



Statement of

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Prepared for

**The Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
United States House of Representatives**

**Regarding the Subcommittee's Hearing on
Administration Efforts on Line-by-Line Budget Review**

Submitted October 5, 2011

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Introduction

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

Few citizen groups in Washington can match NTU’s 42-year history of principled advocacy, which is why I hope you will find these comments on efforts to identify wasteful spending in the federal budget of value to the Subcommittee’s vital work. You can also find further research into these topics on our website at www.ntu.org.

The Spending Problem

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

In 2011, President Obama submitted a budget request more than twice as large as in 2001, about \$3.8 trillion. As a percentage of our economy, this would set outlays at a level unseen since the era of full-scale war mobilization in the 1940s at roughly 25 percent. Perhaps most disturbing, our projected overspending problem of roughly \$1.4 trillion this year is about equal, in inflation-adjusted terms, to the *entirety* of federal receipts in 1985. Put another way, the part of the budget we actually have the money to pay for is, in real terms, roughly equal to the 2003 federal budget while the part that we have to go into debt to borrow is about as big as the 1985 federal budget.

The federal government has seen deficits during 45 of the last 50 years. This fact ought to give pause even to die-hard Keynesians, who believe surpluses should be the norm in most economic growth cycles. While NTU’s dedication to limited government would on its own lead us to conclude that this spending spree is unacceptable, sheer mathematics tell us that it is unsustainable. As of today, we are perilously close to the point where our country’s debt exceeds its economic output. This sad statistic places us in rare company – just slightly below countries already staggered by debt crisis (like Ireland) and just above countries thought to be under grave threat of one (like Portugal).

If corrective action isn’t taken soon, the United States could face its own debt calamity that would likely precipitate not only dramatic spending cuts but also massive tax hikes in very short order. If we are to have a sustainable fiscal future, this Congress and the President must

begin the hard work of reviewing the budget with an eye toward reducing spending and putting us back on a path toward balance.

President Obama's Record

It seems that every candidate for and holder of the Presidency in recent years has pledged to comb through the budget "line-by-line" to identify waste, inefficiency, and duplication. President Obama is no exception, having repeated the claim innumerable times both before and after his election. While his Administration deserves a modicum of praise for the efforts it has instituted to tackle bloated budgets, there is a tremendous amount of work still to be done before it can be said that the President has fully lived up to his commitment.

The Obama Administration has several achievements in the realm of budget review that are worth noting. The President has been a leader in addressing improper payments made by the federal government. From issuing an executive order in November 2009 to the signing of the Improper Payments Elimination and Recovery Act (IPERA) in July 2010, he has consistently made reducing improper payments a priority. IPERA, which NTU strongly supported, will likely save taxpayers billions of dollars in the coming years by preventing mistaken or fraudulent federal disbursements.

Another cause for at least some encouragement is the Administration's recent initiative to reinvigorate the whistleblower protection operation at the Office of Special Counsel, a policy which seeks to protect those who identify waste or fraud in federal agencies from retribution. The new effort includes plans for public outreach, better allocation of existing legal resources, and more aggressive leadership. Congress also has a role in the whistleblower process, one that can best be fulfilled by passage this year of the bipartisan Whistleblower Protection Enhancement Act (S. 743). We are hopeful that Congressman Issa of the Committee on Oversight and Government Reform will soon introduce companion legislation in this chamber.

In addition, the Office of Management and Budget compiled for publication a report identifying ways to streamline federal spending entitled "Terminations, Reductions, and Savings." The most recent version of the "TRS" study, which is far and away this Administration's most ambitious to date, totaled about \$33 billion in 2012. While it also unfortunately included thinly-disguised tax increases on disfavored industries as a method of "savings", the report represents perhaps the Administration's most comprehensive attempt at fulfilling its "line-by-line" pledge. That said, it should be noted that the TRS report has become a fixture in the budget process, one that predates President Obama's tenure, and the sum total of its recommendations still represent little more than two cents out of every dollar that makes up our staggering \$1.4 trillion deficit.

Despite the existence of some successes, there are also tremendous gaps in the Obama Administration's attempts to systematically review the budget. Perhaps the most obvious signal that the President has not completed a line-by-line review is the sheer size of his budget requests. The last official budget submission called for \$3.7 trillion in spending next year, with more than \$1.1 trillion of it borrowed, and expenditures as a percentage of our economy near post-war records. It strains credulity to claim that a comprehensive waste assessment could have been completed hand-in-hand with such a stunningly profligate budget outline.

The President has, through his subsequent actions, essentially admitted as much. He followed his February budget submission with an April speech where he laid out a new

“framework” that purportedly further trimmed spending by \$4 trillion over twelve years (though details of this new structure were never submitted for official review and scoring). During the subsequent debates over raising America’s debt ceiling, the President repeatedly cited the need to trim additional wasteful spending from future budgets and ended up signing a bill that would reduce the deficit by about \$2.4 trillion. These are not the actions of someone satisfied that his official budget submission had trimmed all excess fat from the federal books.

Further evidence of that mentality has come to light in the recent scandal over more than \$500 million in loan guarantees given to a now-bankrupt solar panel maker Solyndra. It appears that political pressure helped to push financially-questionable loans through the process and even helped to restructure Solyndra’s original terms when it became clear the company was on a path to disaster. NTU has worked for years with allies on the left and the right in opposition to various loan guarantee programs due precisely to the fears that politics, and not economics or market dynamics, can drive government investment decisions and leave taxpayers footing huge bills for failures.

A more specific complaint, however, is that the Obama Administration has not yet moved to replace the “Program Assessment Rating Tool” (PART), an effort to evaluate program performance undertaken by the Office of Management and Budget under President George W. Bush. Setting aside its shaky record on fiscal discipline, PART was one of the Bush Administration’s most laudable projects for its attempt at systematic review of the “bang for the buck” of myriad programs.

PART was somewhat controversial because it was created and operated almost entirely within the Executive Branch rather than in Congress, which of course still holds the purse strings necessary to fund or de-fund programs. There were also complaints that its structure did not yield objective results, but it was a good start that deserved to be revamped and improved, not ended. The Obama Administration has yet to announce any comprehensive replacement for this program. To be fair, the President’s campaign to cut waste along with the Administration’s commitment to implementing quarterly data-driven reviews mandated by the Government Performance and Results Act of 2010 are hopeful signs that worthy successors to PART may evolve. Yet, it is too soon to tell how quickly and fully these evaluative processes will become embedded in the bureaucracy’s institutional culture.

While NTU believes there is room for the President to do much more in terms of regular and thorough review of waste in the budget, the good news is that there is no shortage of outside groups willing and able to fill in the gaps.

A Cross-Ideological “Line-by-Line” Effort

Congress should begin with a thorough review of existing outlays to identify the “low-hanging fruit” of federal spending: the waste, inefficiency, and duplication that plague so many federal programs. The newly-created Congressional Joint Select Committee on Deficit Reduction, or Super Committee, will attempt to do some of this work by recommending at least \$1.2 trillion in deficit reduction over the next ten years. Toward that end, NTU has joined with the U.S. Public Interest Research Group (U.S. PIRG) to submit to the committee a report entitled “Toward Common Ground: Bridging the Political Divide with Deficit Reduction Recommendations for the Super Committee”. It contains more than 50 specific recommendations backed by credible sources which, if enacted in their entirety, would reduce spending by more

than \$1 trillion in the coming decade by eliminating wasteful and inefficient programs. I have included a copy of the report with my testimony.

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

The report lays out savings of up to \$214.9 billion by eliminating wasteful subsidies. These focus largely on agriculture supports, subsidies for energy production, and “corporate welfare” programs. For example, the Market Access Program has been on the lists of watchdog groups for years. It consumes taxpayer dollars to fund advertising and promotion in foreign countries for products of American companies, including McDonald’s, Nabisco, and Fruit of the Loom. American businesses should compete abroad by making excellent products, not by drawing upon taxpayer subsidies.

In addition, we identify up to \$444.8 billion in savings from recommendations to address outdated, inefficient, unnecessary, or developmentally troubled military programs. For example, the V-22 Osprey airplane has suffered from numerous schedule, management, cost, and production issues. Canceling it and replacing its functionality with a mix of other aircraft could save taxpayers \$15 billion.

Furthermore, we offer several suggestions to improve program execution and government operations for a potential savings of \$221.6 billion. These items include small programs like elimination of the “Abandoned Mine Restoration Program,” a \$1.23 billion funding stream which is unrestricted and often spent on unrelated projects. They also include high-dollar recommendations, such as reforming federal information technology management. This policy option, involving steps such as closing as many as 800 federal data centers and embracing innovative “cloud computing” approaches, could yield savings of \$160 billion. Of particular interest to this Committee are suggestions pertaining to energy policies, among them reductions in research best handled in the private sector and more aggressive reforms to rate-setting among Power Marketing Administrations.

Finally, we compile common-sense tweaks to our entitlement programs that could save a total of \$132.1 billion. While these recommendations do not delve into the extraordinarily important and necessary work of fundamental entitlement reform, there are suggestions for long-overdue changes like reducing excess Medicare payments that exist in “high cost” areas. When combined with other “no-brainer” changes, like empowering the Social Security Administration to recoup overpayments in disability programs, these suggestions can make a significant dent in our overspending problem before even getting to the more politically difficult questions on benefits and taxation.

Other Resources

While the joint report with U.S. PIRG is our most recent endeavor in federal budget restraint, it is by no means the only project from NTU seeking to identify wasteful spending. Our research affiliate, the National Taxpayers Union Foundation (NTUF), released a study last year, “Cleaning Up After the Stimulus: A Sweeping New A to Z Spending Cuts Plan”, which

designated a spending reduction candidate for each letter of the alphabet. In addition, NTUF analysts attempt to determine the spending impact of every piece of legislation introduced in Congress through its exhaustive BillTally program. In the process, they have compiled a long list of bills that would reduce spending if only Congress would take them up and act on them.

Though we are of course proud of our work, NTU is far from the only organization undertaking investigations of federal expenditures. Our friends at Citizens Against Government Waste have for years maintained a database of potential spending reductions that they call “Prime Cuts.” In fact, our two organizations joined together during the Presidential debates in 2008 to offer then-candidates Barack Obama and John McCain of our resources and assistance in helping them complete a line-by-line review of the federal budget. That offer still stands today.

Conclusion

The arithmetic of our budget problems is elementary; it is the political calculus that has proven difficult. Though the results have been decidedly mixed thus far, the President and many Members of Congress have pledged to attack waste wherever it exists in the federal budget. NTU urges this Subcommittee, the Congress as a whole, and the President to begin a systematic review of our obligations with sharp eyes toward thrift and effectiveness. NTU and its members are ready to join you in these tasks – tasks whose completion will be vital to our very future as a nation. Thank you for the opportunity to submit this testimony.