

Options to Save Spending By Reducing Non-Defense Spending Growth

Savings, in billions of dollars

Significant savings can be found if the federal government curbs its lavish spending habits of the last 5 years. Between 2000 and 2004, non-defense "discretionary" spending increased by an average of 8.4% each year. The following table shows the difference, in billions of dollars, between current spending habits and different spending scenarios.

Option	1-Year Savings	2-Year Savings	5-Year Savings
Allow non-defense, non-homeland security discretionary spending to grow by 3.4% each year, the same average annual rate of growth between 1995 and 2000.	\$21.8	\$67.8	\$380.5
Allow non-defense, non-homeland security discretionary spending to grow with inflation.	\$26.7	\$81.2	\$436.5
Freeze non-defense, non-homeland security discretionary spending.	\$36.2	\$111.6	\$607.4
Freeze discretionary spending.	\$47.9	\$149.1	\$817.3

Source: Congressional Budget Office, Social Security Administration, staff calculations

Examples of Wasteful Washington Spending

The following examples of wasteful spending were uncovered by the Senate subcommittee on federal financial management, chaired by Senator Tom Coburn.

- **At least \$45 billion each year is being wasted in improper payments by the federal government – and that amount only covers a limited number of federal agencies.** If the 3.9% rate of known improper payments is applied to the entire federal government, elimination of these improper payments could save taxpayers at least **\$100 billion** each year.
- **The General Services Administration, the chief procurement agency for the entire federal government, charges “middle-man” fees of almost \$20 billion to purchase \$66 billion worth of goods and services for the government.** That equals a “middle-man” fee of nearly 30%, even though the private sector usually charges less than 5% for the same services.
- **The Securities and Exchange Commission (SEC), the nation’s accounting watchdog, has seen cost overruns of \$47 million on its building projects.** The SEC’s building project costs, estimated to total \$22 million, have instead tripled to \$69 million.
- **The U.S. Agency on International Development spent less than 10% of its \$90 million malaria budget to purchase products that treat or prevent malaria.** The agency spent less than 1% of its malaria budget on drugs to prevent or treat a curable disease that is the leading killer of children in Africa.

SAVINGS OPTIONS

These options comprise a broad and practical, but non-exhaustive, list of examples where significant savings can be found throughout the federal government.

- *Freeze discretionary spending.*

1-YEAR SAVINGS: \$48 billion
2-YEAR SAVINGS: \$149 billion
5-YEAR SAVINGS: \$817 billion

A freeze of non-defense, non-homeland security discretionary spending would yield significant savings to pay for the necessary emergency spending related to Hurricane Katrina. The federal government is rife with waste, fraud, and abuse, and nobody in America believes that the government is operating at peak efficiency. By restraining spending, federal programs would be forced to reform and to better prioritize instead of wasting money on activities that do not benefit American taxpayers.

Between 2000 and 2004, non-defense "discretionary" spending increased by an average of 8.4% each year. If these spending trends continue and emergency spending is not offset, the United States will accumulate nearly \$7 trillion in new debt over the next ten years. The national debt sits at \$7.9 trillion – this means that we will accumulate nearly as much debt in the next ten years than we accumulated in our country's entire 229-year history if the federal government's lavish spending habits are not changed.

- *Freeze non-defense, non-homeland security discretionary spending.*

1-YEAR SAVINGS: \$36 billion
2-YEAR SAVINGS: \$112 billion
5-YEAR SAVINGS: \$607 billion

Between 2000 and 2004, non-defense "discretionary" spending increased by an average of 8.4% each year. If these spending trends continue and emergency spending is not offset, the United States will accumulate nearly \$7 trillion in new debt over the next ten years. The national debt sits at \$7.9 trillion – this means that we will accumulate nearly as much debt in the next ten years than we accumulated in our country's entire 229-year history if the federal government's lavish spending habits are not changed.

Over a period of just a few years, the spending restraint embodied by a freeze on non-defense, non-homeland security spending would yield significant savings to help pay for the costs related to Hurricane Katrina.

- *Allow non-defense, non-homeland security discretionary spending to grow with inflation.*

1-YEAR SAVINGS: \$27 billion
2-YEAR SAVINGS: \$81 billion
5-YEAR SAVINGS: \$437 billion

Compared to the federal government's lavish spending habits of the last 5 years, we can save nearly \$500 billion over the next 5 years if we allow non-defense discretionary spending to grow with inflation. This means that non-entitlement government spending and benefit programs would grow at the same rate as prices.

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the next ten years than we accumulated in our country's entire 229-year history if the federal government's lavish spending habits are not changed.

- *Allow non-defense, non-homeland security discretionary spending to grow by 3.4% each year, the same as the average annual growth for between 1995 and 2000.*

1-YEAR SAVINGS: \$22 billion
2-YEAR SAVINGS: \$68 billion
5-YEAR SAVINGS: \$381 billion

Between 2000 and 2004, annual non-defense "discretionary" spending increased by an average of 8.4% each year. If these spending trends continue and emergency spending is not offset, the United States will accumulate nearly \$7 trillion in new debt over the next ten years. The national debt sits at \$7.9 trillion – this means that we will accumulate nearly as much debt in the next ten years than we accumulated in our country's entire 229-year history if the federal government's lavish spending habits are not changed. Between 1995 and 2000, annual non-defense discretionary spending increased by an average of 3.4%. A return to that kind of fiscal discipline relative to our current spending path would yield significant savings in both the short and long-run.

- *Reduce or eliminate waste and overhead in the USAID malaria prevention and treatment program.*

1-YEAR SAVINGS: \$81 million
5-YEAR SAVINGS: \$405 million

The U.S. Agency on International Development spent less than 10% of its \$90 million malaria budget to purchase products that treat or prevent malaria. The agency spent less than 1% of its malaria budget on drugs to prevent or treat a curable disease that is the leading killer of children in Africa. Significant savings would result from the reduction or elimination of the wasteful and inefficient overhead that has already been uncovered.

- *Reduce or eliminate improper federal payments caused by poor federal accounting controls.*

1-YEAR SAVINGS: \$100 billion
5-YEAR SAVINGS: \$500 billion

At least \$45 billion each year is being wasted in improper payments by the federal government – and that amount only covers a limited number of federal agencies. If the 3.9% rate of known improper payments is applied to the entire federal government, elimination of these improper payments could save taxpayers at least \$100 billion each year.

- *Reduce "middle-man fees" in the procurement of federal goods.*

1-YEAR SAVINGS: \$16 billion
5-YEAR SAVINGS: \$80 billion

The General Services Administration, the chief procurement agency for the entire federal government, charges "middle-man" fees of almost \$20 billion to purchase \$66 billion worth of goods and services for the government. That equals a "middle-man" fee of nearly 30%, even though the private sector usually charges less than 5% for the same services. By reducing these unnecessary middle-man fees to levels seen in the private sector, savings of nearly \$16 billion could be realized in the first year alone. Americans deserve the same cost efficiencies from their government that they receive from the private sector.

- *Reduce or eliminate cost overruns at the Securities and Exchange Commission caused by poor accounting controls.*

1-YEAR SAVINGS: \$47 million
5-YEAR SAVINGS: \$235 million

The Securities and Exchange Commission (SEC), the nation's accounting watchdog, has seen cost overruns of \$47 million on its building projects. The SEC's building project costs, initially estimated to total \$22 million, have instead tripled to \$69 million. The implementation of effective accounting controls would not just yield savings from building projects – increased efficiencies across the agency have the potential to yield even greater savings and benefits.

- *Eliminate the automatic pay raise for Members of Congress.*

1-YEAR SAVINGS: \$2 million
5-YEAR SAVINGS: \$10 million

Under current law, Members of Congress receive an automatic pay raise each year. Based on the current formulas, they are set to receive a pay raise of \$3,100 this year alone. Charity requires sacrifice, and Members of Congress could set a good example of charity by giving up their pay increase in order to help those affected by Hurricane Katrina.

- *Temporarily delay the implementation of the costly new Medicare prescription drug program.*

1-YEAR SAVINGS: \$32 billion
2-YEAR SAVINGS: \$85 billion

Newspapers and television shows are full of tragic examples of poverty and devastation caused by Hurricane Katrina. Many of those who survived are homeless or displaced, and have limited means of getting back on their feet. Instead of forcing them to pay for prescription drugs for people like Warren Buffett, Jack Welch, George Soros, or Ken Lay, a more prudent option would be to temporarily delay the implementation of a new benefit program that is not yet providing anything to seniors. The new prescription drug program is set to begin in January 2006. According to estimates from the Congressional Budget Office, if the program's implementation is temporarily delayed and the status quo is maintained, savings of \$32 billion would be realized in the first year alone.

- *Reduce or eliminate wasteful and frivolous spending on federally-sponsored conferences.*

1-YEAR SAVINGS: \$100 million
5-YEAR SAVINGS: \$500 million

Federal departments and agencies spend over a hundred million dollars annually on conferences and conference-related expenses. This includes \$3.6 million to support a single conference held in Barcelona, Spain, to which 236 employees from a single department traveled to attend. At this time, we do not have the luxury to provide such excessive spending on conferences. This is especially true since many agencies are now equipped with teleconferencing capabilities and the widespread use of e-mail and the internet makes the exchange of ideas and information more convenient and less expensive.

- *Implement the February 2005 Office of Management and Budget proposal to reduce or eliminate spending in over 150 federal programs.*

1-YEAR SAVINGS: \$15 billion
5-YEAR SAVINGS: \$77 billion

The Office of Management and Budget submitted to Congress earlier this year a proposal to eliminate 99 federal programs and to significantly reduce spending in 55 federal programs.

Total savings realized from the enactment of this proposal would yield savings of roughly \$15 billion in the first year alone.

- *Reduce or eliminate “pork projects” and earmarks from the highway bill.*
5-YEAR SAVINGS: \$24 billion

Numerous commentators, citizens, and now some Members of Congress, have offered to give back some of their “pork” in order to help pay for our relief efforts on the Gulf coast. Some of these projects include a \$315 million “bridge to nowhere” in Alaska, a smoking lounge at a New Jersey Airport, and a parking lot in Montana. Citizens of both Montana and Alaska have offered to give back these projects for the betterment of the country. Sen. Richard Shelby of Alabama, a Republican, and Rep. Nancy Pelosi of San Francisco, a Democrat, have both offered to give up their earmarks in order to help pay for our hurricane relief and recovery efforts.