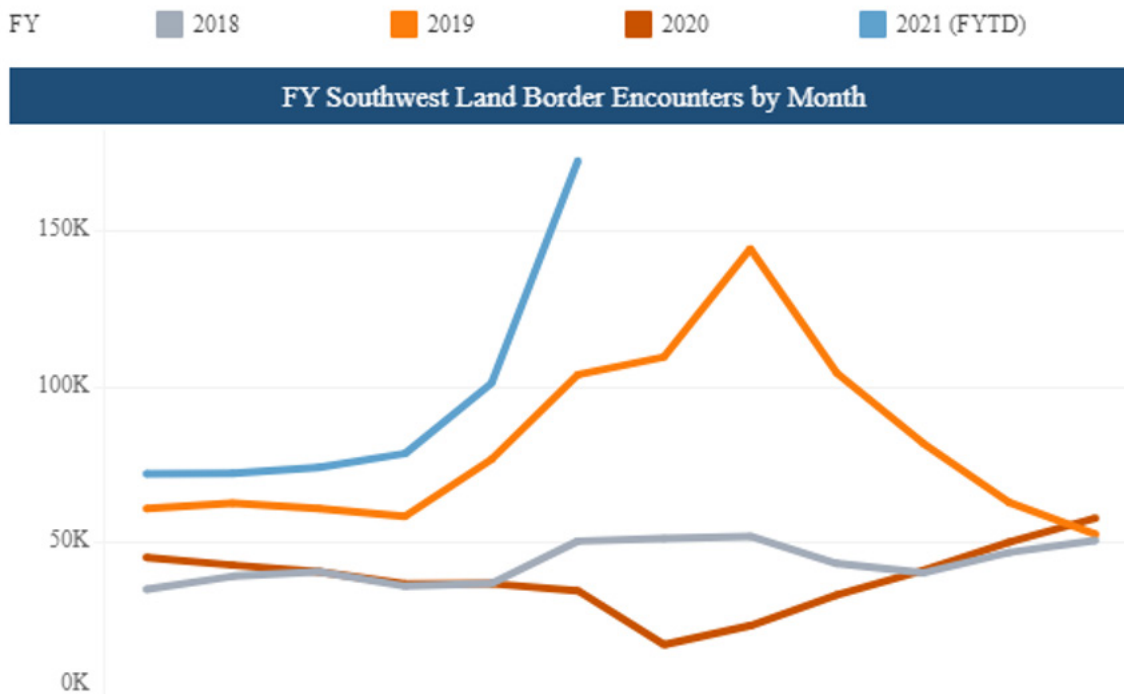
232 U.S. Customs and Border Protection, "Southwest Land Border Encounters," Accessed on April 11, 2021, <https://www.cbp.gov/newsroom/stats/southwest-land-border-encounters>.

233 U.S. Customs and Border Protection, "Southwest Land Border Encounters (By Component)," Accessed on April 11, 2021, <https://www.cbp.gov/newsroom/stats/southwest-land-border-encounters-by-component>.

234 Stephen Dinan, "Border-Jumping 'Gotaways' Spike 156% From Last Year," The Washington Times, April 15, 2021, <https://www.washingtontimes.com/news/2021/apr/15/mexico-border-jumping-gotaways-spike-2020/>.

235 5, 2021, <https://www.reuters.com/article/us-usa-border-security/u-s-arrested-two-yemenis-on-terror-watchlist-who-tried-to-cross-border-from-mexico-idUSKBN2BS1XO>.

236 Benjamin Siegel, "New Photos Show Migrants in Overcrowded Border Patrol Facility in Texas," ABC News, March 22, 2021, <https://abcnews.go.com/Politics/photos-show-overcrowded-border-patrol-facility-texas/story?id=76604072>.



The RSC Budget supports Rep. Clay Higgins’ (R-LA) bill, the Finish the Wall Act, which is committed to securing our borders by finishing the wall construction projects proposed by Trump, enforcing current immigration laws, prohibiting the illegal movement of people, weapons, and drugs, and strict enforcement of penalties arising from breaking those laws.

It is also essential that the federal government prohibit people from overstaying their visas by rigorously enforce visa limits. The RSC Budget encourages attempts to add bonding requirements to certain visas with high overstay rates to mitigate the issue of visa overstays.

The RSC Budget would prohibit federal funds from going to cities or jurisdictions operating as sanctuaries for illegal immigrants. There are over 190 of these so-called sanctuary jurisdictions across the country.<sup>237</sup> Many cities have seen increased crime rates since declaring themselves sanctuary cities, which refuse to implement federal immigration laws.<sup>238</sup> Accordingly, the RSC Budget supports Guy Reschenthaler’s (R-PA) No Sanctuary for Criminals Act.

The RSC budget supports Rep. Randy Feenstra’s (R-IA) bill, Sarah’s Law, to ensure that federal authorities can detain, until ICE can process them, any illegal alien that commits a crime that results in the death of another person. This budget would also implement Rep. Mike Johnson’s (R-LA) bill, the Closing Asylum Loopholes Act, which establishes standardized and robust criteria for assessing asylum claims, including recording such interviews, the Expatriate Terrorist Act, which allows the revocation of citizenship for those that commit terrorism, and the Diamond and Silk Act, which would create a private right of action for victims of illegal alien crime to sue sanctuary jurisdictions for damages. Additionally, the RSC Budget supports hiring more immigration judge teams to handle backlogs and make it easier to secure our borders and ports of entry.

237 Center for Immigration Studies, “Map: Sanctuary Cities, Counties, and States,” Updated on March 22, 202, <https://cis.org/Map-Sanctuary-Cities-Counties-and-States>.

238 Stephen Owsinski, “Sanctuary Cities: The Costs to Taxpayers,” Fox News, December 9, 2016, <http://www.foxnews.com/us/2016/12/09/sanctuary-cities-costs-to-taxpayers.html>.

The RSC Budget also supports ending the diversity lottery visa program and limiting chain migration to the spouses and children of U.S. citizens and legal permanent residents. The diversity lottery visa program arbitrarily hands out 55,000 visas a year to people who have not necessarily been vetted to determine their potential dangerousness, whether they can offer valuable skills to our nation, or whether they will be a financial burden to the United States.<sup>239</sup> Similarly, chain migration is used to bring distantly related family members of a U.S. citizen or legal permanent resident into our country. In FY 2019 68.8% of new immigrants came in through chain migration and only 13.5% came in as prospective employees.<sup>240</sup> The RSC budget would also require employers to use the E-Verify system, produced by DHS, before they employ someone to ensure that their prospective employee is legally allowed to work in the U.S. This will ensure jobs are available for Americans. Paired with other reforms in this budget, such as pro-growth policies and welfare reform designed to facilitate work, this will help millions of Americans to find long-term gainful employment.

The RSC Budget would also support the intent of the 14th Amendment by only conferring citizenship, at birth, to someone born of at least one U.S. citizen or legal permanent resident of the United States. The common practice of conferring citizenship to almost anyone physically born on U.S. soil has been used to allow people to break U.S. law by entering illegally and then have a child that is a U.S. citizen. Then they can use chain migration to become U.S. citizens themselves. The RSC budget would also implement Rep. Matthew Rosendale's (R-MT) bill, REMAIN in Mexico Act of 2021; Rep. Warren Davidson's (R-OH) bill, Fairness in Representation Amendment; and Rep. Vicky Hartzler's (R-MO) bill, Eradicate Crossing of Illegal Tunnels (EXIT).

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239 Kaitlyn Schallhorn, "What is the Diversity Visa Program and Why Does Trump Want to End It?" Fox News, January 15, 2018, <https://www.foxnews.com/politics/what-is-the-diversity-visa-program-and-why-does-trump-want-to-end-it>.

240 U.S. Department of Homeland Security, "Table 6: Persons Obtaining Lawful Permanent Resident Status By Type And Major Class Of Admission: Fiscal Years 2017 To 2019," Accessed April 11, 2021, <https://www.dhs.gov/immigration-statistics/yearbook/2019/table6#>.



***PERSONALIZED***  
**— AND —**  
***AFFORDABLE***  
**HEALTH CARE**





To reduce costs, improve quality, and foster transparency and innovation, the RSC Budget supports reforms that would make our national healthcare system programs more market-oriented, locally and community centered, and patient-driven. By tying federal health care aid to need, measured by services required and income, we can decouple program spending from the causes of spiraling inflation. The current price spiral comes from the aging of the population and inefficient one-size-fits-all federal healthcare programs. A streamlined approach, focusing on need, will arrest these out-of-control costs before they bankrupt the country. We can do this while ensuring proper health care provision for seniors and other populations that need assistance to access healthcare.

The RSC Budget also acknowledges that ensuring public health is a proper role for the federal government. It is appropriate for the federal government to undertake activities designed to prepare for and combat disease outbreaks, such as the COVID-19 pandemic. The federal government may also appropriately facilitate basic healthcare research that can push the bounds of our understanding without competing against the work of private entities. However, the federal government should limit its activities in these arenas and seek to work with private market entities rather than against them.

The RSC Budget also supports the creation of strong congressional mechanisms to oversee COVID-19 related funding and programs. As the representatives of the American people, it is vital that Congress retain its Article I authority over these programs to ensure they are used to combat COVID-19 and facilitate our recovery from the current pandemic.

### **Creating Personalized and Affordable Healthcare**

The Patient Protection and Affordable Care Act, better known as Obamacare, is a failed federal experiment that fundamentally changed the U.S. healthcare delivery system. While Democrats argue that keeping the ACA will guarantee that no one is denied health insurance because of their medical history, that guarantee is illusory. As history has proven, the ACA has not fulfilled its promise to guarantee plan retention, affordability, quality of care or availability of doctors. Indeed, its result has been quite the contrary. It dramatically expanded the administrative state, inserted government bureaucrats between all Americans and their doctors, and destroyed competition in the marketplace. It has spurred consolidation in the healthcare industry, narrowed provider networks, and increased out-of-pocket costs to levels that are unaffordable for many families. Furthermore, those with pre-existing conditions, the people Obamacare was supposedly created to help, face reduced service with higher costs. Among the reforms proposed in the RSC Budget, protecting individuals with pre-existing conditions is a top priority. The reforms contained in this budget would produce guaranteed coverage pools, more efficient and competitive markets, more tailored and portable health insurance policies, and would refocus aid to those that need it. They would all work to ensure access to high-quality care for these Americans.

Under Obamacare, average premiums for health insurance in the individual market more than doubled nationwide between 2013 and 2017, and even tripled in some states.<sup>241</sup> Major insurers have fled the Obamacare market, leaving many Americans over the years with the Hobson's choice to "shop" for insurance in a market with only one option available. At times, insurers have completely left a market leaving whole communities without a single marketplace plan available to them.<sup>242</sup> Fifty one percent of counties in the U.S. have two insurance carriers or less, and 9 percent have just one

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241 Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 23 May 2017, <https://aspe.hhs.gov/system/files/pdf/256751/IndividualMarketPremiumChanges.pdf>

242 Exchanges," June 13, 2017, <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2017-Press-releases-items/2017-06-13.html>.

carrier from which to “choose.”<sup>243</sup> Additionally, Obamacare has contributed to a continued ascent of American health care spending, now consuming 17.7 percent of U.S. GDP in 2019.<sup>244</sup> In large part, this is because it expanded an already overburdened and ineffective Medicaid system, bringing public health care spending to 45 percent of total health care spending in the United States.<sup>245</sup> Obamacare also banned new and expanded physician-owned hospitals from participating in Medicare or Medicaid. This has added to the physician shortage, exacerbated health care cost inflation, and reduced access to care.<sup>246</sup>

The RSC Budget also opposes any attempts to expand the one-size-fits-all federal approach that lies at the core of Obamacare. The Left’s preferred option, “Medicare-for-All” would constitute an unprecedented expansion of the federal government instead of personalized, affordable options. It would also cost American taxpayers an estimated \$32 trillion in new taxes to artificially control premium increases and would inevitably lead to long wait times and a reduced quality of care.<sup>247</sup> In other words, the federal government would be the nation’s sole health insurer with thousands of faceless, unaccountable Washington bureaucrats playing gatekeeper between patients and the health care services they need. Such a system would be a disaster for the American people, especially for those with chronic health conditions.

The RSC Budget adopts regulatory reforms developed by the RSC’s Health Care Task Force, chaired by Rep. Roger Marshall (R-KS) in the 116th Congress, and set forth in its report: A Framework for Personalized, Affordable Care. In the 117th Congress the task force, now chaired by Rep. Chip Roy (R-TX), will build on this work and RSC’s commitment to creating a personalized and community centered healthcare system, empower patients and doctors and not bureaucrats and monopolists. These reforms of A Framework for Personalized, Affordable Care would transform the individual marketplace’s current regulatory structure, unwind the ACA’s Washington-centric approach, and largely return regulatory authority to the individual states.<sup>248</sup> The full suite of reforms offered by the RSC’s plan are premised on the idea that protecting people with pre-existing conditions is more than just guaranteeing an insurance plan. The reforms adopted by the RSC Budget would provide protections to people with preexisting conditions and also focus on access to affordability and quality of care. Conversely, The ACA actually compounded the issue of pre-existing conditions by reducing the incentive for people to obtain coverage prior to getting sick.

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243 Centers for Medicare & Medicaid Services, “County by County Plan Year 2021 Insurer Participation in Health Insurance Exchanges,” October 19, 2020, <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Marketplaces/Downloads/10-16-2020-County-Coverage-Map.pdf>.

244 Centers for Medicare & Medicaid Services, “The National Health Expenditure Accounts: Historical,” Accessed April 11, 2021, <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nationalhealthaccountshistorical.html>

245 Rabah Kamal, Daniel McDermott, Giorlando Ramirez, and Cynthia Cox, “How Has U.S. Spending on Healthcare Changed Over Time?” Peterson-Kaiser Health System Tracker, Accessed on April 18, 2021, [https://www.healthsystemtracker.org/chart-collection/u-s-spending-healthcare-changed-time/#item-public-and-private-health-spending-have-both-grown-substantially-but-public-spending-has-grown-faster\\_2017](https://www.healthsystemtracker.org/chart-collection/u-s-spending-healthcare-changed-time/#item-public-and-private-health-spending-have-both-grown-substantially-but-public-spending-has-grown-faster_2017).

246 Meg Bryant, “ACA is Taking a Toll on Physician-Owned Hospitals,” Health Care Drive, July 11, 2017, <https://www.healthcaredrive.com/news/aca-is-taking-a-toll-on-physician-owned-hospitals/446761/>.

247 Republican Study Committee, <https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/FINAL%20RSC%20Health%20Care%20Report.pdf#page=7>

248 Republican Study Committee, “A Framework for Personalized, Affordable Care.”

## **Reducing Obamacare's Regulatory Mandates**

Under the RSC plan, protections pertaining to guaranteed issue and the prohibition on coverage exclusions would be retailored to reward continuous coverage and promote portability in the individual marketplace. Additionally, in order to provide Americans with options that fit their individualized needs, ACA's mandates on essential health benefits, annual and lifetime limits, preventive care cost-sharing, dependent coverage, and actuarial value would be removed. Each state would again be allowed to dictate the minimum attributes and cost-sharing parameters of plans to best meet the needs of their own citizens. The ACA's medical loss ratio, along with its competition-killing and premium-increasing effects, would be undone as well. In no case, however, would carriers be able to rescind, increase rates, or refuse to renew one's health insurance simply because a person developed a condition after enrollment.<sup>249</sup>

Additionally, states—and not the federal government—would be solely empowered under the RSC plan to establish restraints on the extent to which carriers could incorporate the health risks of individuals into premiums. Thus, the ACA's community rating, age banding, and single risk pool requirements would be removed too. Individuals with high-risk medical conditions would have affordable access to state-run Guaranteed Coverage Pools under which their health care costs would be subsidized with federal grants and further contained by any state-enacted premium-setting restrictions. Repealing Obamacare's unnecessary regulatory burdens will not only benefit the future of health care delivery in America but will lead to increased job growth as we emerge from the pandemic. The RSC Budget would also fully repeal Obamacare's destructive tax increases.

Although Congressional Republicans failed to enact comprehensive individual marketplace reforms, they and President Trump were able to institute a number of flexibilities into the system. These include reforms such as the repeal of the individual mandate, repeal of Independent Payment Advisory Board (IPAB), ending unconstitutional Cost Sharing Reduction (CSR) payments, expanding state innovation waivers under section 1332, increasing the availability of short-term limited-duration plans, limiting Obamacare enrollment periods, cutting funding for the Obamacare Navigators program, and expanding access to health reimbursement arrangements (HRAs).<sup>250</sup> Nearly all of these reforms are or will be under attack by the Biden administration. The RSC Budget opposes all efforts to undermine these critical reforms.

## **Reducing Regulations**

**Interstate Health Insurance Plans** - In order to increase choice among insurance plans and increase access to more affordable options, the RSC Budget would ensure consumers are able to purchase health insurance across state lines. This would drive down costs by encouraging plans to compete with each other to provide access to high-quality care.

**McCarron-Ferguson Repeal** - The RSC Budget support Rep. Paul Gosar's (R-AZ) Competitive Health Insurance Reform Act, which reforms the McCarron-Ferguson Act to restore the application of federal antitrust laws to the business of health insurance in order to provide for competition and protect consumers.

**Expand Health Savings Accounts** - The RSC Budget would drastically expand access to Health

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<sup>249</sup> Id.

<sup>250</sup> Christopher Jacobs, "How an Obscure Regulatory Change Could Transform American Health Insurance," The Federalist, October 30, 2018, <https://thefederalist.com/2018/10/30/how-an-obscure-regulatory-change-could-transform-american-health-insurance/>.

Savings Accounts (HSA) by eliminating the requirement that health savings accounts be tied to a high-deductible plan, increasing maximum contributions, and expanding the scope of eligible health care expenditures. This would allow individuals greater flexibility over their health spending and a greater capacity to handle their health needs.

**Legalize Association Health Plans** – The RSC Budget would codify President Trump’s Association Health Plans rule, which was designed to allow small businesses 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 make health insurance more affordable and accessible. Unfortunately, President Trump’s rule has been mired in legal proceedings and the Biden administration has already taken steps to rescind it.

**Oppose Price Controls** - The RSC Budget opposes efforts to index drug prices or to impose any price controls on pharmaceuticals. The federal government must not micromanage the delicate process of developing new medicines and producing them in useable quantities. Price controls do not actually reduce the price, they merely shift the cost elsewhere, often, onto the backs of low-income families through lost wages and jobs, or higher prices for many other products.<sup>251</sup>

**340B Reform** - The RSC Budget supports reforms to ensure that drug discounts under the 340B program go where intended. This budget would support efforts to ensure that these benefits ultimately are used to reduce drug prices for the intended at-risk patients and are not used for other purposes.

This budget would also reduce federal regulations that stifle or prevent private investment in promoting rural broadband access in areas that could benefit from telehealth operations. This budget would also implement regular congressional reviews of regulations on healthcare providers and insurers with the aim of repealing outdated and onerous regulations on a regular basis.

### **Modernizing the Tax Treatment of Health Insurance**

We must modernize the tax treatment of health insurance to mitigate the inflationary distortion created by the exclusion for employer sponsored insurance (ESI) premiums. Without addressing this three-generation distortion, there will be no way to bring the cost trajectory of down to sustainable levels.

The ESI exclusion is the primary reason why the U.S. has developed its unique health care system, in which the government has artificially made it cheaper for employers and employees to lock people in their present jobs and have employers handle health care negotiations for individuals, instead of increasing wages and giving people increased freedom. This has prevented the organic development of a competitive, transparent, and accessible health care industry. Instead, this tax preference has effectively turned each individual employer into its own balkanized health care market.

Moreover, where an individual is employed dramatically alters their access to health insurance. For example, in 2020, only 48 percent of very small businesses offered health insurance benefits, whereas virtually all of the largest firms did.<sup>252</sup> The sectioning off of health insurance products into millions of separate markets has turned the health insurance industry into the most monopolistic, least compet-

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251 Sally Pipes, “Healthcare Price Controls Don’t Come For Free,” Forbes, March 15, 2021, <https://www.forbes.com/sites/sallypipes/2021/03/15/healthcare-price-controls-dont-come-for-free/?sh=216cc7b078e8>

252 Kaiser Family Foundation, “2020 Employer Health Benefits Survey,” October 8, 2020, <https://www.kff.org/report-section/ehbs-2020-summary-of-findings/>.



itive, and least innovative in the U.S. economy. Studies have shown that this tax treatment has significantly reduced wages by shifting compensation dollars away from wage and salary increases and into this inflexible form of compensation.<sup>253</sup>

ESI also reduces labor flexibility by paying people to stay with their present job and not enabling them to switch to a more productive one. It decreases market efficiency because individuals, who do not pay most of their health care costs directly, are encouraged to enroll in needlessly expensive health insurance policies.<sup>254</sup> Further, it requires every employer in the nation to be experts in two industries, their own and the health care industry.

The ESI exclusion drives hyperinflation and inefficiency of the health care industry. Over the last 20 years (pre-COVID-19 pandemic), the average change in prices for non-health care goods and services grew at an average annual rate of 2.1 percent, while the costs of medical care grew at an annualized rate of 3.5 percent.<sup>255</sup> It affects the private insurance market and also contributes to the exponential spending growth of Medicare, Medicaid, and other federal health care programs.

Though one method of reform would be to repeal the exclusion entirely and use the increased revenues to reduce tax rates across the board, this would cause immediate upheaval to the health insurance system that the exclusion has distorted for almost 80 years. Instead, the RSC Budget would reform the tax treatment of private health insurance in a revenue-neutral manner by providing a capped exclusion for all spending on health insurance by and on behalf of the tax filer, as well as for related dependents. This would include employer health insurance plans, as is the case now, as well as any such spending from an individual, charity, or family member. This would equalize the tax treatment of all health insurance products and allow the organic development of efficient health insurance products without forcing a change to the existing health insurance market that most Americans rely on. This would also allow any number of employers to freely work together to create insurance pools. This universal exclusion would also have a high per capita cap to ensure revenue neutrality.

### **Streamlining Medicaid and the Children's Health Insurance Program**

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 the majority of federal means-tested spending. Federal funding for Medicaid has grown substantially, from \$14 billion in 1980, to \$118 billion in 2000, to \$458 billion in 2020, to a projected \$744 billion in 2031.<sup>256</sup> Despite spending that continues to climb at an unsustainable rate, Medicaid continues to fail beneficiaries.

Research has shown patients covered by Medicaid are, in some cases, more likely than the uninsured to have poor health outcomes, such as an increased instance of death after a major surgery.<sup>257</sup>

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253 Katherine Baicker and Amitabh Chandra, "The Labor Market Effects of Rising Health Insurance Premiums," <https://www.nber.org/papers/w11160.pdf>.

254 Katherine Baicker and Amitabh Chandra, "The Labor Market Effects of Rising Health Insurance Premiums."

255 Peter G. Peterson Foundation, "Why Are Americans Paying More for Healthcare?" April 20, 2020, <https://www.pgpf.org/blog/2020/04/why-are-americans-paying-more-for-healthcare>.

256 Congressional Budget Office (CBO), The Budget and Economic Outlook: 2021 to 2031 (Washington, DC: CBO), February 11, 2021, <https://www.cbo.gov/publication/56970>.

257 Avik Roy, prepared testimony for hearing on "Strengthening Medicaid and Prioritizing the Most Vul-



A landmark randomized controlled trial in Oregon compared similar populations of low-income, able-bodied Medicaid enrollees with non-enrollees. The study found, “Medicaid increased health care utilization, reduced financial strain and reduced depression, but produced no statistically significant effects on physical health or labor market outcomes.”<sup>258</sup> Further, Medicaid will often actually provide funding to abortion providers, violating the right to life and not providing quality health care for beneficiaries. RSC’s budget would ensure that none of these funds go to entities that provide abortions.

Even if Medicaid care was not substandard, its growing costs are wholly unsustainable. Medicaid’s spiraling costs will increasingly burden the federal government and federal taxpayers. This problem was exacerbated by Obamacare, which drastically increased the scope of Medicaid from a program intended to serve individuals with disabilities, low-income children, low-income seniors and pregnant women to a program that can cover all adults with an income below 138 percent of the federal poverty level (FPL).

To make matters worse, Obamacare provides an inflated contribution for these new Medicaid expansion populations, incentivizing states to pull funding from other needs of the core populations under Medicaid. As a result, states are perversely incentivized to increase Medicaid spending for able-bodied adults while devoting proportionally fewer resources to traditional, more vulnerable, core Medicaid populations.

Additionally, the normal federal contribution formula still has two major drawbacks. First, it incentivizes states to tax their own Medicaid providers to leverage more federal funds to give back to those providers, a practice known as provider taxes that unnecessarily increase federal spending without improving patient outcomes.<sup>259</sup> Secondly, it forces states to funnel their healthcare funds into a singular federal program, stunting innovation that would occur if states were allowed to use funds they raised in whatever fashion they want.

Separately, the Children’s Health Insurance Program (CHIP) 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.

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.

For these reasons, the RSC Budget proposes to create five new block grants by repurposing funding for these programs and the Obamacare exchange subsidies. First, Medicaid funding for children and CHIP funding would be combined into a block grant that states can use to help families acquire health

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nerable,” House Committee on Energy and Commerce, Subcommittee on Health, 115th Congress, 1st Session, February 1, 2017, <http://docs.house.gov/meetings/IF/IF14/20170201/105498/HHRG-115-IF14-Wstate-RoyA-20170201.pdf>.

258 National Bureau of Economic Research, “Oregon Health Insurance Experiment: Overview,” Accessed April 11, 2021, <http://www.nber.org/oregon/index.html>.

259 American Legislative Exchange Council, “Resolution on Federal Medicaid and Welfare Block Grants,” January 28, 2013, <https://www.alec.org/model-policy/resolution-on-federal-medicaid-and-welfare-block-grants/>.

insurance. The grant would have no income floor so states could use it to provide for the needs of all low-income children. Medicaid funding for the elderly, people with disabilities, and pregnant women would be allocated into three more separate block grants for states to provide services for those populations in a flexible manner. A fifth grant would be available to states to support programs that ensure guaranteed insurance coverage. Then, the state could choose whether or not to transfer additional funds from this grant to the other four grants or use these funds to provide subsidies to able-bodied working aged adults without dependents (ABAWDs) to acquire health insurance. These individuals would only be able to receive these benefits if they earn over a certain threshold. Additionally, these benefits would be capped as a percentage of earned income and would phase-out past a separate earned income threshold. ABAWDs would be subject to sensible work requirements. Also, funds could not be used to provide coverage to individuals who have not provided evidence of their eligibility, including proof of their legal immigration status. The growth factor for each of these grants would be tied to population changes of the covered population groups in each state, allowing federal support to change with the size of the covered population and states to more efficiently plan.

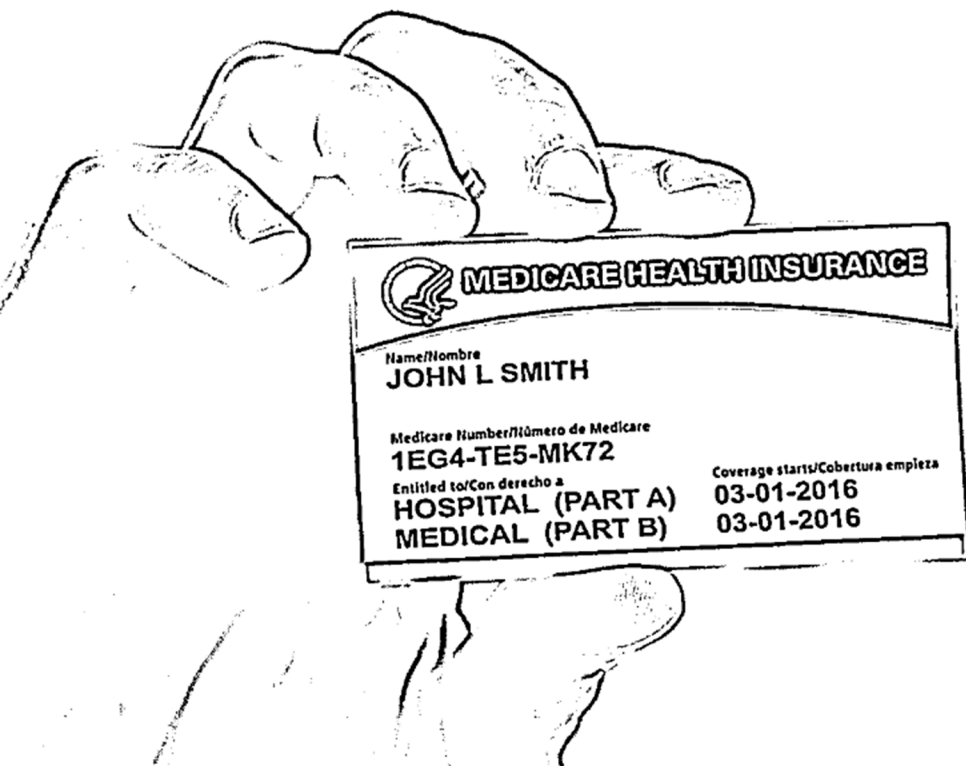
Separating these funding streams allows Congress to make sure federal taxpayers are going to provide for the health care needs of the populations Medicaid was traditionally intended to cover. It also improves the ability to ensure that able-bodied, working-age beneficiaries are engaged in work or job training, similar to the successful Temporary Assistance for Needy Families (TANF) reforms established in the 1990s, without denying benefits to recipients that cannot enter the labor force.

The funding for these block grants would take into account savings from effectively eliminating provider taxes and rebalancing the federal burden of these support programs down from the average 57 percent to a 50/50 split with the states.

These reforms collectively would save in excess of \$3.3 trillion over 10 years compared to the projected increases under current law and return Medicaid to its focus of helping Americans who truly need it and achieving better results for the poor.



# SAVING **MEDICARE**



## **Reinforce Medicare's Commitment to Seniors**

Nearly every American worker pays into Medicare for their entire working lives. It is paramount to conservatives to honor this commitment and to compensate those Americans and their families for the high taxes levied on them. Further, we must honor the rights of present and future workers and not impose further taxation on them to fix the government's mistakes. Doing so would harm those workers and the broader American economy.

The taxes and federal deficits that fund Medicare crowd-out private sector growth and have left the vast majority of Americans unable to adequately save for retirement. This has forced most American retirees to rely on federal retirement programs. This process has created a cycle of dependency that continues to impoverish American workers and retirees as these programs have consumed more and more of our economy.

The RSC Budget recognizes the unprecedented challenges that face our nation. Medicare currently covers more than 61 million Americans and is projected to cost \$943 billion in FY 2022. With an average of 10,000 baby boomers reaching retirement age every day, the program is only expected to grow.<sup>260</sup> By FY 2031, the program will cost \$1.782 trillion a year, which will be 5.4 percent of our nation's GDP.<sup>261</sup> <sup>262</sup> By 2051, Medicare is expected to consume 7.8 percent of GDP, a little more than 1 in every 13 dollars of total American annual economic production.<sup>263</sup>

The RSC Budget proposes a bold Medicare reform plan that modernizes and strengthens health care coverage for America's seniors. Medicare would be more market oriented, more efficient, provide seniors with more choice and flexibility, and would focus benefits on the seniors that most need them. The current top-down, one-size-fits-all approach is more than 50 years old and no longer provides seniors the access and choices they deserve. On its current path, it is also fiscally unsustainable. Current and future beneficiaries will benefit from a modernized Medicare system structured to accommodate their changing needs.

## **Looming Trust Fund Insolvency**

According to the Medicare Trustees, the Hospital Insurance (HI) Trust Fund is expected to run deficits until being depleted in 2026, at which point current law would require payments to providers be cut by 10 percent.<sup>264</sup> That means restricted access for many current and future beneficiaries. The Medicare system as we know it today would no longer exist.

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260 Russell Heimlich, "Baby Boomers Retire," Pew Research Center, December 29, 2010, <http://www.pewresearch.org/fact-tank/2010/12/29/baby-boomers-retire/>.

261 Kaiser Family Foundation, "Total Number of Medicare Beneficiaries," Accessed on April 18, 2021, <https://www.kff.org/medicare/state-indicator/total-medicare-beneficiaries/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>; CBO, The Budget and Economic Outlook: 2021 to 2031.

263 CBO, The 2021 Long-Term Budget Outlook (Washington, DC: CBO), March 4, 2021, <https://www.cbo.gov/publication/56977#:~:text=CBO%20presents%20its%20projections%20of,to%20rising%20deficits%20and%20debt>.

264 The Boards of Trustees, "The 2020 Annual Report of The Boards of Trustees of The Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds," Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, April 22, 2020, <https://www.cms.gov/files/document/2020-medicare-trustees-report.pdf#page=10>.

Reforming Medicare is a necessity. It 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.” That includes Medicare.<sup>265</sup> In 2015, for the first time, spending on federal health programs outpaced spending on Social Security, becoming the largest category of federal spending. After Social Security, Medicare is the second largest 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.

### **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 challenges the solvency of the Medicare program. The amount of time a Medicare beneficiary is expected to be covered by the program has increased from roughly 13 years for males and 17 years for females in 1965 to 18 years for males and over 20 years for females in 2016.<sup>266 267 268</sup> As beneficiaries continue to live longer, the ratio of workers to retirees shrinks threatening the solvency of Medicare. In 1965 there were 4.5 workers per Medicare beneficiary. That number shrunk to 3.3 workers in 2011, 3.1 in 2015, and 2.9 in 2021.<sup>269</sup> Further, it is expected to continue to decrease to 2.3 workers per beneficiary by 2030.<sup>270</sup>

To address the increased demands on Medicare, the RSC Budget proposes aligning Medicare’s eligibility age with the normal retirement age for Social Security and then indexing this age to life expectancy.

### **Modernizing Medicare Reform**

The RSC Budget’s Medicare reform plan would generally allow Medicare-eligible seniors to choose from a list of plans. These plans would include a new federally administered plan (“Fed Plan”) that would offer Part A, B, and D benefits, Medicare Advantage plans, as well as stand-alone Part D plans. The Fed Plan would replace traditional Medicare Parts A and B and would be the way that seniors access the same services as these traditional parts. The federal government would provide premium support subsidies to seniors, based on income and wealth, covering most of the costs of these plans for most seniors.

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265 Paul Winfree, “Causes of the Federal Government’s Unsustainable Spending,” Heritage Foundation, July 7, 2016, <http://www.heritage.org/budget-and-spending/report/causes-the-federal-governments-unsustainable-spending>.

266 Social Security Administration, “Life Expectancy for Social Security,” Accessed on April 19, 2021, <https://www.ssa.gov/history/lifeexpect.html>.

267 Social Security Administration, “Actuarial Life Table,” Accessed on April 19, 2021, <https://www.ssa.gov/oact/STATS/table4c6.html>.

269 Social Security Administration, “THE 2020 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS,” April 22, 2020, <https://www.ssa.gov/oact/tr/2020/tr2020.pdf#page=10>.

270 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>.



CBO estimated that senior's premium payments would be 7 percent lower if the federal government transitioned to a premium support model where Part B competed against private plans.<sup>271</sup> Under the RSC Budget's plan, premiums would be decreased since it would cover Medicare Parts A, B, and D. 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 would substantially improve Medicare's long-term fiscal outlook, protecting the program for both current and future beneficiaries.<sup>272</sup>

The new Fed Plan would be listed on regional exchanges along with Medicare Advantage and stand-alone Part D plans. The Fed Plan would be listed at a premium level equal to the actuarial cost of the plan per participant. The current processes that Medicare uses to keep costs down for traditional Medicare would be left intact and incorporated into how the Fed Plan would organize itself.

Medicare Advantage plans would be required to provide at least the actuarial value of the Fed Plan, while allowing them to innovate and offer more tailored and efficient plans. This would, for example, allow these plans to expand further into Part D coverage and to expand innovative telehealth services. Additionally, the Fed Plan would be required to modify payments to match the risk-adjusted payments of the Advantage plans.

All of these plans could be listed on privately run exchange websites to facilitate competition among would-be exchange providers. User-friendly platforms could focus on transparency and assisting enrollees. Exchanges would be free to organically determine the geographic areas or other parameters that make sense for being listed on each exchange.

Under current law, traditional Medicare is able to unfairly compete against the privately managed Medicare Advantage plans since it is offered in a way that obscures its full price and inefficiency. The RSC Budget's reform plan, by making the Fed plan compete fairly against Medicare Advantage plans, would allow seniors to make choices in a transparent market and pocket cost savings by choosing a tailored plan that best fits their needs. Still, the Fed Plan would always be available to enrollees as a backstop.

Under the RSC Budget's plan, Medicare's trust funds would be merged into a singular fund that would be responsible for paying premium support subsidies to Medicare enrollees to cover the vast majority of their premium costs. These subsidies would be benchmarked to the cost of the new Fed Plan to ensure that all Medicare enrollees could access this plan and then adjusted based on the income of the enrollee. Since the costs of the Fed Plan would be capped by how the government currently keeps costs down for traditional Medicare, benchmarking the subsidy levels to this standard would remove any incentive for private plans to try to artificially increase prices to increase overall subsidy levels.

Under current law, Medicare already has some means testing. The RSC Budget's plan would phase-in an increase in means testing. Doing so would decouple the cost of Medicare from the aging of our nation. Further, it would allow benefits to be focused on the seniors that need them most without

271 CBO, "A Premium Support System for Medicare: Updated Analysis of Illustrative Options," October, 2017, <https://www.cbo.gov/system/files?file=115th-congress-2017-2018/reports/53077-premiumsupport.pdf>.

272 Chen Lanhee and James C. Capretta, "Medicare Reforms both Parties can Live With," Politico, September 12, 2018, <https://www.politico.com/agenda/story/2018/09/12/medicare-reform-republicans-democrats-000695>.

pumping more inflationary federal funds into healthcare than is necessary.

Under the RSC Budget's plan, each enrollee would receive subsidies based on their income and the cost of the Fed Plan. The subsidies would be designed to cap the out-of-pocket premium costs for an enrollee using the Fed Plan. If an enrollee's income is below a threshold income level, their out-of-pocket premium cost would be a fixed dollar amount. For enrollees with income above the threshold, their out-of-pocket premium cost would be the fixed amount plus 10% of their income over the threshold. For example, if the fixed amount was \$50 a month and the threshold was \$20,000 in income, then: an enrollee with \$10,000 in income would pay \$50 a month; and an enrollee with \$32,000 in income would pay \$150 a month ( $\$32,000 - \$20,000 = \$12,000 \times 10\% = \$1,200 + \$600$  annual fixed minimum out-of-pocket premium cost). If the Fed Plan cost \$300 a month, then an enrollee with \$10,000 in income would receive \$250 a month in subsidies and an enrollee with \$32,000 in annual income would receive \$150 in monthly subsidies. These subsidy levels would match the capped out-of-pocket premium costs referenced above. These subsidy levels would be the same regardless of whether an enrollee uses the Fed Plan or another plan. If they used a cheaper Medicare Advantage plan, then they would be able to keep the surplus subsidies. This would ensure that the Fed Plan is always a viable option while removing any incentive for private plans to try to increase premiums to alter subsidy levels.

For the purposes of this plan, income would be assessed based on the income and wealth level of an enrollee. As opposed to asset tests in many welfare programs that invalidate beneficiaries with substantial assets, this plan would provide a smoothed asset test that would not penalize having a retirement nest egg. For the purposes of determining how large a subsidy a retiree could receive, their income would be assessed as either their total income from all sources, or their non-investment income plus a minimum percentage of their assets over a threshold amount. This would ensure that the income assessment would accurately reflect the financial situation of a retiree but not penalize them for having saved for retirement.

### **Medigap Reform**

Many seniors purchase supplemental insurance policies known as Medigap to reduce or eliminate their exposure to cost-sharing in the Medicare program. The existence of Medigap policies 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, needlessly resulting in increased costs, leaving taxpayers on the hook for runaway inflation. The Medicare Payment Advisory Commission (MedPAC) found that Medicare spends 33 percent more on a person who enrolls in supplemental coverage.<sup>273</sup>

The Medicare reforms proposed above would likely remove much of the need for Medigap. Additionally, the RSC Budget would establish 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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<sup>273</sup> Steven Hayward, "Double Coverage: How It Drives Up Medicare Costs for Patients and Taxpayers," Heritage Foundation, June 4, 2013, <http://www.heritage.org/health-care-reform/report/double-coverage-how-it-drives-medicare-costs-patients-and-taxpayers>.

### **Standardizing Medicare Reimbursement Across Delivery Sites**

In response to concerns that Medicare payments for the same services vary substantially depending on the site where care is provided, even when patient health is not a 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. The RSC Budget would expand that policy, as proposed in RSC Chairman Rep. Jim Banks' Hospital Competition Act, 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 federal programs most vulnerable to waste, fraud, and abuse due to its size, complexity, and historical mismanagement. While progress has been made in reducing Medicare improper payments, the scope of the problem remains enormous. It is estimated that at least 5.9 percent of the program's funding is goes to improper payments, just shy of \$43 billion in FY 2020.<sup>274</sup> 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.<sup>275</sup>

### **Eliminate 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 CBO, there is limited evidence of such cost shifting.<sup>276</sup> Additionally, private payers generally do not reimburse providers for bad debt. The RSC Budget would repeal federal subsidies to providers for bad debt. This would encourage providers to communicate better with Medicare beneficiaries about the costs of proposed treatments and any applicable alternatives. They would also be incentivized to recover bad debt by establishing payment plans and other methods that make it easier for the beneficiary to fulfill his or her commitments.

### **Eliminate Duplicative and Market Distorting Subsidies for Medicare Plans**

The RSC Budget would eliminate the quality bonuses and double bonuses related to quality scores for Medicare insurance plans. Medicare currently offers bonus payments to insurance providers when they offer plans that under-bid the Medicare computed benchmark price and when the Medicare assessed quality score for their plans increase. However, these bonuses go to plans offered through Medicare Advantage where good and low-cost plans are rewarded by the choices of covered seniors that would want to choose better and more affordable plans. These bonuses are not only duplicative and market distorting (using Medicare's criteria to override the preferences of seniors), but they simply increase the costs of Medicare.<sup>277</sup>

Further, the RSC Budget would eliminate the incentive payments made through the Medicare Shared

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274 Department of the Treasury, "Payment Accuracy Gateway," Accessed April 19, 2021, <https://paymentaccuracy.gov/program/earned-income-tax-credit/>.

275 Curtis Kalin and Sean Kennedy, "2018 Prime Cuts Report," Citizens Against Government Waste, Accessed April 11, 2021, <https://www.cagw.org/reporting/2018-prime-cuts>.

276 CBO, "Reduce Medicare's Coverage of Bad Debt," Options for Reducing the Deficit: 2021 to 2030 (Washington, DC: CBO), December 9, 2020, <https://www.cbo.gov/system/files/2020-12/56783-budget-options.pdf#page=35>.

277 CBO, Options for Reducing the Deficit: 2019 to 2028 (Washington, DC: CBO), December 2018, <https://www.cbo.gov/system/files/2019-06/54667-budgetoptions-2.pdf#page=92>.

Savings Program, a proposal included in RSC Chairman Jim Banks' Hospital Competition Act. These payments to Accountable Care Organizations work in a similar fashion to the Medicare quality bonuses and again, only serve a duplicative and cost increasing purpose.

### **Allowing Seniors to Keep their Insurance and Use HSAs**

Mirroring the goals of the former Trump administration, this budget would allow people enrolled in Medicare Parts A and B to be able to contribute to HSAs.<sup>278</sup> Furthermore, the RSC budget would enact reforms championed by Senator Ted Cruz and Rep. Gary Palmer (R-AL) to allow seniors to keep their Social Security benefits if they keep their private health insurance and opt-out of Medicare Part A.<sup>279</sup> These two onerous regulations that only have the effect of trapping seniors with few choices and insufficient care, and the RSC Budget would repeal them.

### **Reform Graduate Medical Education Financing**

In 1965, Congress included financing for graduate medical education (GME) in Medicare with the intent that it would be a temporary program until a more appropriate financing mechanism was found.<sup>280</sup> More than 50 years later, the federal government provides more than \$15 billion annually in mandatory funding for GME through Medicare and Medicaid.<sup>281</sup> In addition, the Health Resources and Services Administration (HRSA) operates the Teaching Health Center GME and Children's Hospital GME programs, which respectively receive mandatory and discretionary GME funding.

Federal financing of GME needs 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.<sup>282</sup> These subsidies distort medical education nationally, creating artificial imbalances between the types of education programs needed and the ones provided, leading to increased education costs. The RSC Budget would make the mandatory GME programs discretionary, relocate responsibility for their operation to a common agency to improve oversight and accountability, and cap the growth of the program to inflation.<sup>283</sup>

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278 Flexible Benefit Service Corporation, "Medicare Beneficiaries May Soon Be Allowed to Contribute to an HAS," February 20, 2018, <https://www.flexiblebenefit.com/blog/medicare-beneficiaries-may-soon-be-allowed-contribute-hsa>.

279 Office of Senator Ted Cruz, "Sen. Cruz Introduces Retirement Freedom Act," press release, October 9, 2018, [https://www.cruz.senate.gov/?p=press\\_release&id=4133](https://www.cruz.senate.gov/?p=press_release&id=4133).

280 John O'Shea, "Reforming Graduate Medical Education in the U.S.," Heritage Foundation, December 29, 2014, <http://www.heritage.org/health-care-reform/report/reforming-graduate-medical-education-the-us>.

281 CBO, Options for Reducing the Deficit: 2019 to 2028.

282 Mark Miller, "Graduate Medical Education Payments," MedPAC, February 20, 2015, [https://www.nhpf.org/uploads/Handouts/Miller-slides\\_02-20-15.pdf](https://www.nhpf.org/uploads/Handouts/Miller-slides_02-20-15.pdf).

283 CBO, "Reduce Medicare's Coverage of Bad Debt," Options for Reducing the Deficit: 2021 to 2030.



# REFORMING **DISABILITY INSURANCE**





The Old Age, Survivors, and Disability Insurance (OASDI) Trust Fund is now expected to be depleted in 2032.<sup>284</sup> If that comes to pass, Social Security beneficiaries will face an immediate across-the-board cut in benefits. Each day that passes without reform increases the future cut exponentially. The time for meaningful reform is now.

Though the U.S. population has increased by 82.6 percent since 1960, the number of DI beneficiaries has increase by a staggering 1,326.5 percent.<sup>285</sup> <sup>286</sup> Similarly, in the last generation, the labor force participation rate has plummeted to just 61.7 percent.<sup>287</sup> This means there are fewer tax-paying workers supporting a growing non-working population. This is a recipe for disaster and economic stagnation. Social Security Disability Insurance (SSDI) reform is a crucial aspect of maintaining both the solvency of Social Security and ensuring the future prosperity of all Americans.



Bureau of Labor Statistics, Civilian labor force participation rate, accessed April 21, 2021. <https://www.bls.gov/charts/employment-situation/civilian-labor-force-participation-rate.htm>.

### **Opportunity for Reform**

Reputable think tanks, such as the Mercatus Center<sup>288</sup> and The Heritage Foundation<sup>289</sup>, have

284 Congressional Budget Office, “The 2021 Long-Term Budget Outlook”, page 18, March 14, 2021, <https://www.cbo.gov/system/files/2021-03/56977-LTBO-2021.pdf#page=22>

285 Federal Reserve Economic Data (FRED), “Database: Population,” Accessed on April 20, 2021, <https://fred.stlouisfed.org/series/POPTHM#0>; Social Security and Medicare Boards of Trustees, “THE 2020 ANNUAL REPORT”

287 Bureau of Labor Statistics, “Civilian Labor Force Participation Rate,” Accessed April 21, 2021, <https://www.bls.gov/charts/employment-situation/civilian-labor-force-participation-rate.htm>.

288 Jason J. Fichtner and Jack Salmon, “Policy Brief: Reforming the Social Security Disability Insurance Program to Encourage Work and Labor Force Participation: Lessons from the United Kingdom,” Mercatus Center, June 2018, [https://www.mercatus.org/system/files/fichtner\\_and\\_salmon\\_policy\\_brief\\_reforming\\_the\\_social\\_security\\_disability\\_insurance\\_program\\_to\\_encourage\\_work\\_and\\_labor\\_force\\_participation\\_lessons\\_from\\_the\\_united\\_kingdom\\_-\\_v1.pdf](https://www.mercatus.org/system/files/fichtner_and_salmon_policy_brief_reforming_the_social_security_disability_insurance_program_to_encourage_work_and_labor_force_participation_lessons_from_the_united_kingdom_-_v1.pdf).

289 Insurance,” The Heritage Foundation, March 27, 2019, <https://www.heritage.org/budget-and-spending/report/16-reforms-improve-the-solvency-and-integrity-social-security-disability>.

published proposals with innovative solutions to reform SSDI to be solvent, efficient, and to remove incentives to leave the labor force. Additionally, The McCrery-Pomeroy SSDI Solutions Initiative produced several papers detailing how to improve the DI program. Additionally, former Reps. Todd Rokita and Ted Yoho sponsored the Making DI Work for All Americans Act, a bill that pulls together many meaningful DI reforms. Accordingly, the RSC Budget adopts many of the reforms contained in this bill.

### **Encourage Work**

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 3.7 percent of beneficiaries actually leave the rolls each year because they begin earning from work.<sup>290</sup> 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. To remove this cliff, the RSC Budget would implement the flat benefit included in Making DI Work for All Americans Act.

Additionally, this budget would explore ways to utilize phase-out ranges, such as the demonstration program included in the Bipartisan Budget Act of 2015. Under this demonstration project, participating beneficiaries would see their benefits reduced by \$1 for every \$2 earned from work above a threshold.

The RSC Budget would also adopt the Making DI Work for All Americans Act's provision that would limit retroactive payments to six months. The retroactive benefit limitation would right-size these benefits to the length of time that someone has to wait before being able to draw regular benefits.

### **Workplace Accommodation Incentives**

It is better for employers and their employees when individuals can stay in the workforce in some capacity. The RSC Budget supports implementing a demonstration project to incentivize workplace accommodations and allow DI payroll tax reductions for companies based on employee retention. This reform would be similar to what is now done under the Unemployment Insurance system.

**Require Social Security Disability Insurance Applicants to Have Worked More 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 someone who has not worked in the last five years could be eligible for DI benefits. The RSC Budget would require applicants to have worked 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**

When SSA is planning its Continuing Disability Reviews (CDR), 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.<sup>291</sup> About 5 percent of beneficiaries are listed as "medical im-

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290 Office of Retirement and Disability Policy, "Longitudinal Statistics on Work Activity and Use of Employment Supports for New Social Security Disability Beneficiaries," Social Security Administration, 2011, <https://www.ssa.gov/policy/docs/ssb/v71n3/v71n3p35.html>.

291 Carolyn Colvin, Acting Commissioner of the Social Security Administration, "Letter to The Honorable Joseph R. Biden," Social Security Administration, October 23, 2014, <https://www.ssa.gov/legislation/FY%20>

provement expected” and 60 percent are listed as “medical improvement possible.”<sup>292</sup>

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 result antithetical to the approach our government should take for the temporarily disabled.

To encourage individuals to seek the most effective treatments, SSA should be able to award DI benefits for a limited, need-based time period for the 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. This proposal is based on the Social Security Disability Insurance Return to Work Act, sponsored by Rep. French Hill (R-AR).

### **Update Eligibility Rules**

Congress 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 designate federal disability programs, including the DI program, as “high risk.”<sup>293</sup> Many of the medical criteria have not been updated since the 1980s, when the qualification standards were expanded. A large percentage of applicants suffer from mental or musculoskeletal problems, which can be difficult to diagnose. Meaning 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.”<sup>294</sup> The grid uses various factors (including age, education, skill 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. The RSC Budget supports updating eligibility standards to reflect the advances in science and medicine and that those standards be updated and more uniformly applied.

### **Fight Fraud**

Between FY 2013 and FY 2017, the SSA estimates it paid out \$9 billion in DI overpayments.<sup>295</sup> This level of improper payments is an outrageous cost to the taxpayer. It is imperative the SSA do a better job of preventing fraud and abuse of DI, so this program can exist for those who truly need the benefits.

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2012%20CDR%20Report.pdf.

292 Alexandra Constantin, Julia Porcino, John Collins and Zhou Chunxiao, “Data-Driven Solutions for Improving the Continuing Disability Review Process,” McCrery-Pomeroy SSDI Solutions Initiative, Accessed April 11, 2021, <http://ssdisolutions.org/sites/default/files/constantinporcinocollinszhou.pdf>.

293 Chuck Young, “Improving and Modernizing Federal Disability Programs,” 2019 High Risk Report (Washington, DC: U.S. Government Accountability Office (GAO)), March 2019, <https://www.gao.gov/products/GAO-19-157sp>.

294 Mark J. Warshawsky and Ross Marchand, “Modernizing the SSDI Eligibility Criteria: A Reform Proposal That Eliminates the Outdated Medical-Vocational Grid,” Mercatus Center, April 28, 2015, <http://mercatus.org/publication/modernizing-ssdi-eligibility-criteria-eliminates-medical-vocational-grid>.

295 Social Security Administration, “Reducing Improper Payments,” Accessed April 11, 2021, [https://www.ssa.gov/improperpayments/RSDI\\_progInfo.html](https://www.ssa.gov/improperpayments/RSDI_progInfo.html).

Current law prohibits the consideration of medical evidence from unlicensed individuals or doctors convicted of fraud when a determination about a disability claim is made. The RSC Budget supports prohibiting any individual who has been convicted of a felony from providing evidence for the determination of a disability claim.

### **Conduct Anti-Fraud Reviews**

Under the RSC Budget, the SSA would be required to amend its award letter to clearly specify DI benefits are contingent upon continued medical impairment.<sup>296</sup> 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.<sup>297</sup>

Also, 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 analytical data analysis to better statistically target its selection of specific cases to review.<sup>298 299</sup>

### **Prohibit Double Dipping**

In 2010, 117,000 individuals received more than \$850 million in payments from both the DI program and UI benefits.<sup>300</sup> The SSA estimated that for each month in 2015, an average of about 30,000 of disabled-worker beneficiaries will be in concurrent receipt of DI and UI benefits.<sup>301</sup>

These two programs are meant to serve mutually exclusive populations: DI is for individuals who are unable to work and UI is for individuals who can work but are temporarily unemployed. The RSC Budget would not allow people to draw benefits from both programs at the same time. This reform has been proposed by Rep. Jodey Arrington's (R-TX) bill, the Double Dip Elimination Act, which would save taxpayers \$2.5 billion over ten years.<sup>302</sup>

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296 Bipartisan Policy Center, *Improve the SSDI Program and Address the Impending Trust Fund Depletion* (Washington, DC: Bipartisan Policy Center), August 25, 2015, <http://bipartisanpolicy.org/library/ssdi-program/>.

297 William Morton, "Social Security Disability Insurance (SSDI) Reform: An Overview of Proposals to Manage the Growth in the SSDI Rolls," Congressional Research Service (CRS), January 9, 2015, <https://www.everycrsreport.com/reports/R43054.html>.

298 Alex Constantin, Julia Porcino, John Collins, and Zhou Chunxiao, "Data-Driven Solutions for Improving the Continuing Disability Review Process"; Daniel Bertoni, *Social Security Disability SSA Could Increase Savings by Refining Its Selection of Cases for Disability Review* (Washington, DC: GAO), February 2016, <http://www.gao.gov/assets/680/675168.pdf>.

300 Richard Hillman, *Income Security: Overlapping Disability and Unemployment Benefits Should be Evaluated for Potential Savings* (Washington, DC: GAO), August 30, 2012, <http://www.gao.gov/products/GAO-12-764>.

301 William R. Morton, *Concurrent Receipt of Social Security Disability Insurance (SSDI) and Unemployment Insurance (UI): Background and Legislative Proposals* (Washington, DC: CRS), July 31, 2015, <https://fas.org/sgp/crs/misc/R43471.pdf>.

302 Office of Rep. Jodey Arrington, "Arrington Introduces Legislation to End 'Double Dipping' of Disability and Unemployment Insurance Benefits," press release, January 10, 2020, <https://arrington.house.gov/news/documentsingle.aspx?DocumentID=67>.

### **Protect Beneficiaries from Unscrupulous Lawyers**

The RSC Budget acknowledges that the way DI attorneys are paid must be reformed. Presently, it creates perverse incentives to game the system at the expense of recipients.<sup>303</sup> Unlike other legal cases, the clients in DI cases do not directly pay their attorneys. Instead, the SSA will withhold the attorney's fees (including travel fees) from the successful claimant's award and transmit the fees to the lawyer.<sup>304</sup> After a claimant wins an appeal, SSA awards the individual the benefits back-dated to when he/she 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) for the attorney's fee. 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 and should be remedied.

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

### **Appeals Process Reforms**

Administrative Law Judges (ALJ) hear appeals from DI applicants who have their initial application and reconsideration for benefits denied. While it is important to quickly resolve the pending cases, it is equally important to decide them correctly and fairly. However, it appears once an appeal reaches an ALJ, a claim is far more likely to be awarded than the facts of the case would justify.

As provided by the Making DI Work for Americans Act, the SSA should be required to conduct periodic reviews of ALJ decisions to ensure the integrity of the process. This should include comprehensive reviews of ALJs whose decision records make them a statistical outlier. Also, Congress should consider 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 adopting formal rules for hearing procedure, as exist in other court settings.<sup>305</sup>

### **Medicare and Retirement Eligibility**

Under current law, DI beneficiaries under age 65 are automatically enrolled in Medicare after 24 months of receiving benefits. The RSC Budget proposes increasing 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 (R-AZ) Preserving and Reforming SSDI (PAR-SSDI) Act.

The RSC budget also proposes separating retirement and disability benefit eligibility. Though Social Security disability benefits were intended to help only non-retirees that cannot work because of a disability, a loophole currently exists where seniors can receive both disability and early retirement benefits, starting at age 62. The RSC Budget eliminates this loophole and therefore eliminates the

303 Rachel Greszler, "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>.

304 Jeffrey S. Wolfe and David W. Engel, "Restoring Social Security Disability's Purpose," CATO Institute, Spring 2013, <http://object.cato.org/sites/cato.org/files/serials/files/regulation/2013/3/v36n1-11.pdf>.

305 David Engel, Dale Glendenning, and Jeffrey Wolfe, "Restructuring Disability Adjudication," McCrery-Pomeroy SSDI Solutions Initiative, Accessed April 11, 2021, [http://ssdisolutions.org/sites/default/files/engelglendenningwolfe\\_0.pdf](http://ssdisolutions.org/sites/default/files/engelglendenningwolfe_0.pdf).



incentive that currently exists for individuals to game the application process by applying for DI at the same time they apply for early retirement benefits.

### **Utilize and Encourage Private Disability Insurance**

Private disability insurance offers better benefits, is cheaper, and is better at returning beneficiaries to work.<sup>306</sup> Unfortunately, only about 42% of private sector workers have access to short-term plans and roughly 34% of private workers have access to long-term plans.<sup>307 308</sup>

Steps should be taken to allow more workers to access private disability coverage, as well as promote better integration of private insurance with the government-run DI system.<sup>309</sup> Employers and employees could be allowed to forgo paying a portion of payroll taxes and instead use those funds to pay for private disability insurance. Also, Congress should explore options to allow income tax breaks to workers that buy private DI. Another option could be to allow states to opt-out of federal DI and for them to produce state run programs, or even fully private systems that could reduce tax burdens, cut costs and find innovative ways to fulfill the role of the SSDI program.

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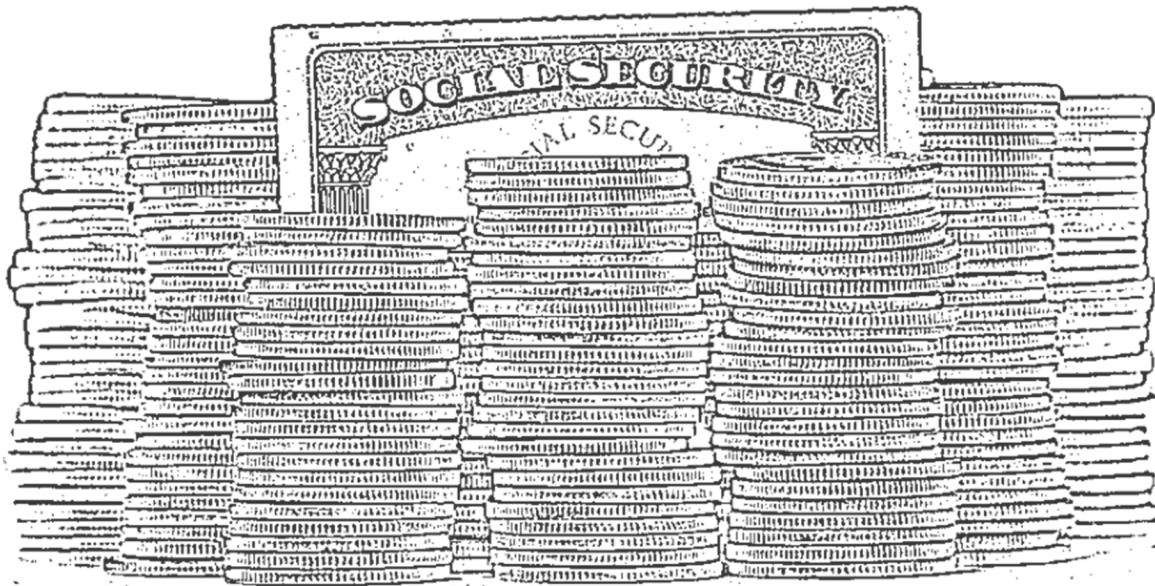
306 David F. Babbel and Mark F. Meyer, “Expanding Private Disability Insurance Coverage to Help the SSDI Program,” McCrery-Pomeroy SSDI Solutions Initiative. <http://ssdisolutions.org/sites/default/files/babbelmeyer.pdf>.

307 Rachel Greszler, “Private Disability Insurance Option Could Help Save SSDI and Improve Individual Well-being,” Heritage Foundation, July 20, 2015, <http://www.heritage.org/research/reports/2015/07/private-disability-insurance-option-could-help-save-ssdi-and-improve-individual-well-being>; Bureau of Labor Statistics, “Employee Access to Disability Insurance Plans,” Accessed on April 21, 2021, <https://www.bls.gov/opub/ted/2018/employee-access-to-disability-insurance-plans.htm>.

309 Rachel Greszler, “Private Disability Insurance Option Could Help Save SSDI and Improve Individual Well-Being.”



**MAKE  
SOCIAL SECURITY  
SOLVENT AGAIN**



Established in 1935 as an income supplement to help safeguard workers against poverty in their retirement – 6 percent of the population at the time – the Social Security retirement fund has grown to become the federal government’s largest single program, consuming almost a quarter of the federal budget. Today, more than 54 million retirees, survivors, and their families collect benefits from the Social Security Old Age and Survivor Trust Fund.<sup>310</sup>

However, the Social Security Old-Age, Survivors, Insurance, and Disability Insurance (OASDI) Trust Fund will be depleted in 2032. When the trust fund is depleted, all Social Security beneficiaries will initially face a 25 percent cut, growing to 30 percent by 2051, and more over time.<sup>311</sup> This is unconscionable, and it is incumbent upon the Congress to prevent this looming crisis.

Many workers are under the impression 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. Actually, 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, the assets that have been accumulated by OASI are required to be invested in federal debt at very low rates of return. Where an individual could save their earnings in assets that match or exceed economic growth, OASI is required to invest these workers’ taxes in a way ill-suited to prepare for retirement.

It is paramount to conservatives to honor Social Security’s commitment and to compensate those Americans and their families for the high taxes levied on them to fund this program. Further, we must honor the rights of present and future workers and not impose even further taxation on them to fix the government’s mistakes. We must bring Social Security to solvency in a manner that refocuses it on its original intent as a safeguard against poverty in retirement, and in a way that will safeguard the happiness and prosperity of the American people. We cannot, as Democrats want, tax Americans into oblivion as a way out of this problem.

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

The late Rep. Sam Johnson (R-TX), an original founder of the RSC, served as chairman of the House Ways and Means Subcommittee on Social Security. After serving in the U.S. House of Representatives for 28 years (1991-2019) and previously 29 years in the Air Force including enduring nearly seven years of torture as a prisoner of war, Rep. Johnson retired at the end of the last Congress. Rep. Johnson was awarded the first ever RSC Member of the Year Award in 2017 in recognition of his character, sacrifice and service.<sup>312</sup> Sam Johnson is an American Hero. He passed away in May of 2020.

In his letter announcing his retirement, 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.”<sup>313</sup>

310 OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS”, <https://www.ssa.gov/oact/tr/2020/tr2020.pdf#page=10>

311 Congressional Budget Office, “The 2021 Long-Term Budget Outlook”, page 18, March 14, 2021, <https://www.cbo.gov/system/files/2021-03/56977-LTBO-2021.pdf#page=22>

312 Representative Mike Johnson, Republican Study Committee “Rep. Sam Johnson Awarded RSC Member of the Year Award,” December 13, 2017. <https://rsc-johnson.house.gov/news/press-releases/rep-sam-johnson-awarded-rsc-member-year-award>.

313 Local Profile by Cori Baker, January 6, 2017, “Congressman Sam Johnson Announces He Will Not Seek Re-election in 2018”, <https://localprofile.com/2017/01/06/congressman-sam-johnson-announces-he-will-not->

Rep. Johnson introduced the Social Security Reform Act of 2016, legislation designed to complete his mission of ensuring solvency for Social Security while not raising burdensome taxes on American workers.<sup>314</sup> Rep. Johnson's bill, a labor of love, serves as the foundation of RSC's approach to saving Social Security. 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.<sup>315</sup>

### **Protecting the Most Vulnerable in Old Age**

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

The Social Security Reform Act would provide a new minimum benefit for workers with more than 10 years of covered earnings for beneficiaries. The RSC Budget would increase the value of the minimum benefit to 15% of AWI for workers with 10 years of earnings, and then it would scale up to 40% of AWI for workers with 40 or more years of covered work experience.

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.<sup>316</sup> This benefit would be slightly increased under the RSC Budget's modification. Any retiring worker with AIME at or below 85% of AWI and with 40 years of covered work experience would receive a higher benefit than under current law.

### **Modernize the Benefit Formula for New Retirees**

The RSC Budget would adopt the Social Security Reform Act's general approach of modernizing the formula Social Security uses to calculate the level of monthly checks for new retirees. The Social Security Reform Act would produce a flatter benefit where 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 modify this new formula by leaving the calculation as it is now for workers with AIME up to the Average Wage Index (AWI) (150% of an average worker's AIME) and reducing the contribution to initial benefits from income over AWI to 2%. The RSC Budget would significantly increase the benefits for most workers below 85% of the AWI by increasing the minimum benefit described in the next subsection.

### **Adjust the Retirement Age to Reflect Longevity**

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 num-

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seek-re-election-in-2018/

314 Social Security Administration, Office of the Chief Actuary, Proposals Affecting Trust Fund Solvency. <https://www.ssa.gov/oact/solvency/index.html>.

315 Representative Sam Johnson, "Hot Topic: Social Security Reform Act". <http://webarchive.loc.gov/all/20161220144321/http://samjohnson.house.gov/news/documentsingle.aspx?DocumentID=398516>.

316 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](https://www.ssa.gov/oact/solvency/SJohnson_20161208.pdf).

ber of beneficiaries.<sup>317</sup> This trend, which will continue to put increasing financial pressure on Social Security, is a result of the aging of the U.S. population. To partially address this issue, under current law, the full retirement age will gradually increase to 67 by 2022 for those born in 1960 and later.

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 RSC Budget recognizes that, due to Congressional inaction, the Social Security Reform Act's retirement age increase would need to be extended to age 70 to achieve long-range sustainable solvency and help prevent the slashing of benefits that accompany depletion of the trust fund.

This adjustment would begin to 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 (SSA), since the program first began paying monthly Social Security benefits in 1940, the average life expectancy for men reaching 65 increased from 77.7 to over age 82.9 in 2016. For women, the average life expectancy increased from 79.7 to nearly 85.5 in this period. "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."<sup>318</sup>

<sup>319</sup> Following completion of the incremental adjustments proposed by the Social Security Reform Act, the RSC Budget would link the normal retirement ages to the life expectancy of retirees. In this fashion, these ages would automatically adjust as life expectancy does, keeping the program from falling out of balance in the future and providing additional security in case life expectancy decreases in the future. Additionally, the RSC Budget would increase the number of working years included in benefit calculations from 35 to 40 to further match changes in retiree life expectancy.

### **Rewarding Work**

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 disincentivize 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, allowing workers to receive early retirement benefits without penalty while they continue working.

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 a portion of the Social Security benefits they receive. This taxation of benefits creates a cliff that disincentivizes work and 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.

317 Social Security Administration, April 22, 2020, "THE 2020 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS", <https://www.ssa.gov/oact/tr/2020/tr2020.pdf#page=10>

318 Social Security Administration, accessed on April 11, 2021, "Life Expectancy for Social Security", <https://www.ssa.gov/history/lifeexpect.html>

319 Social Security Administration, accessed on April 11, 2021, "Actuarial Life Table", <https://www.ssa.gov/oact/STATS/table4c6.html>



## **Other Reforms**

**Social Security Benefit Payments Choice Act** - The RSC Budget would also implement former Rep. Sam Johnson's Social Security Benefit Payments Choice Act. This would allow recipients to choose the day of the month that they would receive their benefits on. This would maximize the cash flow utility of recipients at no additional cost to taxpayers.

**Support Retirement Freedom** -The RSC Budget supports efforts to provide workers the freedom to choose how to save their own money for retirement. It urges lawmakers to consider legislative options that allow employers and employees to reduce their payroll tax liability in order to use those savings to invest in private retirement options. Requiring all young workers to participate in a one-size-fits-all government-run retirement program does not make economic sense and stifles the long-term savings of all Americans.<sup>320</sup>

According to an analysis from the Tax Foundation, "a worker who earned the average income and retired at the normal retirement age of 66 in 2016 could expect a Social Security retirement benefit of \$19,646 a year."<sup>321</sup> However, a worker that saved ten percent of his or her income in a 401(k) retirement account made of 60 percent stocks and 40 percent bonds would have "accumulated saving[s] total[ing] \$719,670, which might provide an annuitized annual income of \$57,319 a year, a far larger sum."<sup>322</sup> 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. The more of workers' incomes that they can invest in this manner, the more independent and wealthy American seniors will be without needing to raise taxes.

**Provide Congressional Oversight of Totalization Agreements** - A totalization agreement is a bilateral agreement between the U.S. and another country to coordinate their Social Security and similar retirement income support programs.<sup>323</sup> These agreements provide a way to ensure workers are only taxed once and only draw one set of benefits. However, it is vital that Congress have stronger oversight mechanisms to ensure that these agreements, 30 as of now, are done fairly and do not adversely impact Social Security.

The Social Security Act allows the SSA to negotiate these totalization agreements and then send them 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.

**Overpayment Debt Recovery** - In FY 2018, the SSA paid out nearly \$8 billion in overpayments to

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320 The Heritage Foundation, by Rachel Greszler and Julia Howe "3 Examples of How Social Security Robs Americans of Greater Income Before, During Retirement" August 24, 2018 <https://www.heritage.org/social-security/commentary/3-examples-how-social-security-robs-americans-greater-income-during>

321 Stephen J. Entin, Tax Foundation, "Comparing the Returns from Tax-Favored Retirement Plans to Social Security Yields", June 8, 2016. <https://taxfoundation.org/comparing-returns-tax-favored-retirement-plans-social-security-yields/>

322 Id.

323 Social Security Administration, U.S. International Social Security Agreements. [https://www.ssa.gov/international/agreements\\_overview.html](https://www.ssa.gov/international/agreements_overview.html).

Social Security and Disability Insurance beneficiaries.<sup>324</sup> To ensure as much of these funds are recovered for the sake of the long-term solvency of the programs, the RSC Budget would make sure overpayment debt is not dischargeable in bankruptcy. This proposal is based on the Social Security Debt Recovery Act of 2017, introduced by former Rep. Sam Johnson. The RSC Budget would call on Congress to also institute a time limit on repayment plans and to require a minimum monthly payment of 15 percent of one's monthly benefit.

**Phase Out Auxiliary Benefits for High Income Earners** – Ensuring Social Security provides a safety net for those retirees most in need requires modernizing auxiliary benefits, which are add-on benefits for the retired wage-earner's spouse, children, and certain other dependents. Also, they effectively provide higher benefits for wealthier families since auxiliary benefits scale up as a percentage of income and since wealthier families are much more likely to have a stay-at-home spouse. Under current law, a billionaire over the retirement age could receive their normal benefits and gain an auxiliary benefit for a dependent child. In FY 2019, total auxiliary benefits for all spouses and children of retired workers cost \$39.4 billion.<sup>325</sup>

For these reasons, the Social Security Reform Act would phase in a cap on auxiliary benefits. The RSC Budget would expand upon the Social Security Reform Act's reforms to phase out such auxiliary benefits for high-income beneficiaries that do not need the extra support for their family members. Working- and middle-class families would still be eligible. For high-income families, benefits would phase out on an extended timeline that would not affect individuals currently making life decisions based on the availability of these benefits.

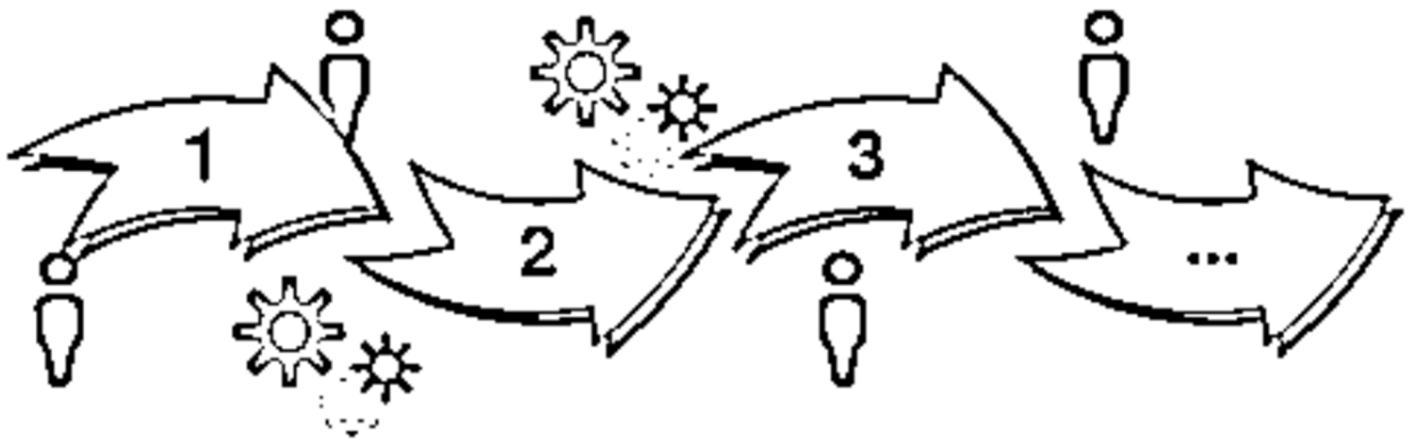
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324 Social Security Administration, for FY 2021 budget justification, "Limitation on Administrative Expenses" <https://www.ssa.gov/budget/FY21Files/2021LAE.pdf#page=22>

325 Social Security Administration, April 22, 2020, "THE 2020 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS", <https://www.ssa.gov/oact/tr/2020/tr2020.pdf#page=43>



# BUDGET PROCESS **REFORM**



A federal budget isn't purely about managing the federal bureaucracy. It reflects how the government interacts with all Americans and how much the government respects the rights and labors of our people. Ultimately, the \$28.1 trillion national debt represents a deficit of respect for our people, their futures, and that of their children. This section contains reforms to federal budgeting that would address this crisis, partially if added to the U.S. code, and fully if enshrined in the culture of all of our elected officials.

### **Undo the Democratic Majority's Rules Changes for the 116th and 117th Congress**

In a brazen rejection of our nation's dire fiscal reality, the Democratic House majority amended the Rules of the House to make it easier to increase taxes and federal spending and debt. The RSC Budget would undo the Democrats' rules changes, which included the following:

- Automatic suspension of the debt limit when a budget resolution is passed. (Rule XXVIII, Clause 1 (117th))
- Replacing CUTGO rule with PAYGO rule. (Rule XXI, Clause 10 (117th))
- Budgetary effects exemption for climate change and COVID-19 legislation. (H.Res. 7 (117th), Sec. 3(v))
- Elimination of the requirement that the Congressional Budget Office (CBO) use dynamic scoring for major legislation. (Former Rule XIII, Clause 8 (115th))
- Remove the supermajority requirement for increasing income taxes. (Former Rule XXI, Clause 5 (115th))
- Removed point of order against un-offset appropriations amendments (Former Rule XXI, Clause 2(g) (115th))
- Removed point of order against increasing net direct spending in a reconciliation bill. (Former Rule XXI, Clause 7 (116th))

### **Cut Spending**

**Constitutional Requirement for a Balanced Budget** - Forty-nine states have adopted balanced budget requirements.<sup>326</sup> The widespread adherence to balanced budget requirements among the states demonstrates how crucial fiscal responsibility is for prosperity. Balancing the budget is not just an issue of government stability, it is essential to limiting the manipulation and inefficiency that government forces into the lives of every American. The RSC Budget supports the adoption of a federal Balanced Budget Amendment (BBA), and other long-term fiscal controls, to limit tax collection and balance the budget. Former House Judiciary Committee Chairman Bob Goodlatte's BBA presents a thoughtful approach to achieving this goal.<sup>327</sup> This proposal would bar annual spending in excess of 20 percent of GDP and prevents Congress from relying on tax increases to balance the budget, which is key to preserving a dynamic and innovative economy.

There are also mechanisms that are like a BBA but actively seek to account for market cycles by tying spending caps to a percentage of potential GDP. Potential GDP is an assessment, in any given year, of what GDP would be if the nation were at full employment. Ranking Member Brady's MAP Act and the Swiss debt brake utilize this approach.<sup>328</sup>

326 National Conference of State Legislatures accessed on April 8, 2021 "State Balanced Budget Provisions" <https://www.ncsl.org/research/fiscal-policy/state-balanced-budget-requirements-provisions-and.aspx#:~:text=The%20National%20Conference%20of%20State,with%20Vermont%20being%20the%20exception>

327 Congress.gov, H.J.Res. 2, <https://www.congress.gov/bill/112th-congress/house-joint-resolution/2>

328 Ryan Bourne, Cato Institute, "Budget Restraints That Work: Lessons from Chile, Switzerland, the United Kingdom, and the United States", February 21, 2018. <https://www.cato.org/publications/tax-budget-bulletin/budget-restraints-work-lessons-chile-switzerland-united-kingdom>.

**Strengthen Spending Reduction Accounts** - Spending reduction accounts allow members to offer amendments to reduce spending elsewhere in an appropriation bill and then allocate those amounts to deficit reduction. In the 116th Congress, Democrats eliminated the use of these accounts. The RSC Budget would require spending reduction accounts under the standing Rules of the House and further strengthen them by requiring any funds allocated to a spending reduction account 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 the inflation-adjusted, pro-spending bias for discretionary spending be removed from the baseline by adopting zero-baseline budgeting. Further, the rules governing the CBO require it to assume that expiring programs continue on in the baseline. Similarly, CBO is required to assume entitlement programs continue to provide benefit payments at current levels even if the trust fund is depleted. These assumptions should be removed so that the baseline shows the real current law trajectory.

**Requiring a Supermajority Vote for Continuing Resolutions** - Continuing resolutions simply extend, for a period of time, the discretionary funding levels and accompanying priorities of the previous fiscal year. This represents the height of Congress abandoning its responsibilities by not tackling the mounting debt crisis or taking into consideration the views of its constituents to reform discretionary spending in a way that makes sense for the coming fiscal year. Accordingly, the RSC Budget proposes statutorily requiring a supermajority vote to fund the government through a continuing resolution.

**Trust Funds Reforms** - To recognize the special status of the various program-specific federal trust funds, the RSC Budget would support congressional rules prohibiting the financial resources of these trust funds from being used for non-trust fund programs. Additionally, bailouts to these trust funds would be viewed as new spending by the RSC Budget. The RSC Budget would require CBO and JCT scores to show any negative impact from a bill on a federal trust fund and incorporate how that would change the long-term unfunded liabilities that taxpayers may be expected to eventually bail out.

Many federal trust funds are required to park all or most of their assets into federal debt. Currently, \$6.1 trillion are locked away in such a manner.<sup>329</sup> This practice has led to trillions of dollars of poorly invested assets that have helped to deplete these trust funds in order to fund more frivolous federal spending. The RSC Budget would require that federal reports on the status of each of these trust funds include an analysis of the loss investment growth caused by this practice.

RSC would create special congressional committees, similar to the TRUST ACT, to provide recommendations on achieving long-term solvency and cost cutting policies for the Social Security Old Age and Survivors, Social Security Disability, Medicare Hospital, and Highway trust funds.<sup>330</sup>

**Long Term Spending and Revenue Controls** - With the expiration of the Budget Control Act (BCA) caps, the RSC Budget would implement a joint revenue and spending growth cap to limit how much of the nation's resources the federal government can consume and to avoid future fiscal disaster. Specifically, the RSC Budget would cap all revenues as a percentage of nominal GDP, and in the event of a breach of this cap, treasury would be required to refund a percentage cut that equals the

329 US Department of the Treasury Accessed on April 6, 2021 "The Debt to the Penny and Who Holds It" [https://www.treasurydirect.gov/govt/reports/pd/pd\\_debttopenny.htm](https://www.treasurydirect.gov/govt/reports/pd/pd_debttopenny.htm)

330 Congress.gov, S.2733, <https://www.congress.gov/bills/116/congress/senate-bill/2733>



over-collected revenues. This refund would go to any person or entity that paid federal taxes and would be related to the total amount of taxes they paid. In this way the mechanism could not be used to force wealth redistribution.

Under this proposal, if a fiscal year's federal budget is not running a deficit, then non-interest spending could only increase by the dollar amount of revenue increases (under the cap). If the fiscal year's budget is expected to run a deficit, then the non-interest spending could only grow by 50 percent of this cap. Any spending growth that exceeds this cap would trigger a commensurate sized across the board cut to all federal spending, with exemptions for recession, war, pandemic, or other national emergency related spending. For the purposes of assessing this revenue cap trigger, spending could only increase if the year over year increase in revenues places revenues above the previous highest revenue-receiving year. This way, dramatic revenue changes from tax law changes or economic cycles could not inadvertently allow massive spending increases.

**Reauthorization Vote Triggered When CBO Estimate is Inaccurate** - The RSC Budget would statutorily require a vote to reauthorize a mandatory spending program when actual spending exceeds expectations by a certain percentage. When a program costs more to implement than CBO modeling suggested, the authorization of such a program should be reconsidered with the new information. This rule would exclude entitlements, such as Social Security and Medicare, because those are programs supported by specific trust funds.

**Ban Earmarks Permanently** - Earmarks divert taxpayer resources to special interests, grease the wheels of Washington's spending machine and set a poor example of fiscal responsibility. Unfortunately, the House and Senate, under the control of Democrats will allow earmarks in the 117th Congress and the foreseeable future. They will use earmarks to buy votes to help pass their radical agenda as they seek to retain control of both chambers.

The facts surrounding the swampy nature of earmarks, prior to the moratorium imposed by Congressional Republicans are damning. "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 111,702 earmarks costing taxpayers \$392.5 billion."<sup>331</sup>

While some may argue members of Congress understand the needs of local communities and they should be able to allocate federal funds, that line of reasoning makes little sense if you believe in the Constitution and the concept of federalism of which our form of government is based upon. If a proposed funding project is local in nature, it should be paid for by those who it is benefiting, not the federal taxpayer. We must commit to a limited federal government, that does not play favorites, and that conducts its business in full view of the American public. Furthermore, House and Senate Democrats claim that they are restoring earmarks as a means to restore Article I authority to Congress. However, as history shows, most earmarks benefit the most powerful and connected members of Congress.

331 Citizens Against Government Waste, "2021 Congressional Pig Book," Accessed April 11, 2021, <https://www.cagw.org/reporting/pig-book>.

The RSC budget shows the true path for restoring Article I authority for Congress without the corrupting influence of earmarks. RSC's Steering committee took an official position reaffirming RSC's proud history opposing congressional earmarks and supporting Rep. Ted Budd's (R-NC) letter which outlines opposition to the expected return of earmarks by Speaker Pelosi and House Democrats.<sup>332</sup> RSC also issued a memorandum on restoring congressional Article I Authority while opposing earmarks.<sup>333</sup>

### **Reclaim Article I**

Article I, Section 9 of the Constitution entrusts the power of the federal purse with Congress alone. Tragically, under current practice, the legislative branch often abdicates its responsibility to be a good steward of taxpayer dollars. 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. The RSC Budget includes the following reforms to correct this problem and restore congressional power.

**Establishing a Regulatory Appropriations Process** - Congress should explore options to limit regulatory actions in a manner similar to the appropriations process. Congressional authorizing committees could be granted the ability to produce annual legislation limiting the economic impact of all regulatory actions undertaken by agencies under their jurisdiction. The default allowable regulatory impact of all agencies could be \$0 and then these annual bills would allow Congress to set specific regulatory allowances each year. These could also include specific limitations or requirements related to certain regulatory actions, related to such actions from a particular office, or in relation to enforcing a specific bill.

**Limit the Executive Branch from Making Spending Decisions** - Too often, Congress has allowed the executive branch to spend fees and other revenue streams virtually unchecked and with disastrous results. In FY 2021, the OMB estimates the executive branch will collect \$576.8 billion in fines, fees, penalties and other offsetting collections and receipts.<sup>334</sup> 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, concentrating the legislative, executive and judicial powers in a single entity, violating core constitutional principles. The RSC Budget supports Rep. Gary Palmer's (R-AL) Agency Accountability Act, which would require explicit congressional authority before offsetting collections could be spent.

Furthermore, it is common practice for Congress to pass appropriations measures that grant the executive branch broad, unilateral authority to transfer appropriated funds between accounts and reprogram funding within accounts originally intended for a different purpose. The RSC Budget calls for reform to this practice so all reprogramming and transfer actions are reported to Congress and made available publicly in advance, and are subject to a congressional disapproval framework that empowers all members of Congress.

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332 Republican Study Committee, Official Steering Position, <https://mailchi.mp/990d91758d71/first-edition-the-chairman-elects-memo-309681>

333 Republican Study Committee, "Restoring Congressional Article I Authority While Opposing Earmarks", [https://banks.house.gov/uploadedfiles/rsc\\_memo\\_proposals\\_to\\_restore\\_article\\_i\\_authority\\_to\\_congress\\_jf.pdf](https://banks.house.gov/uploadedfiles/rsc_memo_proposals_to_restore_article_i_authority_to_congress_jf.pdf)

334 Office of Management and Budget, President's FY 2021 "OFFSETTING COLLECTIONS AND OFFSETTING RECEIPTS" <https://www.govinfo.gov/content/pkg/BUDGET-2021-PER/pdf/BUDGET-2021-PER-5-2.pdf#page=2>

**Rescind Excess Budget Authority** - The RSC Budget strongly supports the use of the Impoundment Control Act to rescind excess budget authority. At the end of the second quarter of FY 2021, there were \$1.37 trillion in unobligated balances in unexpired accounts subject to rescission, including \$396.8 billion in appropriations that never expire.<sup>335</sup> While some of these funds are for programs that are intentionally advance-funded or for which flexibility is warranted, in reality, most comes from the massive amounts of pandemic-spurred spending that often has nothing to do with protecting the public health. Other portions are from old appropriations that will never be spent.

Under the CBO's 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. The appropriators have abused this CBO scoring rule to spend more in reality while appearing deficit neutral on paper.<sup>336</sup>

Leaving these unused funds alone will only perpetuate this budgetary gimmick. Fortunately, the Impoundment Control Act of 1974 allows the president to propose specific rescissions to Congress and establishes an expedited procedure to consider the proposed rescissions. The RSC Budget supports the use of rescission bills and believes that they should be given expedited consideration even if they do not originate with the President.

**Unauthorized Spending** - Since 1835, the Rules of the House (clause 2(a)(1) of rule XXI) have required that appropriations go to only authorized purposes. 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 CBO estimates \$332 billion was appropriated, in FY 2020, to unauthorized and expiring programs, 1 out of every 5 discretionary dollars.<sup>337</sup>

The House Appropriations Committee should disclose the current funding levels for unauthorized programs in the committee reports accompanying the appropriations bill's legislative text, as is required by the Rules of the House. The CBO should also report the unauthorized appropriations included in legislation not reported by a committee, such as omnibus appropriations acts and continuing resolutions. The RSC Budget supports Rep. Cathy McMorris Rodgers's Unauthorized Spending Accountability Act, which would address these "zombie appropriations" by sunseting them and creating a commission to review all discretionary programs.

**Expand Reconciliation to Discretionary Spending** - The reconciliation process was created to allow expedited consideration for legislation that would reconcile differences between the budget and current fiscal trajectory. However, it has been used, and will continue to be used, by Democrats to increase taxes and spending. The RSC Budget would prevent the use of this process to pass legislation that would increase net spending or tax burdens. The RSC Budget would also reform the rec-

335 The White House, "FY 2021 2nd Quarter Unobligated Balances in Unexpired Accounts for Executive Branch Agencies Reported on SF 133s", April 19, 2021 [https://portal.max.gov/portal/document/SF133/Budget/attachments/2188458960/SF133\\_UnOb\\_Bal\\_2021\\_06.pdf#page=283](https://portal.max.gov/portal/document/SF133/Budget/attachments/2188458960/SF133_UnOb_Bal_2021_06.pdf#page=283)

336 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>.

337 Congressional Budget Office February 5, 2021 "Expired and Expiring Authorizations of Appropriations: Fiscal Year 2020". <https://www.cbo.gov/publication/56082>

conciliation process so that it could make changes to discretionary spending. Right now, it can only be used to adjust spending that is classified as mandatory.

The RSC Budget also supports providing an automatic process for congressional consideration of a reconciliation package that would carry out a budget resolution's spending cuts. All of the mandatory spending reductions assumed in RSC Budgets are carried over to reconciliation instructions contained in the budget's corresponding resolution text.

**Set Appropriated Limits on Mandatory Spending Programs** - 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 over two-thirds today.

All mandatory, non-entitlement, on-budget programs should, according to the RSC Budget, be treated in similar fashion to appropriated entitlements. This would allow appropriations legislation to provide annual funding authorization levels and would give Congress direct and annual oversight and control over these programs.

Congress should work to more frequently determine whether or not to reauthorize these programs. These programs should include sunset provisions to increase accountability.

**Move to a Calendar-Year Budget Cycle** - "[T]he 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."<sup>338</sup> The October 1 date was established later. Congress rarely completes its work on time. The fiscal year should be re-aligned with the calendar year to modernize the process and to synchronize federal budgeting with common economic measurement practices and common household practices.

**End the Political Threat of Default and Improve the Debt Limit** - To prevent the possibility of the United States defaulting on its debt, the RSC Budget supports implementing Rep. Tom McClintock's (R-CA) Default Prevention Act. This bill would allow debt servicing payments to be made in excess of the debt limit if the limit is reached. It is a commonsense measure to protect the full faith and credit of the United States and avoid jeopardizing the nation's standing in the world.

Additionally, the RSC Budget supports reform to stop the practice of suspending the debt limit for a period a time rather than raising it by a definite dollar amount. The latter approach is more transparent and makes lawmakers and the public more aware of the fiscal ramifications of adjusting the statutory debt limit.

The RSC Budget would also split the existing debt limit into two debt limits: one for the intergovernmental debt, and a second one for publicly held debt. By separating these debt limits, Congress would be better able to draw attention to the common practice of using the intragovernmental debt to effectively raid federal trust funds, such as the Social Security retirement trust fund, to finance other federal government spending. This would prevent more trust fund assets from being dumped into general federal debt unless Congress takes a vote to do so.

### **Follow the Budget**

338 Department of the Treasury, Treasury Direct, Historical Debt Outstanding - Annual 2000 – 2015. [https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt\\_histo5.htm](https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo5.htm).



For half a decade, both the RSC and House Budget Committee budgets have included major reforms to ensure a sustainable federal fiscal path and the solvency of major social safety net programs. If these budgets had been adopted, we would have already prevented the coming fiscal crisis and bankrupting of our nation. Too often, however, the bold policies outlined in these budgets fail to come to fruition. This section of the RSC Budget supports the following reforms to strengthen budget enforcement and make it more difficult to deviate from the Congressional Budget Resolution:

**Give Budget Resolutions the Force of Law** - Congressional budget resolutions should be signed by the President after being passed by both chambers of Congress and then signed into law by the President.

**Set Long-Term Deficit Limits** – Current congressional fiscal constraints generally focus on the 10-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 10-year budget window. 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 billion in any of the four consecutive 10-year periods following the end of the period covered by the budget resolution. The RSC Budget would codify this point of order to restrict long-term spending increases. Congress and the President should also include long-term limits on debt in their budgets and in any related reconciliation legislation.

**Budget Waiver Transparency and Disapproval** - The House will often waive the application of the rules and statutes meant to stop lawmakers from violating their own budget. Last Congress, the Rules Committee granted waivers of rules related to budgetary enforcement 71 times.<sup>339</sup> Often these special rules are a blanket waiver of all points of order against the consideration of a bill or amendment. The RSC Budget would amend House rules to require that any rule providing consideration of a bill specifically identify all individual budget waivers. Additionally, any member should be able to make a motion to strike any such waiver included in a rule.

**Emergency Designation Reforms** - The RSC Budget would also restrict the use of “emergency spending” to circumvent fiscal constraints imposed in statute and the congressional budget process. It would require legislation containing emergency spending to be accompanied by a statement explaining why an emergency designation is necessary and require a three-fifths majority vote to approve such legislation. Moreover, emergency funding should be timely and targeted. Thus, the RSC Budget would create a separate point of order against emergency spending legislation that would produce outlays beyond two fiscal years.

**No Adjournment until the Budget Process is Completed** - The RSC Budget adopts Rep. Jodey Arrington’s (R-TX) No Budget, No Recess Act to force completion of Congress’s budget work. Congress should not be able to adjourn after the start of a fiscal year in which it has not completed action on the budget resolution, the regular appropriations acts, and any applicable reconciliation bills.

### **Transparency**

**Account for Debt Service Costs** - In just the last 12 months, \$4.6 trillion has been added to the na-

339 U.S. House of Representatives Committee on Rules, “Survey Of Activities Of The House Committee On Rules For The 116th Congress”, Report 116–722, January 3, 2021, <https://www.govinfo.gov/content/pkg/CRPT-116hrpt722/html/CRPT-116hrpt722.htm>



tional debt.<sup>340</sup> The CBO is projecting that FY 2022 will run a deficit of over \$1 trillion and net interest will cost more than \$4.5 trillion over the next ten years.<sup>341</sup> This grave situation means that any new spending will necessarily be added in full to the national debt and will incur additional interest costs. To more accurately account for the costs of legislation, this budget would adopt Rep. Michael Cloud's (R-TX) bill, the Cost Estimates Improvement Act, to require the CBO to include the projected debt service costs in its legislative cost estimates along with a list of duplicative programs.

**Annual Statement of Federal Finances** – The RSC Budget supports Rep. Jodey Arrington's bill, the Taxpayer Receipt Act, to send each taxpayer an annual statement demonstrating how the taxpayer's money was spent in the last year. The RSC Budget would add estimates of the debt level, and the size of spending, revenues, and debt per family to these statements.

**Disclose the Real Costs of Federal Credit Programs** – The RSC Budget support using fair-value accounting for federal insurance programs to accurately assess their cost.

**Reports on the Cost of Legislation Passed by Congress** - The RSC Budget calls for the OMB to prepare a report each year that details the cost of each law signed by the president and report on the costs of legislation passed by the House and the Senate each session.

The CBO is required to report to the congressional Budget Committees on legislation reported by committees or adopted by either the House or by the Congress at least monthly. The RSC Budget supports making public these reports on the costs of legislation in each chamber.

**Require OMB to Report Unobligated and Reprogrammed Balances** - The RSC Budget would require OMB to provide Congress and the public with up-to-date information about unobligated balances. Each month, OMB should 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.

Additionally, while some large reprogramming actions are reported to the House and Senate appropriations committees, most of this activity occurs in the dark. This budget would require OMB to report to the House and Senate when funds are reprogrammed from one account to another and include a justification for such action.

**Welfare Disclosure in the President's Budget** - In the 113th and 114th Congresses, the House rules required budget resolutions in the House to provide a 10-year outlook of means-tested welfare spending. In the interest of transparency, the RSC 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 RSC Budget would require that congressional budgets be separated into logical categories including: discretionary

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340 TreasuryDirect, accessed on April 10, 2021, "The Debt to the Penny and Who Holds It", [https://www.treasurydirect.gov/govt/reports/pd/pd\\_debttothepenny.htm](https://www.treasurydirect.gov/govt/reports/pd/pd_debttothepenny.htm)

341 Congressional Budget Office, accessed on April 10, 2021 "Budget and Economic Data" <https://www.cbo.gov/about/products/budget-economic-data#3>

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 budget resolution, while mandatory spending is limited by the House and Senate PAYGO rules 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.<sup>342</sup> The RSC 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 taxpayers would likely bailout these programs if they exhaust their resources. The RSC Budget supports including these programs in the budget resolution.

**Transparency from the Budget Scorers** – The CBO, JCT and OMB have failed to be transparent in their methodology and their modeling. The CBO Show Your Work Act, introduced by Rep. Warren Davidson (R-OH), would implement this important reform. The RSC Budget would also require these entities to publish the confidence intervals related to their findings.

**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.<sup>343</sup> The RSC Budget would require CBO to give this information, as well as information on changes in mandatory programs (CHIMPS) contained in appropriations bills,<sup>344</sup> to each member of Congress and make it public. CHIMPS reports should also specify the period of availability and the outlay effects of each appropriation in such 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 all points of order in the Budget Act also apply to legislation not reported by a committee, filling a loophole in the Budget Act. The RSC Budget supports codifying this rule.

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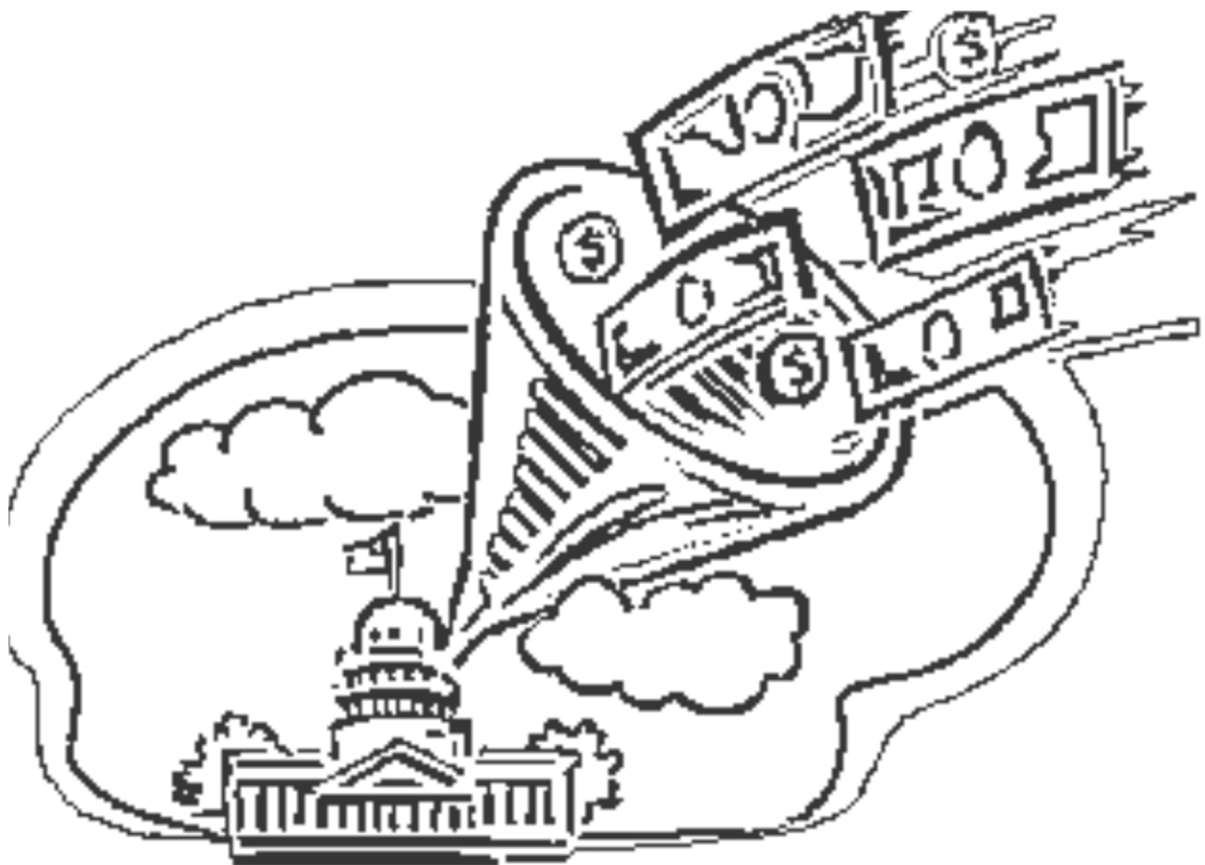
342 Committee for a Responsible Federal Budget, “Why Lawmakers Should Fix The Budgetary Treatment Of The Highway Trust Fund”, July 26, 2014. <http://crfb.org/blogs/why-lawmakers-should-fix-budgetary-treatment-highway-trust-fund>.

343 Congressional Budget Office, “How CBO Prepares Cost Estimates”, February 2018. <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53519-costestimates.pdf>.

344 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 publicly.



# OTHER MANDATORY SPENDING



Fifty years ago, mandatory spending consumed only one-third of the federal budget; now it has grown to comprise more than two-thirds of our spending each year. These programs are on budgetary autopilot and receive little congressional review and almost no annual oversight. This is nearly the exact opposite of the Constitution's edict that "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law."

The RSC Budget offers sensible reforms that put spending back on a path toward solvency while refocusing government on its core constitutional activities. By taking reasonable and responsible 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 Committee**

As with all policies in the RSC Budget, the proposals here should be viewed in conjunction with other reforms contained in the budget that affect relevant stakeholders, in particular, pro-growth tax and deregulatory reforms. On net, these changes would create a business environment that fosters productivity for the benefit of industry participants and the American public.

Our farmers and agricultural producers have suffered from decades of onerous regulations and forms of taxation while their trade opportunities have been increasingly limited. The agricultural industry and rural American have become the target of the radical liberal agenda, which is embodied by the Green New Deal. While this section of the RSC Budget would reduce federal subsidy spending through agricultural programs, it also refocuses these programs in a more helpful and efficient manner, and explicitly links these reforms to the budget's mass deregulation, pro-growth lower tax policies, and policies that create a level playing field for rural America. We view the agricultural reforms in this section as a piece of the overall reforms of the RSC Budget that would protect rural America and undo decades of the Left's shameful burdens.

**Decouple Agriculture Subsidy Programs from Nutrition Subsidy Programs** - Roughly 80 percent of the spending in both the 2014 and 2018 farm bills went toward nutrition programs rather than agriculture programs. Congress has reauthorized these programs together for decades. This unlikely pairing ensures increased spending for both programs by combining two disparate political interests.<sup>345</sup> The RSC Budget proposes farm subsidies and nutrition subsidies be considered separately.

**End Commodity Subsidy Programs** - Under current law, taxpayers provide subsidies for many types of crops. This system dates back to the New Deal's Agricultural Adjustment Act of 1933, which was ruled unconstitutional in 1936, because "[r]egulation and control of agricultural production are beyond the powers delegated to the Federal Government."<sup>346</sup>

Furthermore, it is nearly 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."<sup>347</sup>

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<sup>345</sup> See, H.R.2642, the Agricultural Act of 2014 (P.L. 113-79).

<sup>346</sup> *United States v. Butler*, 297 U.S. 1 (1936). <https://supreme.justia.com/cases/federal/us/297/1/case.html>.

<sup>347</sup> 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>.

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

- Price Loss Coverage (PLC) – This pays farmers when the nationwide price for a commodity falls below a threshold (even if a particular farmer sells his crop for a higher price); and
- Agriculture Risk Coverage (ARC) – This pays farmers when revenues fall below their recent levels.

Eliminating these programs would save taxpayers more than \$56.5 billion over 10 years.<sup>348</sup> Private financial markets can already handle agricultural risk. Well-regulated futures, swaps and insurance markets provide abundant opportunity for market participants to reduce exposure to negative price movements and other risks. These free-market solutions will provide better long-term outcomes for farmers and remove the hidden tax of politically driven government manipulation.

Also, the overlapping nature of agriculture related income support programs allow farmers to receive subsidies multiple times to cover the same lost revenue. RSC's Budget would prohibit this double dipping.

The Commodity Credit Corporation (CCC) has been given vast unilateral authority to buy surplus agricultural products to manipulate market prices for the purpose of the same kind of subsidies that PLC and ARC achieve. The RSC Budget would requiring any action by the CCC to have congressional approval.

**Phase-Out the Sugar Program** - The sugar program consists of price supports and production limits for domestic sugar producers, as well as import restrictions and tariffs for imported sugar. These restrictions have nearly doubled the price of domestic sugar against the world market price.<sup>349</sup> According to CBO, the sugar program will cost taxpayers \$159 million over 10 years. However, the savings would go beyond these savings for American consumers and would come with the added benefit of restoring the efficiencies of free enterprise, competition and individual choice to a large U.S. market. The RSC Budget supports the Sugar Policy Modernization Act, introduced by Rep. Virginia Foxx (R-NC), as a step in the right direction to bring much needed reforms to the sugar program.

**Eliminate the Milk Program** - The federal government simultaneously runs programs to pay dairy farmers when prices decline, to buy products from the market to maintain price levels, and to limit the importation of dairy products. These programs take taxpayer money and create an unstable dairy industry. Once again, the private market is more than capable of providing the risk-mitigation benefits claimed by dairy program supporters. In addition to benefiting consumers and producers alike, eliminating federal dairy subsidy programs would save taxpayers \$5.7 billion over the next decade.<sup>350</sup>

**Eliminate Agriculture Marketing Orders** - Agriculture marketing orders, 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. They are given tools such as volume controls, minimum quality standards and packaging requirements.

348 Congressional Budget Office (CBO), USDA's Mandatory Farm Programs-CBO's February 2021 Baseline. <https://www.cbo.gov/system/files/2021-02/51317-2021-02-usda.pdf#page=8>

349 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>.

350 Congressional Budget Office (CBO), USDA's Mandatory Farm Programs-CBO's February 2021 Baseline. <https://www.cbo.gov/system/files/2021-02/51317-2021-02-usda.pdf>



**Reform Crop Insurance** - The Federal Crop Insurance Program provides subsidized insurance for farmers to insulate them from losses due to poor crop yields. Farmers only pay about 40 percent of premiums for crop insurance and taxpayers cover 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.”<sup>351 352</sup>

The RSC 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 \$32.4 billion over the next 10 years.<sup>353</sup>

Additionally, under the RSC Budget, federal crop insurance subsidies would only be offered to pay for catastrophic policies. Crop insurance subsidies were originally intended to ensure farmers could recover from a bad crop year and replant. This is achieved by catastrophic policies. The program currently pays, in addition to the costs of the catastrophic policies, most, and sometimes all, of the costs of increasing coverage levels beyond this standard.

The RSC Budget also adopts the proposal by Senator Chuck Grassley, former Senate Agriculture Committee Chairman, to cap the overall amount of crop insurance subsidies a single farmer may receive. Then-Chairman Grassley explained, “For years, the top 10 percent of farmers have received over 70 percent of the subsidies from the government. That’s only one of the many reasons it’s so hard for young and beginning farmers to get started.”<sup>354</sup> Over time, the federal government should transition completely out of subsidizing crop insurance and, instead, allow the private sector to meet the demand for this financial product.

**Additional Agriculture Subsidy Reforms** - The RSC Budget also supports undertaking the following reforms that collectively would reduce the federal governments footprint in the agriculture industry and associated taxpayer funded spending:

- **Additional Crop Insurance Payments for Organic Crops.** The RSC Budget would repeal these payments.
- **Conservation Reserve Program.** The RSC Budget would prohibit new enrollments in the Conservation Reserve Program, saving taxpayers more than \$5 billion over ten years according to the CBO.<sup>355</sup>
- **Conservation Stewardship Program.** The RSC Budget would prohibit new enrollment in the Conservation Stewardship Program, saving taxpayers more than \$3.3 billion over ten

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352 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>.

353 Congressional Budget Office (CBO), December 2020, “Options for Reducing the Deficit: 2021 to 2030”, <https://www.cbo.gov/system/files/2020-12/56783-budget-options.pdf#page=17>

354 Grassley Remarks on the Passage of the 2018 Farm Bill <https://www.grassley.senate.gov/news/news-releases/grassley-remarks-passage-2018-farm-bill>

355 CBO “Options for Reducing the Deficit: 2021 to 2030” December 2020 <https://www.cbo.gov/system/files/2020-12/56783-budget-options.pdf#page=15>

years according to the CBO.<sup>356</sup>

- **Farmers Market and Local Food Promotion.** The RSC Budget would eliminate funding for the Farmers Market and Local Food Promotion programs.
- **Repeal Biomass Crop Assistance Program.** Repealing this program, which requires the federal government to choose winners and losers.
- **Eliminate the Agricultural Trade Promotion and Facilitation Program.** The underlying programs work to replicate the work of private actors to expand their business reach and customer base, providing taxpayer subsidies to federally hand-picked businesses. Eliminating this distortionary program would save taxpayers \$2.52 billion over ten years.
- **Repeal the Acer Access and Development Program (For Maple Syrup).** Federal funding is not necessary to promote this popular, largely North American-produced product. This budget terminates this program.
- **Repeal National Organic Certification Cost Share Program.** It is inappropriate to provide taxpayer subsidies to these purely private interests. This special-interest program should be eliminated to save taxpayers approximately \$16 million over ten years.<sup>357</sup>
- **Repeal Specialty Crop Block Grant Program.** This program provides extra subsidies to federally hand-picked producers.
- **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 and should be repealed.
- **Eliminate the Rural Economic Development Loan and Grant Program.** The Rural Economic Development Loan and Grant Program provides duplicative grants and loans to spur economic development where the private sector cannot support it.<sup>358</sup> This will save taxpayers \$699 million over the 10-year budgetary window.
- **Enact Rep. Tom Tiffany's Agriculture Civil Rights and Equality Act.** The ACRE Act would prohibit the Department of Agriculture from intentionally discriminating against any person based on race, color, national origin or sex in connection with programs, hiring, contracting, subcontracting. Would also extend this prohibition to Department of Agriculture subcontractors.

### **Energy and Commerce Committee**

**Universal Service Fund** - The RSC Budget would repeal the Universal Service Fund, saving taxpayers \$84.4 billion over ten years.

**Power Marketing Administrations and Tennessee Valley Authority (TVA) Assets** - The RSC Budget would auction off all assets of the four remaining Power Marketing Administrations. It would also auction off Tennessee Valley Authority (TVA) assets not related to the nuclear triad. Those TVA assets related to the nuclear triad would be transferred to the Department of Energy.

**Corporation for Travel Promotion** - The RSC budget would eliminate the Corporation for Travel

356 CBO "Options for Reducing the Deficit: 2021 to 2030" December 2020 <https://www.cbo.gov/system/files/2020-12/56783-budget-options.pdf#page=15>

357 Congressional Budget Office (CBO), USDA's Mandatory Farm Programs-CBO's February 2021 Baseline. <https://www.cbo.gov/system/files/2021-02/51317-2021-02-usda.pdf#page=7>

358 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/assets/a97338.html>

Promotion, also known as Brand USA, saving taxpayers \$571 million over the next ten years, according to the CBO.

### **Education and Labor Committee**

In the 116th Congress, the RSC's American Worker Task Force released Reclaiming the American Dream: Proposals to Empower the Workers of Today and Tomorrow. Chaired by Rep. Andy Barr (R-KY)), the report included 100+ conservative and solutions-oriented proposals to take a fresh, innovative, and comprehensive approach to lift up and empower America's workers. Many of its proposals fall within the jurisdiction of the House Education and Labor Committee and are supported by the RSC Budget, including the following:

#### **Support Local and Parental Control of Education**

- Education policy should be set by parents, teachers, school boards and locally elected officials, not Washington bureaucrats. The RSC Budget would allow states to completely opt out of the burdensome and costly mandates created by the federal government and have the option to receive federal education funds in the form of a block grant. This proposal is largely based on the Academic Partnerships Lead Us to Success (A-PLUS) Act sponsored by Rep. Ted Budd (R-NC).
- The RSC Budget supports repurposing federal funding to school districts into vouchers or education savings accounts for children. This policy will empower students to access better educational opportunities, the benefits of which will continue into their adult lives. This reform would also apply to Head Start dollars, as envisioned in RSC Chairman Jim Banks' Head Start Improvement Act.<sup>359</sup>
- The RSC Budget supports expanding 529 Accounts to encompass all forms of education and increasing the annual contribution cap. These reforms would provide the proper tax treatment to investments in education and would spur economic mobility.<sup>360</sup>

#### **Promote Career and Technical Education (CTE)**

- The RSC Budget would take steps to end the current imbalance in federal funding that disadvantages CTE. It supports amending the Higher Education Act so that Pell Grants apply to short-term career and technical education programs. This is the approach taken by the Pell Flexibility Act, introduced by RSC Chairman Jim Banks (R-IN).
- The RSC Budget would reallocate existing funding designed to push students into a traditional four-year college program to programs designed to amplify CTE opportunities for students in middle and high school.<sup>361</sup>
- The RSC Budget would codify the Trump administration's Executive Order to focus federal hiring on skills over degrees. President Trump's Executive Order on Modernizing and Reforming the Assessment and Hiring of Federal Job Candidates requires the Director of the Office of Personnel Management (OPM) to revise job qualification standards so that job postings only require a degree when it is a legal necessity and only consider a

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359 Rep. Jim Banks, Press Release, April 5, 2017, "BANKS INTRODUCES HEAD START IMPROVEMENT ACT", <https://banks.house.gov/news/documentsingle.aspx?DocumentID=75>

360 Republican Study Committee, "Reclaiming the American Dream", <https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/%5bFINAL%5d%20Reclaiming%20the%20American%20Dream%20.pdf#page=20>

361 For instance, if half of funding for Federal TRIO Programs and the Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP) was reallocated, CTE funding would increase by nearly 60 percent.

degree advantageous when the education received directly relates to the job task.<sup>362</sup>

Additionally, the order instructs the Director of OPM to increase the use of skills assessments in hiring.

### Higher Education Financing

- The RSC Budget would tether student loan repayment rates to the program they are in and not the institution. This would remove incentives to use taxpayer money to acquire an education that is not likely to result in better earnings. This reform is contained in Rep. Virginia Foxx's PROSPER Act.
- The RSC Budget would allow colleges to limit federal loans based on field of study. Ideally, this determination would be based on data demonstrating the value of the program, namely future earnings.
- The RSC Budget urges lawmakers to recalibrate undergraduate borrowing caps to promote responsible borrowing and discourage tuition hike and more accurately reflect the cost of attaining a four-year college degree. Additionally, the borrowing cap should be adjusted to account for remote instruction.
- The RSC Budget would eliminate the Parent PLUS and Grad PLUS loan programs, which programs have encouraged students and their parents to borrow large amounts of money and have contributed to the growth of tuition.<sup>363</sup>
- The RSC Budget urges lawmakers to clarify that Income Sharing Agreements (ISAs) are not student loans but rather should be entitled to their own legal treatment. This would allow ISAs to flourish and, among other things, would provide tax treatment clarity for students and ISA providers.
- The RSC Budget would clarify fair lending requirements to allow Cohort Default Rates (CDRs) and similar metrics to be used in private education lending. Doing so would foster innovation in lending based on a student's future earning potential and reduce reliance on traditional criteria, like FICO scores, that may disadvantage students from low-income backgrounds.
- The RSC Budget would create a single income driven repayment plan to replace the litany of student loan repayment plans based on the borrower's income. This would make enrollment and repayment simpler and more predictable for future borrowers.
- The RSC Budget would also limit the overly generous nature of current federal forgiveness programs. It would cap the total amount of student loans that can be forgiven through the Public Service Loan Forgiveness Program at \$57,000, requires payments for 25 years instead of 20 before forgiving debt and increases the maximum amount of payments from 10 to 15 percent of the income of the debtor.
- The RSC Budget would eliminate the Pell Grant mandatory spending add-on. Schools have responded to the increases in the size of Pell Grants by raising tuition or shifting aid to other students. This reform would save taxpayers more than \$57.2 billion over the next decade.<sup>364</sup>

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362 Donald J. Trump, "Executive Order on Modernizing and Reforming the Assessment and Hiring of Federal Job Candidates," The White House, June 26, 2020, <https://www.whitehouse.gov/presidential-actions/executive-order-modernizing-reforming-assessment-hiring-federal-job-candidates/>

363 Republican Study Committee, "Reclaiming the American Dream", <https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/%5bFINAL%5d%20Reclaiming%20the%20American%20Dream%20.pdf#page=13>

364 Congressional Budget Office, "Options for Reducing the Deficit: 2021 to 2030", December, 2020. <https://www.cbo.gov/system/files/2020-12/56783-budget-options.pdf#page=20>



- The RSC Budget would eliminate in-school subsidies for undergraduates.
- The RSC Budget would require post-secondary institutions to repay a percentage of graduates' debt if defaults are too high as a way of ensuring that these schools have a "skin in the game."
- The RSC Budget would implement Rep. Brett Guthrie's (R-KY) the Empowering Students Through Enhanced Financial Counseling Act, which would require universities and colleges to provide financial counseling services to federal loan recipients.
- The RSC Budget would require use of Fair Value Accounting for federal student loan budgeting.
- Oppose Biden forgiveness and free college, which fundamentally ignores the root causes of tuition spikes and would exacerbate the problem, shifting increasing costs to taxpayers and creating a whole host of new problems.<sup>365</sup>

### **Connecting Educators and Employers**

- To ensure that necessary workplace skills are being passed along to students, the RSC Budget would require school accreditation boards to include business representation, as proposed in Rep. Virginia Foxx's PROSPER Act.
- The RSC Budget would allow schools to partner with skills-focused organizations, such as private businesses, to allow these organizations to teach up to 100 percent of a program.
- To encourage the incorporation of more real-world experience into education, the RSC Budget supports several PROSPER Act amendments to the Federal Work-Study (FWS) program. These reforms would remove the cap on how much federal work study funding can go to students employed by private entities, require all employers to meet the same federal match obligation, and eliminate the requirement that institutions spend 7 percent of their federal work-study funding on students that are employed in community service positions.

### **Refocus Labor Policy to Unleash the American Worker**

The RSC Budget incorporates many of the critical reforms supported by the RSC's American Worker Task Force of the 116th Congress. It recognizes that even after the historic regulatory reforms achieved during the Trump administration, today's labor market is smothered by excessive and burdensome government red tape. Senseless regulations, counterproductive tax policies, and labor laws that subjugate workers all hinder human capital and individual achievement. The status quo is failing American workers, particularly as our nation, economy, and labor market emerges from the COVID-19 pandemic. Our nation's labor policy must provide workers with more options, control, and flexibility with regard to their employment future.

### **Expanding Opportunity**

The RSC Budget supports efforts to expand career and technical education by increasing apprenticeship opportunities. To do so, Congress should resurrect, codify, and enhance President Trump's Industry Registered Apprenticeship Program (IRAP), which allowed third-party entities to certify apprenticeship programs.<sup>366</sup> President Biden unfortunately rescinded President Trump's executive order that created the program.<sup>367</sup> Congress should also enact the DRIVE Safe Act, sponsored by

<sup>365</sup> Republican Study Committee, "Reclaiming the American Dream", <https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/%5bFINAL%5d%20Reclaiming%20the%20American%20Dream%20.pdf#page=12>

<sup>366</sup> Apprenticeship.gov, Accessed on April 23, 2021, "What is an Industry-Recognized Apprenticeship Program?", <https://www.apprenticeship.gov/employers/industry-recognized-apprenticeship-program>

<sup>367</sup> Bloomberg Law, by Ben Penn, February 17, 2021, "White House Scraps Trump's Industry-Led Apprenticeship Model (1)", <https://news.bloomberglaw.com/daily-labor-report/white-house-scraps-trumps-industry->



Rep. Trey Hollingsworth (R-IN), which would expand commercial motor vehicle related apprenticeship opportunities for people under 21. To protect the status of gig economy workers as independent contractors, the RSC Budget supports the New GIG Act, sponsored by Rep. Tom Rice (R-SC). Similarly, household workers should be treated as independent contractors for tax purposes. The RSC budget would codify President Trump's joint-employer rule, which unfortunately has been gutted by federal courts and assuredly will be rescinded by the Biden administration, in order to protect thousands of jobs spurred by franchise businesses. Last, the RSC Budget supports the Workplace Choice and Flexibility for Individuals with Disabilities Act, which would roll back a misguided regulation that significantly narrowed Congress's definition of Competitive Integrated Employment and effectively reduced career opportunities for individuals with disabilities.

Current workers should also be given more power over their compensation. The RSC Budget supports the Employee Bonus Protection Act, which would exclude performance-based bonuses from overtime rules, thus increasing the number of American workers receiving bonuses. It also supports the Working Families Flexibility Act, sponsored by Rep. Mary Miller (R-IL), which would give employees more flexibility in the ways they want to receive compensatory time.

The RSC Budget supports state-level efforts to reform their occupational licensing regimes and discard requirements that do not directly protect consumer health and safety. The federal government should also amend its own laws, rules, and policies so as not to unwittingly perpetuate the creation or continuation of unnecessary state and local occupational licensing laws. To further these goals, the RSC Budget supports President Trump's December 2020 executive order on "Increasing Economic and Geographic Mobility"<sup>368</sup> as well as Rep. Darrell Issa's (R-CA) Restoring Board Immunity Act, which would grant anti-trust immunity to actions by these boards only if they adopt one of two reforms designed to prevent runaway occupational licensing restrictions. Additionally, Congress should enact the Portable Certification for Spouses Act, sponsored by RSC Chairman Jim Banks (R-IN) to ensure military families are not unduly burdened by occupational licensing requirements every time they have to move. Last, states, as a condition of receiving certain WIOA funds, should be required to report on their occupational licensing standards and also set forth a plan for how they could reduce these standards to the least restrictive means possible while protecting consumer health and safety.

The RSC Budget also supports efforts to reduce the cost of child care and give parents more control over child care assistance. For instance, the Child Care Accessibility Report and Evaluation (CARE) Act, sponsored by Rep. Ashley Hinson (R-IA), would direct the HHS to submit a report to Congress that analyzes the effects of state regulations on the affordability and accessibility of child care. The Child Care Choices Act, sponsored by Rep. Michelle Fischbach (R-MN), would ensure states are prioritizing child care funds to parents in the form of vouchers and prohibit states from differentiating payment rates solely based on the fact that a provider is home-based, family-based, or faith-based child care provider.

### **Empowering Americans at Work**

The RSC Budget recognizes that many unions have played an important role in the lives of American workers. It is also true that unions do not always prioritize the wellbeing of all employees over the prosperity of the union. While the RSC Budget supports the right of every worker to join a union,

led-apprenticeship-system

368 Citizens Against Government Waste, by Frances Floresca, December 15, 2020, "President Trump's Occupational Licensing EO Will Create Jobs Across the Country", <https://www.cagw.org/thewastewatcher/president-trumps-occupational-licensing-eo-will-create-jobs-across-country>

this decision should be made by a worker that knowingly, willingly and freely chooses to do so. For these reasons, the Task Force supports reforms that refocus labor policy and union rules on benefiting workers, instead of the union itself. In furtherance of these goals, the RSC supports the following policies and pieces of legislation:

- Rewarding Achievement & Incentivizing Successful Employees (RAISE) Act, sponsored by Rep. Dusty Johnson (R-SD), which would allow employers to pay individual workers more than is specified in the union contract.
- National Right-to-Work Act, sponsored by Sen. Rand Paul (R-KY), which would repeal aspects of current law that allow private-sector workers, and airline and railroad employees, to be fired if they don't surrender part of their paycheck to a union.
- Employee Rights Act and Federal Employee Rights Act, sponsored by former Rep. Phil Roe (R-TN) and former RSC Chairman Rep. Tom Price (R-GA), respectively, which would allow employees to choose whether they want union representation, would prohibit automatic union dues collection, and would require federal worker unions to conduct secret ballot elections.
- Codification of the 2020 NLRB Rule to ban ambush elections.
- Union Integrity Act, sponsored by former Rep. Francis Rooney (R-FL), which would provide whistleblower protections for unionized employees against union retaliation.
- Union Transparency and Accountability Act, sponsored by former Rep. Francis Rooney, which would provide whistleblower protections for unionized employees against union retaliation and places disclosure requirements on unions.
- Exempt small businesses from NLRB regulations, freeing them from such federal overreach.<sup>369</sup>

Additionally, the RSC Budget supports legislation that would amend the NLRA to allow employees and employers to form alternative bodies to unions, such as work councils, where labor and management work together to resolve issues, such as compensation, efficiency, benefits, and more.

### **Private Pension Reforms**

The RSC Budget proposes increasing the premiums charged to private pension plans to more closely align them with the risk borne by the PBGC (and the taxpayer) and increasing the incentive for employers to properly fund their pension plans. Additionally, this budget would encourage Congress to explore options to tailor contribution equations to match the specific investment strategy of each covered firm, including consideration of any tools these firms employ to hedge risk.

The RSC Budget also urges Congress to alternatives to the PBGC and should have the goal of removing the federal government from this process. Ultimately, the PBGC creates the same moral hazard all government subsidies create, where the government taxes one person to pay another to be less responsible, careful and innovative. To this end, the RSC Budget would prohibit enrollment of new plans in the PBGC after 2031 and would require all firms that would otherwise have been under the PBGC to instead maintain private insurance coverage to guarantee a sufficient portion of the benefits promised by their plan. This would allow for the creation of a private market to offer the services of the PBGC, allowing the federal government to ultimately dissolve the PBGC and remove itself from these activities altogether. These private plans would offer an efficient way of providing these services and would incentivize proper pension fund management in the first place.

Sadly, the President Biden's American Rescue Plan included an incredibly damaging multi-employer

<sup>369</sup> Republican Study Committee, "Reclaiming the American Dream", <https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/%5bFINAL%5d%20Reclaiming%20the%20American%20Dream%20.pdf#page=35>

pension bailout that will cost taxpayers at least \$86 billion over the next ten years. It would apply to a select group of multiemployer or union pension plans and only tend to exacerbate the nation's pension crisis.<sup>370</sup> The RSC Budget opposes pension bailouts.

Further, the RSC Budget opposes the use of 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.

### **Financial Services**

**End the Government Sponsored Enterprises Fannie Mae and Freddie Mac and Reform the Federal Housing Administration** - According to the CRS, the U.S. housing finance system supports about \$10 trillion in outstanding single-family residential mortgage debt and over \$1 trillion in multi-family residential mortgage debt, with Fannie and Freddie responsible for a large portion of that debt.<sup>371</sup> In fact, more than 62% of all U.S home mortgages are backed by the federal government, placing an enormous amount of risk on taxpayers.<sup>372 373</sup>

Taxpayers have already been forced once to bail out Fannie Mae and Freddie Mac to the tune of \$187 billion. Since that time, Government Sponsored Enterprises (GSEs) have funded between 75 and 85 percent of all mortgage originations.<sup>374</sup> The RSC Budget recommends repealing Fannie Mae and Freddie Mac's federal charters. Further, the Federal Housing Administration should be reformed so it can operate on a self-sufficient basis. This proposal is based on the Protecting American Taxpayers and Homeowners Act introduced by former representative and RSC Chairman Jeb Hensarling.

**Increase and Extend Guarantee Fees** - While Congress works to wind down GSEs, it should also 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 0.1 percent Guarantee Fee (G-Fee) through FY 2021. The RSC Budget would double these fees, matching former President Trump's request. This would decrease deficits by \$26 billion over the next ten years.

**End Dodd-Frank Bailout Authority for Big Banks** - The Dodd-Frank financial reform law authorized the Federal Deposit Insurance Corporation (FDIC) to use taxpayer dollars to bail out the creditors of large, "systemically significant" financial institutions. Taxpayers should not be the emergency piggy bank for poor decision-making by financial institutions and corporations. The RSC Budget would repeal this authority.

**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 comply with this constitutional standard, the RSC Budget would remove the FED's mandate relating to employment, thereby leaving the FED with only

370 <https://www.heritage.org/jobs-and-labor/commentary/how-congress-exacerbated-the-union-pension-crisis-under-the-guise>

371 Congressional Research Service, "Housing Issues in the 115th Congress" Updated February 25, 2019 <https://fas.org/sgp/crs/misc/R45296.pdf>.

372 Congressional Research Service, October 16, 2020, "Housing Issues in the 116th Congress", <https://fas.org/sgp/crs/misc/R45710.pdf#page=12>

373 Federal Reserve Bank of Richmond, "Bailout Barometer: How Large is the Financial Safety Net?", September 8, 2017. <https://www.richmondfed.org/safetynet/>.

374 Sean M. Hoskins, N. Eric Weiss, Katie Jones, Congressional Research Service, "Selected Legislative Proposals to Reform the Housing Finance System", September 10, 2013. <https://fas.org/sgp/crs/misc/R43219.pdf>

the mandates related to providing a stable currency and interest rates. The employment related aspects of the FED's so-called Dual Mandate are often used to justify Keynesian stimulus policies and the recent increase in the use of tools to monetize the debt.

Under current law, Congress is prohibited from accessing all of the Federal Reserve's records. The GAO, which serves as Congress's non-partisan watchdog, should be allowed to review and inspect the Federal Reserve just as it does any other agencies. This commonsense proposal is based on Sen. Rand Paul's (R-KY) Federal Reserve Transparency Act.

The RSC Budget also recommends the creation of a Centennial Monetary Commission, such as the one proposed in Rep. Kevin Brady's (R-TX) Centennial Monetary Commission Act. This commission would examine how the Federal Reserve'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. As described by monetary economist John Taylor, "Sound rules-based monetary policy and good economic performance go hand in hand."<sup>375</sup>

**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**

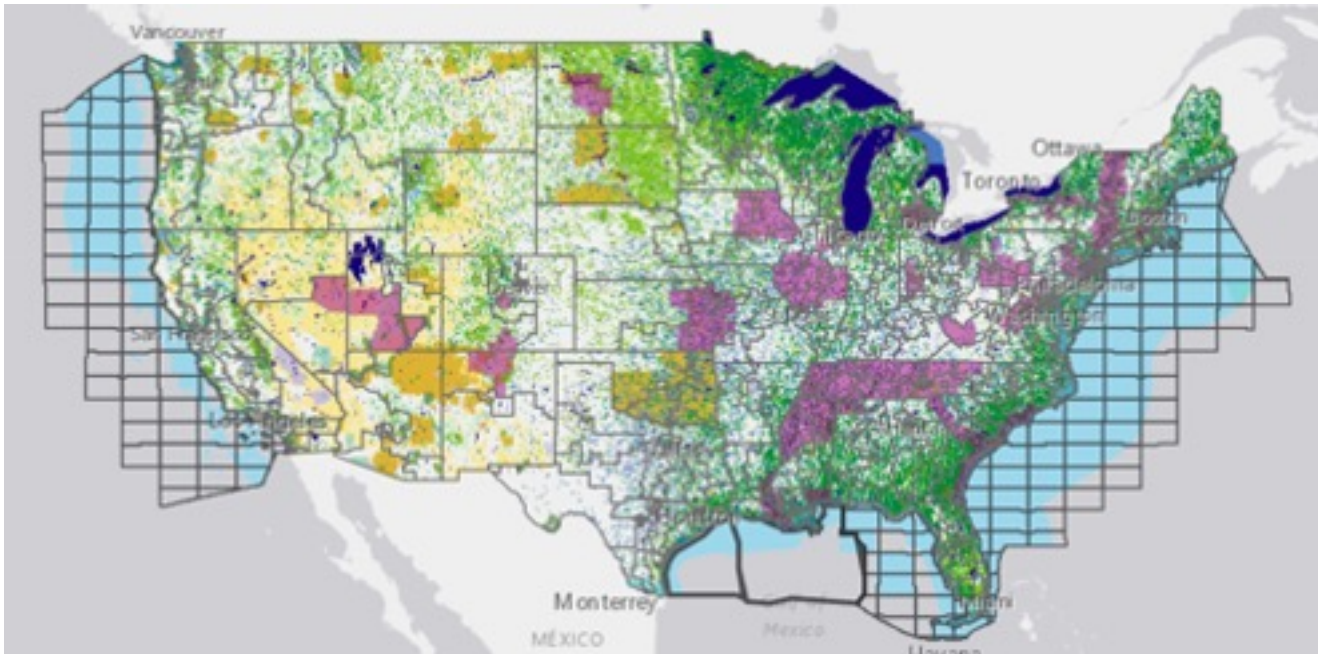
**Reduce the Federal Government's Footprint** - The federal government's physical footprint is staggering. According to the CRS, "The federal government owns roughly 640 million acres, 28 percent of the land mass of the United States. The federal government owns over 80 percent of the land in Nevada and 45.9 percent, on average, of the contiguous western states."<sup>376</sup> This tremendous hold over our country stifles growth and inflates land prices – a burden that falls mostly on working families. This budget would prohibit the net acquisition of new federal land, unless necessitated by a national emergency. Additionally, this budget would eliminate the Land and Water Conservation Fund (LWCF) and rescind its remaining balance. The LWCF is one of the major ways that the federal government acquires new land holdings.

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375 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](http://www.hoover.org/sites/default/files/research/docs/george_shultz_blueprint_for_america_ch6.pdf).

376 CRS "Federal Land Ownership: Overview and Data" Updated February 21, 2021 <https://fas.org/sgp/crs/misc/R42346.pdf#page=2>





Additionally, the federal government owns more than 792,000 buildings and structures that cost \$33 billion a year to operate. While there is no known market determined value for these properties, the government's estimated replacement value is \$1.5 trillion.<sup>377</sup> The RSC Budget supports reforms to make it easier to sell off unneeded space and expand enhanced leasing authority. The RSC Budget is pleased that Rep. Gary Palmer's (R-AL) Transparency in Federal Buildings Projects Act, which requires GSA to make prospectuses and associated information on federal building projects available to the public.

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. Unfortunately, this authority has been abused, most notably by President Obama.<sup>378</sup> The RSC Budget supports amending the Act to require congressional approval prior to a designation becoming effective.

**Reform Wilderness Study Area Process and Expand Timber Harvesting** - While Congress has charged the Bureau of Land Management (BLM) with preserving 8.6 million acres of designated Wilderness Areas, the BLM also oversees 12.6 million acres of Wilderness Study Areas (WSA).<sup>379</sup> WSAs, as the name implies, were meant to remain under WSA status for a short duration of time to deter-

377 CATO Chris Edwards "Selling Federal Government Buildings" February 19, 2014 <https://www.cato.org/blog/selling-federal-government-buildings>.

378 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](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).

379 BLM "Wilderness and Wilderness Study Areas" Accessed April 23, 2021 <https://www.blm.gov/programs/national-conservation-lands/wilderness>



mine whether or not to include them as permanent Wilderness Areas. However, most of these lands remain in limbo status for many years and are regulated as Wilderness Areas. As such, these valuable lands are locked away from the American people. Moreover, the forest land in WSA status cannot be properly maintained. The lack of proper forest management on these lands not only restricts access to valuable timber but also allows these areas to turn into tinder boxes, intensifying the loss of life and property when forest fires occur. The RSC Budget would implement proposals similar to the Unlocking Public Lands Act and the Protect Public Use of Public Lands Act introduced by former Rep. Greg Gianforte (R-MT) to quickly review and process WSAs and allow increased forest management and timber harvesting on federally held and managed lands.

**Eliminate the Puerto Rico and Virgin Islands Rum Cover Program** - The Puerto Rico Rum Cover Program takes the excise tax charged on rum produced in, or imported into, the U.S. and returns the money to the governments of Puerto Rico and the U.S. Virgin Islands to supplement their normal revenues.<sup>380</sup> This program distorts the market by subsidizing the production of rum in these territories. The RSC Budget would eliminate this program.

### **Oversight and Reform**

The RSC Budget incorporates many of the critical reforms supported by the RSC's Government Efficiency, Accountability, and Reform (GEAR) Task Force of the 116th Congress, chaired then by current Montana Governor Greg Gianforte. As a member of the House in the 116th Congress, former Rep. Gianforte (R-MT) focused the GEAR Task Force on assembling proposals designed to improve the functioning of, and restrain when necessary, our administrative state. Many of these related to the hiring, removal, and compensation of federal employees which fall under the jurisdiction of the House Oversight & Reform Committee.

**Measuring the Federal Bureaucracy** - The federal bureaucracy has immense power over the lives of every American. However, there is no formal database cataloging every program of the federal government. The RSC Budget supports Rep. Tim Walberg's (R-MI) Taxpayer Right to Know Act, which would create an online inventory of all federal programs.

**Reforms to the Hiring Process for Federal Employees** - The federal government cannot expect to have an efficient and productive workforce without having a faster and more reliable process for hiring highly qualified candidates. According to the Office of Personnel and Management (OPM), the 2016 Merit Principles Survey found that federal supervisors believe their most difficult workforce management task is getting a pool of quality candidates.<sup>381</sup> On average, it takes federal agencies three times longer than private entities, to complete the hiring process for a single employee.<sup>382</sup> Wisely, the Trump administration made overhauling federal hiring practices a major priority for OPM.<sup>383</sup> The RSC Bud-

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380 CRS Steven Maguire and Jennifer Teefy "The Rum Excise Tax Cover-Over: Legislative History and Current Issues" <https://fas.org/sgp/crs/misc/R41028.pdf>.

381 [https://www.chcoc.gov/sites/default/files/OPM Memo Improving Federal Hiring through the Use of Effective Assessment Strategies to Advance Mission Outcomes.pdf](https://www.chcoc.gov/sites/default/files/OPM%20Memo%20Improving%20Federal%20Hiring%20through%20the%20Use%20of%20Effective%20Assessment%20Strategies%20to%20Advance%20Mission%20Outcomes.pdf)

382 Volcker Alliance, Volcker Alliance and Partnership for Public Service Launch Civil Service Reform Initiative (Sept. 5th, 2017), <https://www.volckeralliance.org/news/volcker-alliance-and-partnership-public-service-launch-civil-service-reform-initiative>

383 <https://www.opm.gov/services-for-agencies/technology-systems/>; White House Office of Management and Budget, Improving the Hiring Process Action Plan, (Dec. 2019), [https://www.performance.gov/OPM/2019\\_dec\\_OPM\\_Improve\\_the\\_Hiring\\_Process.pdf](https://www.performance.gov/OPM/2019_dec_OPM_Improve_the_Hiring_Process.pdf)

get supports continuation of these efforts and the following proposals:

- Congress should require agencies to include hiring managers and subject matter experts in federal hiring. The proposal is based on a Trump administration pilot program under which the Departments of Interior and Health and Human Services placed eight subject matter experts in the hiring process for every two human resources staff.<sup>384</sup>
- Congress should require OPM to investigate automated tools to assist in civil service hiring. Automation would likely better track and remove unqualified job applicants through techniques like key word usage.<sup>385</sup>
- Congress should direct OPM to investigate ways for agencies to build applicant vetting pipe lines so that they can “hire to attrition.” Doing so would allow agencies to have a ready pool of vetted applicants when a spot becomes available instead of waiting until a spot opens to begin the cumbersome hiring and vetting process. This proposal is based on an FBI pilot program under which the FBI created and maintained a pipeline of qualified candidates to ensure that the bureau maintained adequate staffing.

**Reforms to the Removal Process for Federal Employees** - It has become virtually impossible to remove most federal employees, even for just cause. A review by the GAO found that the dismissal process is estimated to take 170 to 370 days.<sup>386</sup> According to the Heritage Foundation, of 2.1 million federal employees, only 11,046 – or 0.5 percent – were fired in 2017.<sup>387</sup> This system is so absurd that the courts have actually ruled that federal employees have a property right to continued employment.<sup>388</sup> Even worse, under the Trump administration, we 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.”<sup>389</sup>

The RSC Budget therefore supports a number of commonsense proposals to improve the removal of federal employees:

- The MERIT Act, sponsored by Rep. Barry Loudermilk (R-GA), which notably would shorten the timeframe necessary to remove a bad employee to 30 days, limit the retirement compensation awarded to a federal employee removed for committing a felony in abuse of their

384 Jessie Bur, Can agencies improve hiring by letting current feds in on the process?, FEDERAL TIMES, <https://www.federaltimes.com/management/hr/2019/10/23/can-agencies-improve-hiring-by-lettingcurrent-feds-in-on-the-process/>

385 <https://www.hrtechnologist.com/articles/recruitment-onboarding/the-new-age-of-automation-in-the-recruitment-process/>

386 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>.

387 The Heritage Foundation John W. York, Ph.D. “Firing a Bad Federal Employee May Get a Little Easier” July 19, 2018 <https://www.heritage.org/government-regulation/commentary/firing-bad-federal-employee-may-get-little-easier>.

388 Jared Cole, Congressional Research Service, “The Civil Service Reform Act: Due Process and Misconduct-Related Adverse Actions”, March 29, 2017. <https://fas.org/sgp/crs/misc/R44803.pdf>

389 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](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).

official duties, rein in unnecessary appeals, and grant managers authority to recoup bonuses paid to employees who were later found to have committed certain workplace violations. While ideally, federal workers would be considered at-will employees, the MERIT Act's reforms would be an immense improvement over the status quo.

- Congress should require the mandatory removal of federal employees that commit crimes.<sup>390</sup>
- The Anti-Deficiency Reform and Enforcement Act, sponsored by former Rep. Paul Mitchell (R-MI), is a good first step in rightsizing the scope of the actions for which a federal employee can be punished. It would expand grounds for removing employees under the Anti-Deficiency Act to include misusing an official vehicle or aircraft for personal travel.
- Congress should prohibit union work by federal employees while on the clock and also end the practice of the federal government serving as the dues collector for the unions. Rep. Jody Hice (R-GA) has sponsored two bills that would be steps in the right direction and are supported by the RSC Budget. The Official Time Reform Act and the Official Time Reporting Act would ban federal employees from lobbying while on official time and require OPM to report to Congress on all agency personnel conducting union duties at work, respectively.
- The HERCULES Act, sponsored by Rep. Kevin Hern (R-OK), which would limit adverse employment action appeals. While the MERIT Act takes meaningful steps to do so, the HERCULES Act would limit outside appeals to formal disciplinary actions, such as removal or demotion, and not compensation decisions. It would also limit the venue for outside appeals to one office in response to disciplinary action.

**Reforms to Employee Pay** - The federal government's current compensation framework largely ignores the more efficient compensation approach that has evolved out of the private market. In the federal government, employees receive on average 17 percent more in total compensation, when benefits are included, than their counterparts in the private sector.<sup>391</sup> This amounts to \$31 billion per year in added compensation costs that are borne by the American taxpayer. It does not adequately incentivize productive behavior, overcompensates many employees at the cost of undercompensating others, and relies on hidden and overgenerous benefits. The RSC Budget supports the following compensation reforms:

- Automatic raises for federal employees should be eliminated. Pay increases for federal employees should be merit-based, not automatic.
- Congress should require that agencies only award bonuses when employees meet the standard for "exceeds fully successful." Exceeds Fully Successful, according to the OPM guidance is "reserved for the individuals who are delivering measurable outcomes for the American public in a way that is measurably beyond the standard set for fully successful."
- Congress should impose 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. The Federal Employee Bonus Disclosure Act, introduced by former Rep. Mark Sanford (R-SC), would require disclosure of all bonuses for federal employees. Additionally, this bill would require reports to Congress on all large cash bonuses.
- Congress should repeal current law restrictions that prohibit basing bonus decisions on the relative performance of an employee compared to their peers.

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390 Republican Study Committee, "Power, Practices, Personnel: 100+ Commonsense Solutions to Better Government," [https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/GEAR%20Report\\_Single%20Spread%20FINAL.pdf#page=54](https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/GEAR%20Report_Single%20Spread%20FINAL.pdf#page=54)

391 Congressional Budget Office, "Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015", April; 25, 2017. <https://www.cbo.gov/publication/52637>.

- Congress should reform the federal pay scale to attract and reward high skilled, highly productive federal workers, and stop overpaying less qualified employees.
- Congress should match federal worker paid leave to that of the private sector.

**Reform Federal Employee Pension Plans** - Federal employees hired since 1984 are entitled to a two-part retirement program, including the Federal Employee Retirement System (FERS) defined benefit plan and a 401k-style plan with up to a 5 percent government matching contribution. Congress should reform federal employee pension plans in a number of ways. It should: compute a retiree's benefit based on their highest five and not three years of earnings; increase the share of employee contributions to FERS over time to more closely align with the private sector; reduce or eliminate the COLA for FERS and the Civil Service Retirement System (CSRS); eliminate the Special Retirement Supplement (SRS), which provides additional benefits for retirees younger than 62 but who had a long federal work history; and reform the interest rate provided by the G Fund in the Thrift Savings Plan (TSP) to more accurately reflect the yield on a short-term T-bill rate.

Additionally, Congress should require all federal employees 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.

Congress should also look at options for new federal workers to be solely enrolled in the TSP system and not into the FERS pension system. The 401(k)-modeled TSP accounts give workers control over their retirement. If new workers were simply enrolled in a TSP system with larger initial and matching federal contributions, this purely defined contribution model would allow the federal retirement system to pay out only to those that are contributing to the pension system.

**Federal Employee Health Care** - The Federal Employee Health Benefits Program (FEHBP) provides health insurance coverage for federal employees and their dependents. The portion of these costs covered by the taxpayer does not change with the higher-priced coverage options. As such, federal employees have the incentive to choose the more expensive plans on the taxpayer's dime.

The RSC 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. The government should also reduce its contributions to federal workers' premiums to more closely align with the private sector.

**Removing Double Dipping and Imbalances in Federal Worker Health Care Programs** - Many retired federal workers can use both Medicare and FEHBP benefits. The RSC Budget would prevent this by ensuring Medicare-eligible federal retirees utilize their Medicare benefits only.

Additionally, the Postal Service Health Insurance Program receives matching funds from the federal government to supplement these benefits for postal workers. Unlike most federal worker health insurance programs, these matching rates are collectively bargained for and consistently exceed the same benefits for other programs. The RSC Budget would set these rates by statute to be on par with similar federal worker insurance programs.

**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 for All Urban Consumers (CPI-U) or the Consumer Price Index for All Urban Wage Earners and Clerical Workers (CPI-W). Both measures track the changes in prices of particular goods and services. However, these measures do not consider when a cheaper and more innovative product is available and when consumers switch their spending from previous goods and services to the new one. This would be similar to assuming households spend their money in the same proportions on the same things households did a century ago. To account for this real-world behavior, the BLS has published a more accurate measure of inflation since 2002 called the Chained Consumer Price Index (chained CPI or C-CPI-U). This budget proposes using the more accurate measure for inflation, chained CPI, saving the taxpayers \$223 billion in total over the next ten years according to the CBO.

**Overhaul Federal Technology Practices** - Successful businesses understand that operations cannot happen efficiently without an effective technology policy. According to GAO, the federal government invests over \$90 billion annually in information technology (IT). Yet, government technology is completely lagging, and aspects of federal IT management are outdated or duplicative. The federal workforce is undertrained in applicable technologies and most agencies have not fully implemented required reforms in software management. Furthermore, the government's incredible capacity for collecting data through various agency reports has little use without effective management of government IT. While Congress has taken a proactive role in IT oversight in the last decade, more reform is still needed promote better efficiency and accountability, including the following measures supported by the RSC Budget:

- The RSC Budget urges lawmakers to continue to build off the success of the Federal Information Technology Acquisition Reform Act (FITARA) model by seeking improvements from agencies where they currently fall short.<sup>392</sup> As of 2018, no agency had fully implemented the FITARA requirements for streamlining Chief Information Officers (CIO) authorities. Furthermore, in 2018, agencies were found to have underreported IT contracts by a value of approximately \$4 billion. Despite the generally positive results of the FITARA program, this lack of accountability is unacceptable. On the December 2020 scorecard, no agency had an overall A rating and 5 agencies had declining scores<sup>393</sup> Congress should more thoroughly provide oversight in the areas of FITARA scoring where agencies are falling short, so that FITARA requirements will become fully implemented across agencies.
- The RSC Budget supports requiring all federal data center consolidation cost savings to be reported to OMB. Additionally, the RSC Budget supports overhauling federal data storage by incentivizing agencies to consolidate and move towards the cloud. Agency funding should be maintained for those who reach consolidation benchmarks set by Congress, while agencies that fail to meet such benchmarks should have funding incrementally reduced until corrective action is taken.
- The RSC Budget supports requiring all agencies to eliminate redundant software products and services and reduce excessive information technology software licenses. Furthermore, Congress must conduct rigorous oversight to ensure that agencies are in compliance with federal law pertaining to software asset management.
- The RSC Budget supports efforts to transition federal government records to electronic sys

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392 Government Accountability Office, Report to Congress: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas (Mar. 2019) <https://www.gao.gov/assets/700/697245.pdf#page=74>

393 Posted by the House Committee on Oversight, December 2020, FITARA December 2020 Scorecard, <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/FITARA%20Scorecard%2011.pdf>



tems as called for by the Trump administration.<sup>394</sup> The National Archives and Records Administration (NARA) is attempting to convert its treasure trove of information to electronic systems by 2022. By moving all records to electronic systems, government will be better equipped to access its data and respond to individual requests more quickly. Congress should assist in this historic effort by codifying the Trump administration's deadline for NARA and using it as a benchmark for all federal agencies.

**Leverage Common Contracts** - The RSC Budget supports the OMB Performance Plan's proposal for agencies to leverage common contracts so that the shared contracts allow for taxpayer savings, increased efficiency, and greater value. The elimination of fragmented buying by agencies and duplicative contracts to the same vendor for largely the same work is estimated to lead to a savings of billions of taxpayer dollars.<sup>395</sup> Congress should require agencies to use common contracting techniques when such practice is feasible.

**Require Disclosure on Taxpayer-Funded Advertisements** - Until we eliminate all federal advertisements, in the interest of transparency and accountability, the public should know when taxpayer dollars are used to promote government projects. These advertisements should include a disclaimer identifying this fact, as well as the cost of the advertisement to taxpayers.

**Limit Federal Employee Conferences** - 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.

**Prohibit the Federal Government from Bailing Out Irresponsible States, Territories and Local Governments** - State and local governments are the great laboratories for Federalism. Sadly, some states, territories and cities have been negligent in addressing pending financial problems. Taxpayers in financially healthy states should not be responsible for the reckless behavior and mistakes of other parts of the country. Tragically, hundreds of billions of dollars have been taken from hard working Americans and given as bailouts to these governments during the pandemic. The RSC Budget condemns all forms of bailouts to state and local governments, including those that have already been enacted in pandemic related legislation.

One area where state and local governments have been particularly irresponsible is public pensions. The RSC Budget supports the State and Local Pensions Accountability and Security Act, sponsored by Rep. Brian Babin (R-TX), which would prohibit the Department of the Treasury and the Federal Reserve Board from providing any form of financial assistance to a state or local pension plan.

The RSC Budget also opposes efforts to amend existing federal bankruptcy law to allow state governments to access federal bankruptcy proceedings.

### **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 gov-

394 White House Office of Management & Budget, Memorandum: Transition to Electronic Records (Jun. 28th, 2019), <https://fas.org/sgp/trump/omb-electronic.pdf>

395 General Services Administration, Category Management: Leveraging Common Contracts and Best Practices to Drive Savings and Efficiencies, (Dec. 2019)

ernment project, it is harder to see the harm done by taxing, borrowing or printing money to fund the project.<sup>396</sup> 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. As an example, President Biden’s recent call for a \$2.25 trillion dollars “infrastructure” plan would consume more than \$18,000 per American household worth of resources. This would pull these resources out of the economy at a critical time for our recovery efforts.

A recent academic paper analyzing the potential impact of infrastructure spending as an economic stimulus, in 2017, concluded that “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 U.S. deeper in debt at a time when the country can ill afford it. As a long-term measure, infrastructure spending is not a solution.”<sup>397</sup> Further, the Constitution would require most infrastructure to be done at the state and local level, or by the private sector.

Highway spending needs an overhaul. In reality, Washington mandates and carve-outs get in the way of the important and efficient infrastructure spending that local governments and private citizens would make. The Biden plan would double down on these carve-outs, giving special subsidies to green energy producers and makers of electric vehicles. This plan would move away from efficient federal infrastructure policies and would move further towards inefficient and costly boondoggles.

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 state and local governments. The RSC 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.

**Phase Out the Mass Transit Account** - Currently, billions of dollars per year—29 percent of annual spending from the HTF—are taken away from programs that support roads and bridges to fund programs that instead support initiatives purely local in nature or only benefit special interests.<sup>398</sup> A first step in this transition should be to phase out the Mass Transit Account (MTA). The MTA accounts for about 15 percent of HTF spending. Money that is diverted to the MTA 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.<sup>399</sup> Diverting money from the HTF 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, contributes to shortfalls in the HTF, and eventually results in bailouts of the trust fund.

**Eliminate Transportation Alternatives Funding** – According to CRS, the “Transportation Alternatives Program...funded such projects as bicycle paths and walkways, is effectively absorbed into the

396 Frédéric Bastiat, “That Which is Seen, and That Which is Not Seen”, July 1850. <http://bastiat.org/en/twisatwins.html>.

397 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>.

398 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>.

399 Federal Transit Administration, About FTA, Accessed March 14, 2019. <https://www.transit.dot.gov/about-fta>.

STBG program. The FAST Act provides that \$850 million per year from the STBG apportionment be set aside for transportation alternative-like uses. The transportation alternative-like uses portion of the STBG program should be eliminated.

**Eliminate the Congestion Mitigation and Air Quality** - 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. The CMAQ Program is allocated between \$2.3 billion and \$2.5 billion each year and should be eliminated.

**Gas Tax Increase Opposition** - 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 on extraneous programs, not because taxes are too low. The RSC Budget would prohibit any gas tax increase.

**Distortionary Tax Policy Opposition** - 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 U.S. over the last 25 years through public-private partnerships.<sup>400</sup> An “infrastructure bank” or other government financial instruments would only put taxpayers at additional risk.

It is a mistake to believe 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 from which even the most speculative investor would normally flee. By definition, when the government taxes someone to build an infrastructure project that isn't profitable, two misuses of government power have occurred. First, the government has taken hard earned money from someone and secondly, used it to buy inputs more valuable to society than the final product the government produced. This exercise simply steals wealth from some people to reduce the wealth of the whole country.

**Reducing the Regulatory Burden on Infrastructure** - 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 RSC Budget supports codification of a rule from President Trump that streamlined the NEPA permitting process, improved transparency, and produced short and reliable timelines for being able to

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400 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-Transportation-Testimony\\_1.pdf](https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50298-Transportation-Testimony_1.pdf).

go through the NEPA permitting process.<sup>401 402</sup> However, President Biden has already begun to direct his administration to review and overturn many of President Trump's good reforms to remove onerous federal regulations. Already rescinded is draft guidance from the Trump administration's Council on Environmental Quality declaring the federal government would not include climate change considerations in the NEPA permitting process.<sup>403 404</sup>

Additionally, the RSC Budget supports a President Trump initiative to have a single federal agency be designated as the lead agency for handling a permit request that will require duplicative submissions to other federal agencies. This will allow private entities to not have to do duplicative work. This is similar to a process outlined in Rep. Tom McClintock's (R-CA) Water Supply Permitting Coordination Act.

The RSC Budget also support codification of the Trump administration rule repealing certain Obama-era Clean Water Act (CWA) provisions that were used to delay pipeline projects already approved by the FEC<sup>405</sup> and retroactively rescind permits already issued.<sup>406 407</sup> This budget would oppose any attempts by the Biden Administration to rescind this rule or unconstitutionally expand executive power through the CWA.<sup>408</sup>

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

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.

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401 Federal Register, July 16, 2020, "Update to the Regulations Implementing the Procedural Provisions of the National Environmental Policy Act", <https://www.govinfo.gov/content/pkg/FR-2020-07-16/pdf/2020-15179.pdf>

402 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>.

403 Federal Register, January 25, 2021, "Executive Order 13990", <https://www.govinfo.gov/content/pkg/FR-2021-01-25/pdf/2021-01765.pdf>

404 JDSUPRA, March 1, 2021, "Biden Administration Revives Consideration of Climate Change Impacts in NEPA Reviews", <https://www.jdsupra.com/legalnews/biden-administration-revives-9477420/>

405 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>.

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

407 Federal Register, April 21, 2020, "The Navigable Waters Protection Rule: Definition of "Waters of the United States"", <https://www.federalregister.gov/documents/2020/04/21/2020-02500/the-navigable-waters-protection-rule-definition-of-waters-of-the-united-states>

408 Bloomberg Law, by Bobby Magill, January 29, 2021, "Biden Swings Waters Pendulum With Final Resolution Still Elusive", <https://news.bloomberglaw.com/environment-and-energy/biden-swings-waters-pendulum-with-final-resolution-still-elusive>

Federally funded infrastructure projects are also restricted in what materials they can use by so-called “Buy America” provisions. Among other things, these provisions require these projects to buy iron, steel, and manufactured products made in the United States. Though this would help one set of industries in the U.S., it would do so by raising the cost on around 60 percent of the components in these projects. This increases the cost of all federally funded infrastructure projects, diminishing the value of the work these projects do and amounting to an expanded tax on everyone who uses these projects and on everyone who is taxed to fund them. Our budget removes this prohibition to allow federally funded infrastructure projects to be built in as cost reducing and efficient a manner as possible and would oppose President Biden’s call to strengthen these requirements.

The RSC Budget also supports RSC Chairman Jim Banks’ bill that would allow state governments to run concession areas at state government owned concession areas. The current regulation against this practice only hinders the abilities of state governments to operate their own rest areas and fund legitimate functions of the states’ governments.

**Eliminate the Essential Air Service Program** - The Essential Air Service Program heavily subsidizes flights to and from rural areas, often at a cost of several hundred dollars per passenger. The federal government should not be borrowing money to provide air service to areas of the country where the market will not support it.

**Equalize Cost-Sharing for Disasters** - Under current law, the Federal Emergency Management Agency (FEMA) is required to cover at least 75 percent of certain 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 reducing the federal cost share to 50 percent, equalizing the cost to both the federal and state governments.

**Privatizing the Air Traffic Control Functions of the Federal Aviation Administration** - The RSC Budget supports the goal of working towards privatizing the Air Traffic Control (ATC) functions of the Federal Aviation Administration (FAA). Privatizing would produce less expensive and better-quality services, and market forces would keep market participants accountable and demand reliability.

### **Ways and Means**

**Eliminate the Social Services Block Grant** - 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 \$16.1 billion over the next decade.

### **Judiciary**

**Keep the Nine** - This budget would maintain the current size of the Supreme Court. This budget would oppose all attempts by the Democrats and President Biden to pack the court by increasing its membership and filling those seats with unqualified ideologs.

**Reducing the Burdens of the Pandemic** - This budget supports the implementation of reasonable liability protections relating, to the spread of COVID-19 or other viruses and diseases, to allow businesses to maintain operations and to expedite bringing our economy back from the pandemic.



**Reform the Ninth Circuit** - The RSC Budget supports Rep. Andy Biggs' (R-AZ) Judicial Administration and Improvement Act, which would split the 9th circuit into two districts.

**Stop Civil Asset Forfeiture Abuse** - Under current law, federal, state, and local police can seize an individual's property unless that individual can prove he or she acquired it legally.<sup>409</sup> This must change. Unfortunately, in July 2017, the Department of Justice (DOJ) revived a suspended civil asset forfeiture policy that creates financial incentives for state and local law enforcement to seize property.<sup>410</sup> The RSC Budget supports the Fifth Amendment Integrity Restoration Act (FAIR Act), sponsored by Rep. Tim Walberg (R-MI), which would raise the standard to seize assets and reduce incentives 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.

### **Veterans Affairs**

**Reforms to Related-Injury Benefits and Reforming Unemployability Benefits for Retirees** - The RSC Budget would ensure individual benefits paid out from the VA for disability are reserved for people disabled as a direct result of their service. Right now, people can receive these benefits for diseases and injuries they acquired while in the military but that were not from their military service. In these cases, these payments are duplicative with SSDI benefits. The RSC Budget would also modernize the VA's Rating Schedule for Disability Compensation to reflect changes in medical technology and in the labor market over the last several decades.

Additionally, some people receive unemployability payments from the VA and regular Social Security benefits. The VA program is designed to cover the loss of ability to work for people that are in the workforce, not retirees that are drawing retirement benefits from Social Security. The RSC Budget would end this practice.<sup>411</sup> The RSC Budget would reinvest savings from both measures into the VA to help towards the goal of fully modernizing VA operations and facilities.

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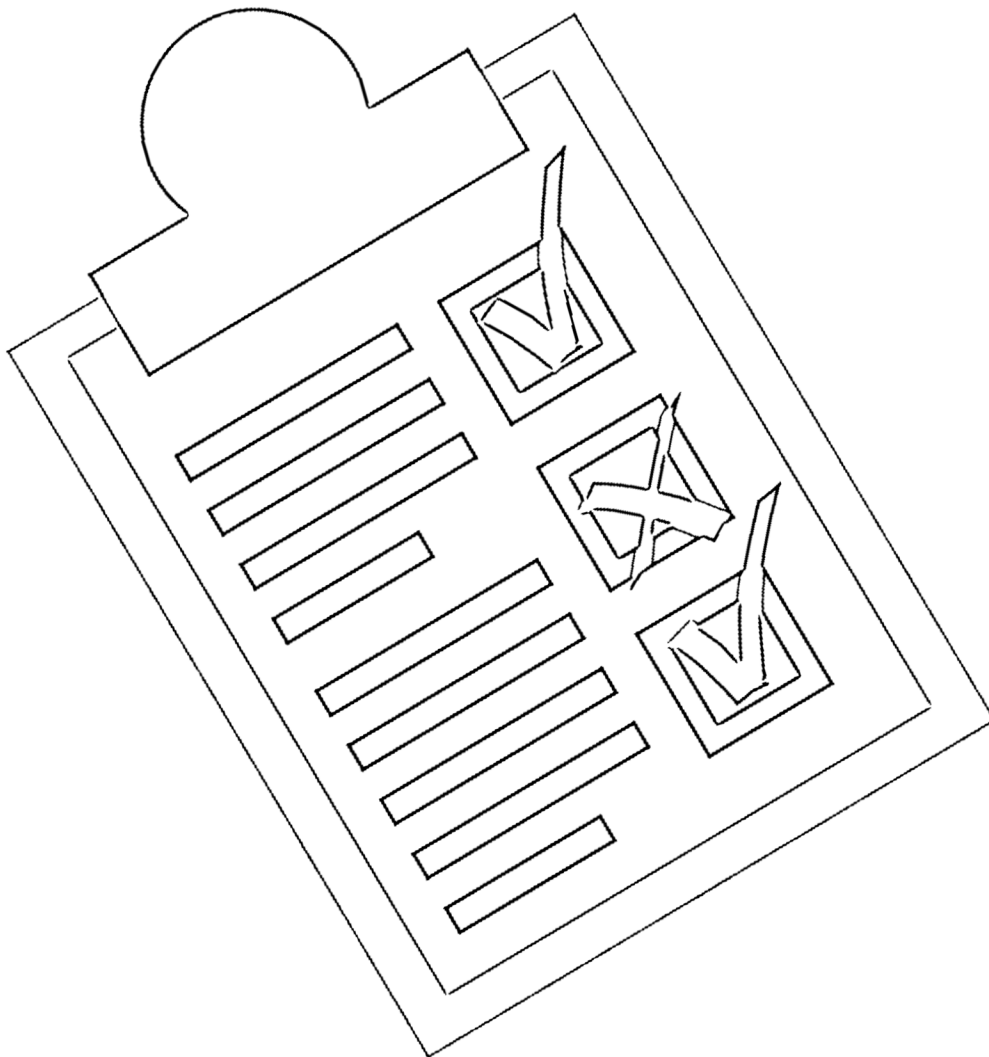
409 FreedomWorks, by Jason Pye "From High Seas to Highway Robbery: How Civil Asset Forfeiture Became One of the Worst Forms of Government Overreach" <https://www.scribd.com/document/272213452/From-High-Seas-to-Highway-Robbery-How-Civil-Asset-Forfeiture-Became-One-of-the-Worst-Forms-of-Government-Overreach>

410 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>.

411 CBO "Options for Reducing the Deficit 2021 to 2030" December 2020 <https://www.cbo.gov/system/files/2020-12/56783-budget-options.pdf#page=4>



# DISCRETIONARY SPENDING



For most of our history, all federal spending was done through annually passed appropriations bills, - giving Congress annual oversight and power over all federal spending. However, automatic mandatory spending now eats up two thirds of our budget and is growing. This leaves Congress, the representatives of the people, with regular oversight of only a third of federal spending. The delegation of Congress' spending control represents an abdication of its constitutional duty and further empowers the executive branch to administer these automatic spending programs. Also of grave concern is the amount of federal spending on programs that have little to no constitutional authorization.

While liberal expansionists have distorted the original intent of the term "general welfare" to include many state and local initiatives and corporatist carve outs, our Founding Fathers intended the term to be limited to those specific authorities spelled out explicitly in Article I, Section 8. Spending federal funds on activities outside of these confines is unconstitutional and tends to transfer wealth in a haphazard and inefficient manner. Many of these programs are the work of the well-connected, using the tax money of the many to enrich the few. These distortions tax productive and enriching activities while stunting economic and job growth.

The RSC Budget seeks to trim the non-defense discretionary (NDD) budget down to programs that fall within Congress's explicitly delegated authorities and that do not impose undue market distortions. Further, it would maintain the original NDD spending trajectory established by the Budget Control Act (BCA). Overall, it would cut NDD spending by \$3.4 trillion over the next decade. Specific NDD spending reductions and reforms are listed below.

#### **Within the Jurisdiction of Multiple House Appropriations Subcommittees:**

**Reorganize the Executive Branch** - The RSC Budget supports many of the government restructuring reforms that had been suggested by both GAO and the Trump administration's "Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations" plan.<sup>412</sup> These reforms are aimed at increasing transparency, eliminating government inefficiencies, returning true legislative authority to Congress, and reducing the federal footprint through reduced costs and regulations.

**Prohibit Funds for Government Promotion** - According to the GAO, the federal government spends roughly \$1.5 billion of taxpayer money on public relations activities a year.<sup>413</sup> While it is important the government be transparent and information be accessible, it is inappropriate for the government to spend funds promoting more government.

#### **Agriculture, Rural Development, Food and Drug Administration, and Related Agencies:**

**Eliminate Rural Business-Cooperative Service** - The federal government should not be in the business of subsidizing the choice of individuals to live in remote areas further from central services. The Rural Cooperative Development Grants (RCDG) and Rural Energy for America programs provide subsidies to commercial interests in rural areas in a manner that distorts markets and creates unstable economic conditions. Further, 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 ener-

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412 Re-posted by Politico, originally created by the Office of the President "Delivering Government Solutions in the 21st Century" <https://www.politico.com/f/?id=00000164-2324-dbd-c-a96d-373e4e2a0000>

413 GAO "Selected Agencies' Activities Supported by Contracts and Public Affairs Staff" September 12, 2017 <https://www.gao.gov/products/GAO-17-711>

gy.<sup>414</sup> Eliminating the Rural Business-Cooperative Service would save more than \$1.3 billion in appropriations over the decade.

**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 and should be handled by the private sector or local and state government. President Trump had proposed eliminating this duplicative program. Eliminating this program would save \$6.9 billion over a decade.

**Eliminate the Conservation Technical Assistance Program** - The USDA's Conservation Technical Assistance Program provides assistance to landowners to conserve, maintain, and improve natural resources, and should be handled by the private sector or local and state government.

**Repeal United States Department of Agriculture (USDA) Catfish Inspection Program** - The USDA Catfish Inspection Program should be repealed. The Food and Drug Administration (FDA) is charged with inspecting all seafood and fish, but catfish is inexplicably the responsibility of the USDA. GAO has made it clear such an arrangement is nonsensical, issuing a report titled "Responsibility for Inspecting Catfish Should Not Be Assigned to USDA."<sup>415</sup>

**Prohibit Funding for National School Lunch Standards** - This budget would remove Obama-era National School Lunch standards and prohibit any future similar onerous regulations, returning control of students' diets to their parents.

**Eliminate the McGovern-Dole International Food for Education Program** - According to the OMB, this program "has high costs associated with transporting commodities and it has unaddressed oversight and performance monitoring challenges."<sup>416</sup> Eliminating this program would save \$2.6 billion 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 them. The Forest Service already manages 193 million acres of land, more than six times the size of North Carolina.<sup>417</sup> The federal government owns more than 640 million acres.<sup>418</sup> This budget would eliminate Forest Service land acquisition.

**Eliminate Single Family Housing Direct Loans & Related Programs** - This budget would eliminate the following housing programs that should be left to the private market or state and local funding: USDA's Housing Repair, Rental Housing, Farm Labor Housing, Site Development Loans, Self-help Land Development and Farm Labor Housing Grant programs.

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414 Government Accountability Office, "Renewable Energy Federal Agencies Implement Hundreds of Initiatives", February 2012. <http://www.gao.gov/assets/590/588876.pdf>.

415 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>.

416 Office of Management and Budget, "A Budget for a Better America: Major Savings and Reforms", Fiscal Year 2020, <https://www.govinfo.gov/content/pkg/BUDGET-2020-MSV/pdf/BUDGET-2020-MSV.pdf#page=24>

417 U.S. Forest Service, Accessed on May 4, 2021, "By the Numbers", <https://www.fs.usda.gov/about-agency/newsroom/by-the-numbers>

418 Congressional Research Service, February 21, 2020, "Federal Land Ownership: Overview and Data", <https://fas.org/sgp/crs/misc/R42346.pdf>

**Reduce Funding for the Animal and Plant Health Inspection Service** - The functions of the Animal and Plant Health Inspection Service (APHIS) program should be carried out by the industries this service protects. This move would save \$12.6 billion over ten years.

**Eliminate the Forest Products Laboratory** - The goal of this entity is to produce new products from forestry resources to aid in the conservation of forest land.<sup>419</sup> This is exactly the goal of a number of private sector industries that operate in forested areas. The federal government should not be involved with this line of research and development.

**Commerce, Justice, Science and Related Agencies:**

**Eliminate the Economic Development Administration** - The Economic Development Administration (EDA) is a duplicative program that provides subsidies to the activities of private firms. This budget would eliminate this program, saving taxpayers \$3.8 billion over ten years.

**Eliminate the International Trade Administration's Export Promotion Activities** - The International Trade Administration (ITA) provides export assistance services to private companies in a way that is duplicative with services available from private entities. Eliminating this program would save \$3 billion per year.

**Eliminate the National Technical Information Service** - The National Technical Information Service (NTIS) is an outdated agency that physically distributes government documents and data. Most of these documents are available to the public for free online.

**Eliminate the Hollings Manufacturing Extension Partnership** - The Hollings Manufacturing Extension Partnership (MEP) 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, and should be eliminated, saving taxpayers roughly \$1.6 billion each year.

**Eliminate the Legal Services Corporation** - Though created with the intent to provide free legal assistance in non-criminal cases, the Legal Services Corporation (LSC) evolved into an organization that also takes part in taxpayer funded 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. The LSC would be eliminated by the RSC Budget, saving taxpayers \$5.2 billion over ten years.

**Eliminate National Oceanic and Atmospheric Administration Grants and Education** - 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.

**Reduce Funding for the Environmental and Natural Resources Division within the Department of Justice** - The DOJ's 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 federal agencies and special interest groups. Especially when this process is a back door to effectively create regulations without going through the administrative rule-making process proscribed by

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419 Forest Products Laboratory, Accessed May, 2021 [https://www.fpl.fs.fed.us/research/research\\_emphasis\\_areas/index.php](https://www.fpl.fs.fed.us/research/research_emphasis_areas/index.php)



Congress.

**Eliminate the Community Relations Service of the DOJ** - The DOJ's 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.

**Energy and Water Development and Related Agencies:**

**Eliminate the Office of Energy Efficiency and Renewable Energy** - Not only does the Office of Energy Efficiency and Renewable Energy (EERE) allow the federal government to pick winners and losers, but it also limits research to a small sector of the energy economy—renewables. The federal government should pull out of energy research and allow the market to pursue the most innovative sources of energy production. Programs within the EERE account should be eliminated, saving taxpayers over \$32.26 billion over 10 years.

**Eliminate the Advanced Research Projects Agency – Energy** – The Advanced Research Projects Agency – Energy (ARPA-E) was created 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 themselves. Eliminating ARPA-E would save taxpayers \$4.8 billion over 10 years.

**Eliminate Nuclear Energy Research** - It is inappropriate for the federal government to conduct research that would otherwise be carried out by private industry. Eliminating this research would save \$15.3 billion over 10 years.

**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 strategy. Eliminating this program would save taxpayers over \$8.5 billion over 10 years.

**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 where taxpayers lost more than \$500 million after the Obama administration gambled on a politically favored company. Eliminating this program would save taxpayers \$325 million over a decade 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 Advanced Technology Vehicle Manufacturing (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.<sup>420</sup>

**Eliminate Regional Commissions** - The RSC Budget recommends cutting regional commissions including the Denali Commission, Appalachian Regional Commission, the Northern Border Regional

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420 U.S. Department of Energy, "ATVM Program Overview". <https://energy.gov/lpo/atvm>.

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. The federal government is ill-equipped to adequately prioritize local infrastructure and development projects. These activities are also more appropriately carried out by state and local governments. The commissions should be eliminated, saving taxpayers more than \$2.8 billion annually.

**Reduce Funding for the Department of Energy's Biological and Environmental Research Program** - Though the federal government may have a beneficial role in basic research, it is imperative the federal government does not duplicate and compete with research of the private sector. This program moves well past basic research, and funding for the program should be reduced to ensure it focuses only on core responsibilities and basic research.

**Eliminate Grants for Conservation through the Weatherization and Intergovernmental Programs** - The grants provide funds to improve the energy efficiency of buildings. These subsidies offer a disincentive to private citizens to upgrade their own structures and instead seek federal funds to do so.

**Eliminate EPA Grants for Local Waste and Drinking Water Infrastructure Projects** - These grants use taxpayer money to subsidize infrastructure projects of local governments. The federal government should not provide grants to fund projects inherently local in nature. Further, these grants may reward poor infrastructure upkeep or poor financial planning at the expense of other prepared communities.

#### **Financial Services and General Government:**

**Eliminate the SEC Reserve Fund** - The Security and Exchange Commission's (SEC) 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, as was requested by former President Trump. This would save \$505 million over the next 10 years.

**Eliminate the Community Development Financial Institutions (CDFI) Fund** - The CDFI Fund "was created for the purpose of promoting economic revitalization and community development," a task more appropriately funded by the private sector.<sup>421</sup> Eliminating the CDFI Fund would save taxpayers \$3.03 billion over the next 10 years. President Trump had also support eliminating this program.<sup>422</sup>

**Eliminate the Entrepreneurial Development Program** - This program provides technical assistance and education for business owners deemed to be in a position to rapidly expand their business. It is not the government's role to determine which businesses should expand. Eliminating this program will reduce spending by roughly \$3.05 billion over the next 10 years.

#### **Interior, Environment and Related Agencies:**

**Reduce Funding for the EPA** - Under the Obama administration, the unelected bureaucrats at the EPA attempted to implement a regulatory agenda to remake the American economy by administrative fiat. Whether it was the Clean Power Plan, the Waters of the U.S. Rule or ozone standards, these regulations imposed enormous costs on consumers, businesses and local governments, stunting innovation and economic activity resulting in fewer jobs and lower wages. While President Trump did a

421 U.S. Department of the Treasury, Community Development Financial Institutions Fund, "About Us". <https://www.cdfifund.gov/about/Pages/default.aspx>.

422 Office of Management and Budget, "A Budget for a Better America: Major Savings and Reforms", Fiscal Year 2020 <https://www.govinfo.gov/content/pkg/BUDGET-2020-MSV/pdf/BUDGET-2020-MSV.pdf#page=92>

lot to mitigate these burdens, the EPA, as it is now, will always threaten the livelihoods of Americans. President Biden has already made it clear that he seeks to undo the Trump administration's efforts to rein in the EPA. This budget significantly reduces EPA's funding, saving the taxpayers billions of dollars per year and giving much-needed regulatory relief to job creators.

**Reduce EPA Research and Development Funding** - The RSC Budget, as part of a larger agenda to refocus EPA functions on its core responsibilities, would reduce research and development (R&D) funding within the EPA, as proposed by President Trump's budget request, in order to limit funding to basic and early-stage R&D.

**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 Section 106, of the Clean Water Act (CWA) grant program management. 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.

**Eliminate the Federal Vehicle and Fuels Standards and Certification Program** - 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 or, at most, by state and local governments.<sup>423</sup>

**Eliminate the Integrated Environmental Strategies Programs** - This program assists developing countries in identifying ways to reduce greenhouse gas emissions.<sup>424</sup> This is not an appropriate use of taxpayer dollars.

**Eliminate EPA Grants, Climate Programs, Regional Offices, and Wasteful Spending** - The RSC Budget supports the Wasteful EPA Programs Elimination Act introduced in the 115th Congress by the late Rep. Sam Johnson (R-TX). The bill would: (1) eliminate all EPA grant programs; (2) prohibit the use of funds to implement Obama-era 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 billions of dollars annually to grant programs for community-level educational pro-  
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424 Environmental Protection Agency, Accessed May 5, 2021. <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>.

grams and events.<sup>425 426</sup> 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 standards, a naturally occurring gas also released by power plants, vehicles, and factories. In 2015, the EPA reduced the ozone standard from 75ppb to 70ppb, and has recently reaffirmed this standard.<sup>427</sup> This budget supports reinstating the original 75ppb standard and would oppose more onerous regulatory increases from the EPA.

The budget proposes eliminating the following eight climate programs that are either 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, air craft and transportation fuels);
- regulation of CO2 emissions from power plants, factory boilers and other stationary sources;
- the Greenhouse Gas Reporting Program;
- the Global Methane Initiative;<sup>428</sup>
- the Climate Resilience Evaluation Awareness Tool;
- the Green Infrastructure Program;<sup>429</sup>
- the Climate Resiliency Water Utilities Initiative;<sup>430</sup> and
- climate research funding for the Office of Research and Development.

**Eliminate Diesel Emissions Reduction Act 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. DERA grants should be eliminated, saving roughly \$1 billion annually.

**Eliminate Geographic-Specific Programs** - This budget proposes eliminating programs that only benefit specific geographical regions. These activities should be funded by the communities that benefit from them, not the federal government.

**Eliminate the National Endowment for the Arts and the National Endowment for the Humanities** - 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 \$1.9 billion over ten years and

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425 United States Environmental Protection Agency, Fiscal Year 2020, “Justification of Appropriation Estimates for the Committee on Appropriations” <https://www.epa.gov/sites/production/files/2019-03/documents/fy-2020-congressional-justification-all-tabs.pdf#page=161>

426 Environmental Protection Agency, “Environmental Justice”, Accessed April 5, 2018. <https://www.epa.gov/environmentaljustice>.

427 BloombergLaw, by Dean Scott and Bobby Magill, December 23, 2020, “EPA Stays Put on Final Ozone Regulation, Keeping Obama Limits”, <https://news.bloomberglaw.com/environment-and-energy/epa-stays-put-on-final-ozone-regulation-keeping-obama-limits>

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.

eliminating the National Endowment for the Humanities would save an additional \$1.9 billion over ten years.

**Eliminate Subsidies for the D.C. Opera House (The John F. Kennedy Center)** - The Kennedy Center's website lists over 20 corporate and foundation donors who provide annual commitments of \$500,000 or greater. This list even includes the Embassy of the UAE.<sup>431</sup> It is clear the center is more than capable of supporting itself. Eliminating subsidies to the Kennedy Center would save taxpayers \$455 million over the next ten years.

**Labor, Health and Human Services, Education and Related Agencies:**

**Eliminate the National Labor Relations Board** - The 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 illegal labor practices and could do so without the pro-union bias and partisanship endemic to the National Labor Relations Board (NLRB). Eliminating the NLRB would save \$3.3 billion annually while in no way diminishing the 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."<sup>432</sup> 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 2016, the federal government spent \$6.5 billion on these programs.<sup>433</sup> This budget would eliminate programs found to be ineffective.

**End Trade Adjustment Assistance** - 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. The Trade Adjustment Assistance (TAA) program was created as a welfare program to assist workers who lost their jobs "as a result of trade," something determined by government bureaucrats. 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."<sup>434</sup> But, if another reason is needed, "a recent federal evaluation found that TAA hurts its beneficiaries' job prospects."<sup>435</sup>

**Eliminate the Senior Community Service Employment Program** - The DOL's Senior Community Service Employment Program (SCSEP) provides job training for unemployed seniors, including through subsidized community service activities. President Trump proposed eliminating this program, deeming it as ineffective. This program should be eliminated, saving \$4.5 billion annually.

431 The Kennedy Center, Accessed on May 5, 2021, "Support: Thank you to our donors!", <https://www.kennedy-center.org/Support/donor-listings/donors/>

432 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>.

433 Karen Spar and Gene Falk, Congressional Research Service, "Federal Benefits and Services for People with Low Income: In Brief, February 6, 2018. <https://fas.org/sgp/crs/misc/R45097.pdf>

434 Sallie James, Cato Institute, "The Flawed Logic of Trade Adjustment Assistance", June 2, 2011. <https://www.cato.org/blog/flawed-logic-trade-adjustment-assistance>.

435 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>.



**Eliminate the Office of Federal Contract Compliance Programs** - The DOL'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 exist; now, strong anti-discrimination laws apply to all employers. This agency is duplicative and should be eliminated. This agency is duplicative and should be eliminated saving \$1.27 billion over ten years, while sparing taxpayers from ideological witch hunts.

**Eliminate the International Labor Affairs Bureau** - The DOL's International Labor Affairs Bureau's (ILAB) works to promote onerous and duplicative labor regulations among the nations of the world. Stunting global economic growth. It should be eliminated.

**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 hundreds of thousands of innocent babies each year. 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. Eliminating Title X would save over \$286 million per year.<sup>436</sup>

**Devolve Energy Assistance** - The GAO has found that LIHEAP is at risk of fraud and improper payments.<sup>437</sup> This type of assistance would be more appropriately handled by state and local governments, or the private sector. Eliminating LIHEAP would save taxpayers \$42 billion over ten years.

**Consolidate the Agency for Healthcare Research and Quality's activities in the National Institutes of Health** - The Agency for Healthcare Research and Quality's (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 by the private sector, and AHRQ would be better housed in an institute within NIH.

**Eliminate the Community Services Block Grant Program** - The Community Services Block Grant (CSBG) program provides funding to projects that aim to reduce poverty and address low-income needs. CSBG funding is not tied to performance outcomes and some of the services are already funded through other federal programs or by private or state and local efforts. Eliminating the program will save taxpayers \$735 million annually.

**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 experiencing a health professional shortage. There are already 72 different programs that support training and education for health professionals under the jurisdiction of the Department of Health & Human Services (HHS) alone.<sup>438</sup> The federal government should not indirectly subsidize the choices of individuals to live in areas that do not attract health care

436 U.S. Department of Health and human Services, Accessed on May 5, 2021, "Title X Program Funding History", <https://opa.hhs.gov/grant-programs/archive/title-x-program-funding-history>

437 Government Accountability Office, "Low-Income Home Energy Assistance Program Greater Fraud Prevention Controls Are Needed", June 2010. <https://www.gao.gov/assets/gao-10-621-highlights.pdf>

438 GAO "Comprehensive Planning by HHS Needed to Meet National Needs" December 11, 2015 <https://www.gao.gov/products/GAO-16-17>

individuals.

**Local Control for Pre-Kindergarten Programs** - Federal funding for Head Start is about \$10 billion per year, making it one of the largest non-defense discretionary appropriations accounts. The empirical evidence for the efficacy of the Head Start program and other pre-k programs is mixed.<sup>439</sup> Pre-K programs would be more appropriately funded and operated at the state and local levels than by distant bureaucrats at the federal level.<sup>440</sup> 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 (both public and private) if Head Start was eliminated.”<sup>441</sup> Reforms, such as the Head Start Improvement Act introduced by RSC Chairman Jim Banks, would take a step toward providing states flexibility to better meet the needs of children and families around the country.<sup>442</sup>

**End Ineffective Education Grant Programs** - The federal government should not use taxpayer dollars to manipulate school districts around the country. Education, in keeping with free market principles, should be managed at the state, local and individual levels where situational knowledge and accountability are intrinsically the highest. Accordingly, this budget would eliminate the Supporting Effective Instruction State Grants Program, the 21st Century Community Learning Centers Program, the Federal Supplemental Educational Opportunity Grant Program, the School Improvement Programs Account, and competitive and project grant programs under the Every Student Succeeds Act.

**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 CNCS would save \$12.6 billion annually.

**Eliminate Funding for the Corporation for Public Broadcasting** - A free society should not have government-supported media outlets, especially ones that so often convey political news and opinion. Eliminating all taxpayer funding for the Corporation for Public Broadcasting (CPB) would save \$5.3 billion over ten years.

**Eliminate the Institute of Museum and Library Services** - 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 \$2.9 billion over ten years.

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439 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>.

440 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/>.

441 CBO “OPTIONS FOR REDUCING THE DEFICIT: 2019 TO 2028” December 13, 2018 <https://www.cbo.gov/system/files/2019-06/54667-budgetoptions-2.pdf#page=187>

442 Representative Jim Banks, “Banks Introduces Head Start Improvement Act”, April 5, 2017. <https://banks.house.gov/news/documentsingle.aspx?DocumentID=75>

**Restrict Pell Grants to Students from Needy Families** - The Pell Grant Program was intended to help people from impoverished families attend college and enter the workforce with marketable skills. By limiting eligibility to student from families with income at or under 250 percent the federal poverty line, we can ensure Pell Grant funding is targeted to students for whom the program was designed.

**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, more than 30 years after the end of the Cold War, would save taxpayers \$68 over ten years.

**State, Foreign Operations and Related Programs:**

**Reduce Foreign Aid** - At a time when our gross national debt is more than \$28.1 trillion and we must rely on foreign countries to finance our spending, we cannot afford to be as overly generous to other nations as we have been in the past.

**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 with abysmal records on human rights. Eliminating these funds would save \$4.3 billion over ten years.

**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.

**Enforce Cap on U.N. Peacekeeping Missions** - The Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, caps the amount of U.S. contributions for U.N. peacekeeping operations to no more than 25 percent of the total amount for operations. However, the U.S. is currently paying 27.89 percent of all U.N. peacekeeping operations.<sup>443</sup> Reducing the U.S. contribution for peacekeeping will save taxpayers over \$1.8 billion 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 allows the president to have a slush fund to support initiatives such as Biden's violation of our immigration laws and border.

**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.

**Eliminate the East-West Center** - The East-West Center promotes relationships between the U.S., Pacific and Asian countries. Eliminating the center would save \$225 million over ten years.

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<sup>443</sup> The United Nations "How We Are Funded" Accessed May 5, 2021 <https://peacekeeping.un.org/en/how-we-are-funded>

**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.<sup>444</sup> Eliminating funding for the Institute of Peace would save \$512 million over ten years.

**Eliminate the U.S. Trade and Development Agency (USTDA)** - The 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 solely the purview of the private sector. Any federal involvement here is crony corporatism funded by U.S. taxpayers. Eliminating the USTDA would save \$910 million over ten years.

**Reconstitute the U.S. Information Agency and Eliminate the Under Secretary of State for Public Diplomacy and Public Affairs and Most of its Bureaus** - The U.S. Information Agency (USIA) was the U.S. government agency in charge of public diplomacy, counter-disinformation, and international broadcasting efforts from 1953-1999. However, in 1999, most of the public diplomacy aspects of the USIA were moved to the U.S. Department of State. Rather than improving public diplomacy efforts, however, the current design has largely failed to advance U.S. interests, especially in an age with rising Russian and Chinese disinformation campaigns. The dismantling of USIA “crippled U.S. public diplomacy operations in ways that have been lasting and profound—a self-inflicted wound from which the United States is still recovering.”<sup>445</sup> A reconstituted USIA should have the new express mission of supporting democratic governance, rule of law, human rights, and open markets, and exposing adversarial and authoritarian regimes, such as China, Russia, Venezuela, Iran, North Korea and others.<sup>446</sup>

**Eliminate the Inter-American Foundation, the Federal Contribution to the Inter-American Development Bank, the Asia Foundation, the Federal Contribution to the Asian Development Bank, the United States African Development Foundation, the and Contribution to the African Development Bank** - These programs and contributions represent auto-pilot foreign aid and are duplicative of other State Department and USAID activities. Eliminating these would save \$3.5 billion over ten years.

**Withhold Funding for the Organization for Economic Cooperation and Development** - 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.”<sup>447</sup> 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.<sup>448</sup>

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444 Stranix Associates, “United States Institute of Peace Headquarters”. <http://stranixassociates.com/project/united-states-institute-of-peace-headquarters/>.

445 Johnson, Stephen. “How to Reinvigorate U.S. Public Diplomacy.” The Heritage Foundation. Accessed June 8, 2020. <https://www.heritage.org/defense/report/how-reinvigorate-us-public-diplomacy>.

446 Republican Study Committee, “STRENGTHENING AMERICA & COUNTERING GLOBAL THREATS”, <https://rsc-banks.house.gov/sites/republicanstudycommittee.house.gov/files/%5bFINAL%5d%20NSTF%20Report.pdf#page=81>

447 Organisation for Economic Co-operation and Development, “About the OECD”. <http://www.oecd.org/about/>.

448 Andrew F. Quinlan, Center for Freedom and Prosperity, “CF&P Letter Calls on Congress to Include



U.S. taxpayer funds should not go to an organization that works against their interests.

**Reduce Non-Pandemic Global Health Funding** - These programs have traditionally funded disease control and public health activities in developing nations. Since the implementation of these programs, their goals have been achieved or nearly achieved. These regions are among the fastest growing economic regions on Earth, and the further development of these public health systems would be better handled by the local governments.<sup>449</sup> By reducing non-pandemic funding to the 2000 enacted level, of \$1 billion annually, the U.S. can maintain its commitments to aid in this process and reduce spending.

**Transportation, Housing and Urban Development, and Related Agencies:**

**Eliminate Funding for the Washington Metropolitan Transit Authority** - 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 Washington Metropolitan Transit Authority (WMATA) would save the nation's taxpayers \$1.7 billion over ten years.

**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. Furthermore, Amtrak uses their subsidies to pull private luxury train cars for a reduced fee. Taxpayer money should certainly not be used for this activity. Instead of forcing taxpayers to subsidize Amtrak, it should be privatized. Eliminating Amtrak funding would save taxpayers \$2 billion annually. Furthermore, the extra \$1.5 billion they have received over the last year in misnamed pandemic aid should be rescinded.

**Eliminate the New Starts Transit Program** - The New Starts Transit Program, sometimes called Capital Investment Grants, provides billions in subsidies to local transit for capital improvements. 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 the New Starts Transit Program would save taxpayers \$1.9 billion annually.

**Eliminate BUILD Grants** - BUILD Grants, originally known as TIGER Grants when created by President Obama, were enacted as part of 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 more appropriately funded by state or local governments.<sup>450</sup> GAO has found problems with the funding decisions made by the administration under this program.<sup>451</sup> The program is a remarkably poor OECD with UN Defunding Effort", January 9, 2017. [http://freedomandprosperity.org/files/OECD/OECD\\_defunding\\_letter\\_01-2017.pdf](http://freedomandprosperity.org/files/OECD/OECD_defunding_letter_01-2017.pdf).

449 CBO "OPTIONS FOR REDUCING THE DEFICIT: 2019 TO 2028" December 13, 2018 <https://www.cbo.gov/system/files/2019-06/54667-budgetoptions-2.pdf#page=170>

450 Baruch Feigenbaum, Reason Foundation, "Eliminate TIGER Program", February 17, 2015. <http://reason.org/news/show/eliminate-tiger-program>.

451 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>.



investment, and Congress chose not to reauthorize it in the highway bill signed into law by President Obama in 2015. Ending appropriations for the grants would save taxpayers roughly \$1.5 billion annually.

**Prohibit High-Speed Rail Funding** - The failed 2009 stimulus law provided \$8 billion for high-speed rail projects. President Biden has made high-speed rail a focal point in his infrastructure agenda. The RSC Budget opposes Biden's efforts to subsidize the development of high-speed rail.

**Eliminate Funding for Community Development Block Grants and Community Development Loan Guarantees** - 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 failure in prioritizing local programs. CDBG has paid for programs as diverse as doggie daycare, a local circus and decorative sidewalks in an affluent suburb.<sup>452</sup> CDBG and Community Development Loan Guarantees (CDLG) funding should be eliminated. President Trump criticized the program, stating, "the Federal Government has spent over \$150 billion on this block grant since its inception in 1974, but the program is not well-targeted to the poorest populations and has not demonstrated results."<sup>453</sup>

**Reduce Funding for the HUD Office of Housing** - The Office of Housing regulates the housing industry, a task better left to state and local governments which already administer the vast majority of housing assistance programs.

**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 better left to state and local governments. Funding for Public Housing Capital and Operating Funds should be eliminated.

**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 would save taxpayers almost \$15.1 billion over ten years.

**Eliminate the Self-Help Homeownership Opportunity Program** - 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 would save taxpayers \$672 million over ten years.

**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.

**Eliminate the Home Equity Conversion Mortgage Program** - This program provides a federal

<sup>452</sup> 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>.

<sup>453</sup> Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018, <https://www.govinfo.gov/content/pkg/BUDGET-2018-BLUEPRINT/pdf/BUDGET-2018-BLUEPRINT.pdf#page=29>

# APPENDIX - SUMMARY TABLES

*\*For the purposes of this section, the CBO baseline is the February 2021 CBO baseline combined with the CBO estimated effects of H.R. 1319, the American Rescue Plan (including debt servicing and change to the public debt)*

*\* For the purposes of this section, CBO baseline outlays reflect such net of offsetting collections.*

**RSC FY 2022 Budget Figures (in billions of USD)**

Nominal \$ (in billions)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
<b>Revenue</b>	3,937	4,172	4,320	4,462	4,703	4,806	4,907	5,053	5,232	5,464	47,056
<b>Outlays</b>											
Social Security	1,149	1,209	1,274	1,342	1,411	1,487	1,569	1,654	1,740	1,826	14,659
Medicare	715	745	723	791	826	864	922	870	956	1,005	8,416
Medicaid/CHIP/Obamacare	293	301	310	319	329	340	351	362	375	388	3,368
Other Mandatory	846	510	437	406	356	308	287	248	278	295	3,973
Discretionary	1,450	1,395	1,311	1,328	1,327	1,328	1,333	1,343	1,354	1,368	13,536
Net Interest	283	277	273	281	324	377	426	473	525	571	3,811
<b>Total Outlays</b>	4,735	4,436	4,328	4,467	4,573	4,704	4,887	4,950	5,228	5,453	47,762
<b>Total Revenues</b>	3,937	4,172	4,320	4,462	4,703	4,806	4,907	5,053	5,232	5,464	47,056
<b>Total Deficit/Surplus</b>	-798	-265	-9	-5	130	102	20	104	4	11	-706
<b>Total Mandatory Outlays</b>	3,002	2,764	2,744	2,858	2,922	2,999	3,128	3,134	3,349	3,514	30,415
<b>Debt Held by the Public</b>	24,449	24,757	24,801	24,840	24,721	24,677	24,765	24,747	24,830	24,909	
<b>Nominal GDP</b>	23,082	24,066	25,127	26,249	27,359	28,425	29,506	30,623	31,751	32,933	279,121

### RSC FY 2022 Budget Figures (as a Percentage of GDP)

<b>% of GDP</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>Average</b>
<b>Revenue</b>	17.1	17.3	17.2	17	17.2	16.9	16.6	16.5	16.5	16.6	16.9
<b>Outlays</b>											
Social Security	5	5	5.1	5.1	5.2	5.2	5.3	5.4	5.5	5.5	5.3
Medicare	3.1	3.1	2.9	3	3	3	3.1	2.8	3	3.1	3
Medicaid/CHIP/Obamacare	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Other Mandatory	3.7	2.1	1.7	1.5	1.3	1.1	1	0.8	0.9	0.9	1.4
Discretionary	6.3	5.8	5.2	5.1	4.8	4.7	4.5	4.4	4.3	4.2	4.8
Net Interest	1.2	1.2	1.1	1.1	1.2	1.3	1.4	1.5	1.7	1.7	1.4
<b>Total Outlays</b>	20.5	18.4	17.2	17	16.7	16.6	16.6	16.2	16.5	16.6	17.1
<b>Total Revenues</b>	17.1	17.3	17.2	17	17.2	16.9	16.6	16.5	16.5	16.6	16.9
<b>Total Surplus/Deficit</b>	-3.5	-1.1	0	0	0.5	0.4	0.1	0.3	0	0	-0.3
<b>Total Mandatory Outlays</b>	13	11.5	10.9	10.9	10.7	10.6	10.6	10.2	10.5	10.7	10.9
<b>Debt Held by the Public</b>	105.9	102.9	98.7	94.6	90.4	86.8	83.9	80.8	78.2	75.6	88.7

**RSC FY 2022 Budget Figures as Adjustments to the CBO Baseline (in billions of USD)**

<b>Nominal \$ (in billions)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>		<b>Total</b>
<b>Revenue</b>	-5	-32	-37	-50	-138	-309	-343	-362	-353	-314		-1,942
<b>Outlays</b>												
Social Security	-29	-38	-48	-57	-68	-75	-83	-92	-102	-115		-708
Medicare	-68	-100	-138	-176	-211	-246	-337	-336	-398	-461		-2,472
Medicaid/CHIP/Obamacare	-291	-259	-262	-283	-304	-330	-358	-387	-418	-450		-3,343
Other Mandatory	-239	-247	-260	-281	-340	-374	-436	-434	-438	-443		-3,491
Discretionary	-165	-199	-274	-292	-327	-366	-407	-430	-467	-499		-3,425
Net Interest	-3	-8	-19	-36	-53	-80	-117	-157	-207	-270		-949
<b>Total Outlays</b>	-795	-850	1,000	1,124	1,304	1,471	1,738	1,836	2,031	2,238		-14,389
<b>Total Revenues</b>	-5	-32	-37	-50	-138	-309	-343	-362	-353	-314		-1,942
<b>Total Surplus/Deficit</b>	790	819	964	1,075	1,166	1,162	1,395	1,475	1,678	1,925		12,447
<b>Total Mandatory Outlays</b>	-627	-644	-708	-797	-924	1,025	1,215	1,250	1,356	1,469		-10,014

## RSC FY 2022 Budget Figures as Adjustments to the CBO Baseline (as a Percentage of GDP)

% of GDP	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Average
<b>Revenue</b>	0	-0.2	-0.1	-0.2	-0.5	-1.1	-1.2	-1.2	-1.1	-0.9	-0.7
<b>Outlays</b>											
Social Security	-0.1	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.4	-0.2
Medicare	-0.3	-0.4	-0.5	-0.7	-0.8	-0.9	-1.2	-1.1	-1.3	-1.4	-0.9
Medicaid/CHIP/Obamacare	-1.2	-1	-1.1	-1.1	-1.1	-1.2	-1.2	-1.2	-1.3	-1.3	-1.2
Other Mandatory	-1	-1	-1.1	-1.1	-1.2	-1.3	-1.5	-1.4	-1.4	-1.3	-1.3
Discretionary	-0.7	-0.8	-1.1	-1.1	-1.2	-1.3	-1.4	-1.4	-1.4	-1.5	-1.3
Net Interest	0	0	-0.1	-0.1	-0.2	-0.3	-0.4	-0.6	-0.6	-0.9	-0.3
<b>Total Outlays</b>	-3.5	-3.6	-4	-4.3	-4.8	-5.1	-5.9	-6	-6.4	-6.8	-5.2
<b>Total Revenues</b>	0	-0.2	-0.1	-0.2	-0.5	-1.1	-1.2	-1.2	-1.1	-0.9	-0.7
<b>Total Surplus/Deficit</b>	3.4	3.4	3.9	4.1	4.3	4.1	4.8	4.8	5.3	5.8	4.4
<b>Total Mandatory Outlays</b>	-2.7	-2.7	-2.8	-3	-3.4	-3.6	-4.1	-4.1	-4.3	-4.4	-3.6
<b>Debt Held by the Public</b>	-3.4	-6.7	-10.2	-13.9	-17.6	-21	-25	-28.9	-33.1	-37.8	-21



### RSC FY 2022 Discretionary Budget Authority

<b>Nominal \$ (in billions)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>		<b>Total</b>
Defense (Base)	778	818	826	834	843	851	860	868	877	886		8,441
Non-Defense (Base)	406	430	427	422	416	410	412	414	417	422		4,177
<b>% of GDP</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>		<b>Total</b>
Defense (Base)	3.4	3.4	3.3	3.2	3.1	3	2.9	2.8	2.8	2.7		3
Non-Defense (Base)	1.8	1.8	1.7	1.6	1.5	1.4	1.4	1.4	1.3	1.3		1.5

### RSC FY 2022 Discretionary Outlays

<b>Nominal \$ (in billions)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>		<b>Total</b>
Defense (Base)	751	767	803	824	832	840	849	857	866	874		8,263
Non-Defense (Base)	700	628	508	504	495	487	485	486	489	493		5,273
<b>% of GDP</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>		<b>Total</b>
Defense (Base)	3.3	3.2	3.2	3.1	3	3	2.9	2.8	2.7	2.7		3
Non-Defense (Base)	3	2.6	2	1.9	1.8	1.7	1.6	1.6	1.5	1.5		1.9

### Comparison of the RSC FY 2022 Discretionary Budget Authority with that of President Biden's FY 2022 Discretionary Budget Authority

<b>Nominal \$ (in billions)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>		<b>Total</b>
RSC Defense (Base)	778	818	826	834	843	851	860	868	877	886		8,441
RSC Non-Defense (Base)	406	430	427	422	416	410	412	414	417	422		4,177
Biden Defense (Base)	753	.	.	.	.	.	.	.	.	.		N/A
Biden Non-Defense (Base)	769	.	.	.	.	.	.	.	.	.		N/A