Testimony of

Thomas A. Schatz

President, Citizens Against Government Waste

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My name is Thomas A. Schatz, and I am president of Citizens Against Government Waste (CAGW). CAGW was founded in 1984 by the late industrialist J. Peter Grace and nationally-syndicated columnist Jack Anderson to build support for implementation of President Ronald Reagan's Grace Commission recommendations and other waste-cutting proposals. Since its inception, CAGW has been at the forefront of the fight for efficiency, economy, and accountability in government. CAGW has more than one million members and supporters nationwide, and, over the past 31 years, it has helped save taxpayers $1.3 trillion through the implementation of Grace Commission findings and other recommendations.

CAGW does not accept government funds. The organization's mission reflects the interests of taxpayers. All citizens benefit when government programs work cost-effectively, when deficit spending is eliminated, and when government is held accountable. Not only will representative government benefit from the pursuit of these interests, but the country will prosper economically because government mismanagement, fiscal profligacy, and chronic deficits soak up private savings and crowd out the private investment necessary for long-term growth.

It is no secret that wasteful spending is pervasive throughout the federal government and that every agency could perform its functions more effectively and efficiently. Recommendations to eliminate waste, fraud, abuse, and mismanagement are regularly provided by the Government Accountability Office (GAO), the Congressional Budget Office (CBO), the President's budget, and congressional authorizing and appropriations committees. Outside of the government, think tanks, advocacy groups, and private-sector companies also provide ongoing analysis of government expenditures. For example, since 1993, CAGW has released *Prime Cuts*, a compendium of recommendations that emanate from both public and private sources; some still date back to the Grace Commission. *Prime Cuts 2015* identified 601 recommendations that

would save taxpayers $639 billion in the first year and $2.6 trillion over five years. Since the organization's inception in 1984, the implementation of CAGW's recommendations has helped save taxpayers $1.4 trillion. *Prime Cuts 2015* can serve as a blueprint to cut government spending and put the nation on a path toward fiscal stability.

The first modern comprehensive effort to reform government and/or eliminate wasteful spending occurred through the Commission on Reorganization of the Federal Government, which was established by Congress in 1947 under President Harry Truman and became known as the Hoover Commission, as it was led by former President Herbert Hoover. The commission met from 1947-1949 and again from 1953-1955. More than 70 percent of the recommendations were implemented by executive and legislation action, including the establishment of the Department of Health, Education and Welfare, as well as the General Services Administration.

The next comprehensive study of the federal government occurred under President Reagan, who created the President's Private Sector on Cost Control in the Federal Government in 1982, which became better known as the Grace Commission. The commission issued its final report in 1984 and made 2,478 recommendations that would have saved $424.4 billion in the first three years after full implementation of the recommendations. Through executive orders, President Reagan saved $100 billion. The administration's annual reports on management of the federal government tracked the implementation of Grace Commission recommendations and provided a list of initiatives that were included in the President's budget.

The Hoover Commission inspired many states to establish similar entities. California created the Little Hoover Commission on State Government Organization and Economy in 1962, and that operation continues today. In turn, President Reagan referred to the Little Hoover Commission as one of the reasons for his desire to establish a similar entity at the federal level.

According to the Little Hoover Commission's website, its mission is to provide reports, recommendations, and legislative proposals to promote efficiency and economy in government. The commission is composed of five citizen members appointed by the governor, four citizen members appointed by the legislature, two senators, and two assembly members. The website states that the commission's "role differs in three distinct ways from other state and private-sector bodies that analyze state programs." First, the commission examines how programs "could and should function in today's world" rather than just determining whether programs "comply with existing requirements." Second, the commission produces reports that "serve as a factual basis for crafting effective reform legislation." Third, the commission follows through with legislative proposals to "implement its recommendations, build coalitions, testifying at hearings and providing technical support to policy makers."

There is no comprehensive list of state-based, permanent entities that function like the Little Hoover Commission. Some states have more specific operations, such as the Sunset Advisory Commission in Texas, which was established in 1977 and is charged with reviewing all state programs every 12 years on a rotating basis.

The commission's mandate covers approximately 150 state government agencies. Since its inception, 78 agencies have been abolished or consolidated; 37 agencies were completely abolished, and 41 had some functions transferred to existing or newly created agencies. The Texas Sunset Commission's website notes that every dollar spent on the sunset process earns the state of Texas $29 in return.

There have never been permanent operations similar to the Little Hoover Commission or the Texas Sunset Commission at the federal level.

While the Hoover and Grace Commissions reviewed operations at virtually every federal agency, there have been both legislative and executive branch efforts to review specific agencies or programs, including task forces, boards, and formal reviews. For example, the Packard Commission in 1981 and the Clinger-Cohen Act of 1996 focused primarily on management functionality at the Department of Defense (DOD). The National Performance Review under Vice President Al Gore was an interagency task force intended to reform and streamline government to be more efficient and less expensive.

The Office of Management and Budget (OMB) under President George W. Bush created the Performance Assessment Rating Tool, which disappeared at the end of the Bush administration. President Obama has initiated numerous efforts to eliminate wasteful spending, including a June 2011 executive order entitled, "Delivering an Efficient, Effective, and Accountable Government," which created the Government Accountability and Transparency Board, and a presidential memorandum sent to the heads of all executive departments and agencies instructing them to dispose of all unneeded federal real estate.

Congressional attempts to improve the management of the federal government included enacting the Grace Commission's recommendation to establish chief financial officers, which occurred in 1989 (begging the question as to why it took 215 years to provide a financial officer in federal agencies). The Office of Federal Financial Management was created at OMB in 1990 (begging the same question). The Government Performance and Results Act was passed in 1993, and the Government Performance and Results Modernization Act was signed into law in 2010.

While these initiatives were long overdue and helped improve the management of federal agencies, adopting the Grace Commission recommendation to reorganize OMB into the Office

of Federal Management would help change the focus of both OMB and Congress from spending to managing.

Despite the best intentions of presidents and legislators to address wasteful spending and improve government efficiency, the size and scope of government continues to grow. The President's budget has included a list of program terminations and consolidations for many years; a limited number of these programs are eliminated or consolidated, usually saving a few billion dollars. On the other hand, the creation of new programs and the funding or expansion of existing programs always overwhelms those efforts.

An underlying reason for this consistent failure to improve government efficiency and eliminate waste, fraud, and abuse is the tendency of members of Congress to create a program to solve a problem. Rather than spending the time to examine an issue in depth, including whether or not an existing program can address the subject matter, members are usually more likely to move forward with a new program. While the term "waste" can be subjective, everyone should agree that taxpayer dollars should not be mismanaged, and duplication and overlap in and of themselves can be wasteful. Unfortunately, there are very few systems in place to prevent such misspending by Congress and the executive branch.

In an effort to help prevent the creation of new, duplicative programs, Sen. Tom Coburn (R-Okla.) introduced S. Res. 427, the Preventing Duplicative and Overlapping Government Programs Resolution, in the 112th Congress. The resolution would require the report accompanying any bill reported by a Senate congressional committee to contain analysis by the Congressional Research Service (CRS) on whether the bill created a new federal program that would duplicate or overlap any existing federal entity, program, or initiative. S. Res. 427 would

also require the reporting committee of a bill to explain why the creation of each new program or office would be necessary if a similar program, office, or initiative already existed.

A companion measure, H. Res. 623, was introduced in the House. Both resolutions would amend the respective rules of each body of Congress. On June 29, 2011, the Senate voted 63-34 in favor of Sen. Coburn's amendment containing identical language to S. Res. 427 to S. Res. 426, a resolution to provide for expedited Senate consent of certain nominations subject to advice and consent. That was four votes short of the 67 needed to amend Senate rules. On February 2, 2012, the Senate voted 60-39 on a reintroduced version of the measure, which again failed to receive the requisite amount of votes necessary for passage.

In other words, the Senate voted twice to continue creating new programs without any information about whether or not the program duplicated or overlapped with an existing program, or explaining why the new program was necessary. Sen. Coburn reintroduced the resolution as S. Res. 110 on April 4, 2013, but the measure did not receive a vote in the 113th Congress.

At the beginning of the 113th Congress, the rules of the House were amended to require committee reports to state whether a new or reauthorized program duplicates another federal program(s), and the committee chairman may ask GAO to perform an analysis regarding that duplication with results included in committee report. These rules were again adopted at the beginning of the 114th Congress.

Congress would be well-served to act on its own watchdog's voluminous reports. GAO has issued five annual reports on duplicative and overlapping programs in 2011, 2012, 2013, 2014, and 2015, which are required by law to be issued every year. The reports address areas in virtually all major federal departments and agencies, demonstrating the widespread existence of

such mismanagement throughout the federal government. In its first four annual reports from 2011 to 2014, GAO identified 440 actions across 180 areas where "opportunities existed for executive branch agencies or Congress to reduce, eliminate, or better manage fragmentation, overlap, or duplication." In its 2015 report, GAO presented 66 actions that the executive branch or Congress could take to improve efficiency and effectiveness across 24 areas that span a broad range of government missions and functions.

Among the more egregious instances of overlap identified by GAO's 2015 report are the 42 programs across six federal departments that provide nonemergency medical transport, for which the Department of Health and Human Services (DHS) alone reported costs to taxpayers of $1.3 billion for FY 2014. There are 112 programs across eight federal agencies devoted to mental illness, for which a subset of 30 of the programs cost $5.7 billion for FY 2013.

In GAO's 2014 report, 11 new areas of fragmentation, overlap, and duplication were identified. The 2014 report recommended 64 actions which could improve efficiency in 26 areas, and 19 actions which would reduce duplication.

GAO's 2013 report, "Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits," identified 31 areas of government "where agencies may be able to achieve greater efficiency or effectiveness. Within these 31 areas, [GAO] include[s] 17 areas of fragmentation, overlap, or duplication where multiple programs and activities may be creating inefficiencies." The 2013 report identified hundreds of agencies, offices, and initiatives that provide similar or identical services to the same populations, including: 679 renewable energy initiatives at 23 federal agencies and their 130 sub-agencies, costing taxpayers $15 billion in FY 2010; 76 programs to prevent or treat drug abuse spread across 15 agencies, costing $4.5 billion in FY 2012; three federal offices involved

in overseeing catfish inspections; and six separate offices at DHS involved in research and development, two of which awarded five separate contracts that each addressed detection of the same chemical.

GAO's 2012 report recommended 81 cost-saving measures that could save taxpayers tens of billions of dollars, including: consolidating federal offices, selling excess uranium at the Department of Energy, replacing the $1 bill with a $1 coin, and cutting improper payments by Medicare and Medicaid. Despite the recommendation to cut improper payments, GAO's 2015 annual report stated that improper payments jumped by $18.9 billion, from $105.8 billion in FY 2013 to $124.7 billion in FY 2014.

The 2012 report also cited 209 science, technology, engineering, and math (STEM) programs costing $3.1 billion spread across 13 agencies in FY 2010. More than one-third of these programs were first funded between FYs 2005 and 2010, yet the U.S. still does not have enough future workers in STEM fields and U.S. students "continue to lag behind students in other highly technological nations in mathematics and science achievement."

GAO stated that 173 (or 83 percent) of the 209 programs "overlapped ... with at least 1 other program in that they offered similar services to similar target groups in similar STEM fields to achieve similar objectives." This complicated and fragmented system was a result of efforts to "both create and expand programs across many agencies in an effort to improve STEM education and increase the number of students going into STEM fields." The proliferation of new programs in a short period of time "contributed to overlap and, ultimately, to inefficiencies in how STEM programs across the federal government are focused and delivered."

GAO's 2015 report stated that some progress has been made in reducing the amount of STEM programs. In 2012, the total number of STEM programs decreased to 158, and the

President's FY 2016 budget proposed to further consolidate and eliminate 20 STEM programs across eight agencies.

The 2012 report cited 82 teacher quality programs in 10 agencies that cost $10 billion in FY 2009. GAO noted the adverse impact of such a large number of similar programs: "The proliferation of programs" and "fragmentation" has limited "the ability to determine which programs are most cost-effective, and ultimately increase program costs."

GAO's 2012 report also identified 56 programs across 20 agencies to promote financial literacy, which are intended to improve the fiscal acumen of the American people. While it would be funny if it wasn't so sad, there is no reliable financial data on the total cost of the financial literacy programs, and a government that itself is going broke is trying to teach others how to balance their checkbooks.

Finally, GAO identified 47 job training programs in nine agencies that cost $18 billion in FY 2009 and cited the nearly complete absence of program analysis. Only five programs had an impact study completed since 2004 to determine whether or not participants secured a job as a result of the program itself rather than a separate cause, and about half have not had a single performance review since 2004. Therefore, "little is known about the effectiveness of most programs."

In an attempt to address this history of waste and overlap in job training programs, in 2014 Congress passed H.R. 803, the Workforce Innovation and Opportunity Act. H.R. 803 eliminated 15 job training programs and introduced a single system to measure every federal workforce program under the law. Although this was a start, it is imperative that lawmakers continue to build upon the progress made during the last 113th Congress.

Congress cannot claim ignorance of duplicative, bloated programs. Even prior to the publication of the five annual reports on fragmentation, overlap, and duplication, GAO has published thousands of accounts of improvident spending. GAO representatives have testified repeatedly before congressional committees, often reiterating findings from prior reports that the House and Senate have ignored. Some of the recommendations in the five annual reports on duplication and overlap, while not repetitive of each other, are based on previous GAO reports on specific issues. Others who testify before Congress also find themselves repeating the same proposals ad nauseam, all of which makes taxpayers sick and angry that insufficient steps are being taken to eliminate the waste, fraud, abuse and mismanagement that pervades the federal government.

In an effort to force congressional committees to hold hearings on duplicative programs identified by GAO that fall under their jurisdiction, Sens. Cory Gardner (R-Colo.) and Gary Peters (D-Mich.) have introduced S. Res. 102, the Congressional Oversight to Start Taxpayer Savings Resolution. The legislation requires each Senate standing committee (except the Appropriations Committee) to begin hearings within 90 days of the release of GAO's annual reports. It is absurd that a congressional resolution should even be required to force committees to do what they are supposed to do on a regular basis.

The elimination of duplication and overlap within federal agencies was the focus of legislation introduced by Sen. Sam Brownback (R-Kan.) and Rep. Todd Tiahrt (R-Kan.) in 2004. The bills would have established a Commission on the Accountability and Review of Federal Agencies (CARFA), subjecting agencies to three areas of review. First, when two or more agencies were performing the same function, the commission would recommend that the function be consolidated or streamlined into a single agency or program. Second, when the

commission found an agency was mismanaging resources or personnel, wasting funds by egregious spending, or using funds for the benefit of a special interest group, the commission would recommend that the agency or program be eliminated or realigned. Third, when the commission would that an agency or program had failed to meet its objectives, become irrelevant, or completed is intended purpose, the commission would recommend the elimination of such agency or program.

After completing its evaluation, the commission would submit to Congress both a plan with recommendations of the agencies and programs that should be realigned or eliminated and proposed legislation to implement this plan. As with the successful base closing or BRAC model, Congress would consider this legislation on an expedited basis with a comment period from the committees of jurisdiction. Within the expedited time frame, the Congress would take an up-or-down vote on the legislation as a whole without amendment. If CARFA's recommendations were enacted, significant savings would likely result. If CARFA's recommendations were rejected, congressional committees would still have a useful guide for identifying areas in need of scrutiny.

Needless to say, nothing was done about CARFA by the House or the Senate, and no similar legislation has been introduced since Sen. Brownback and Rep. Tiarht left Congress.

Whether or not CARFA legislation is reintroduced or other legislation to establish a new Grace Commission or other comprehensive review of federal expenditures, a bi-partisan examination of government waste, fraud, abuse, and mismanagement could review the operations of federal agencies and evaluate improvements; look for increased efficiency and reduced costs that can be realized by executive action or legislation; provide additional

information and data relating to government expenditures, indebtedness, and personnel management; and seek opportunities for increased managerial accountability and improvements.

Robert Freer, Jr., chairman and founder of the Free Enterprise Foundation and an executive committee member of the Grace Commission, wrote in 2010 that:

> More than two decades have passed with only partial adoption of [the Grace Commission's] suggestions, and we are in even deeper soup just as it suggested we would be if we did not follow through. In fact, we are several leagues beyond anything the Commission even conceived of in fiscal jeopardy due to our own profligacy. Any rational society would have long ago reined in its appetites, re-examined its approach to social services, and sharpened its management pencils. It is unclear whether the more than 100 new agencies of government to be created to carry out the new health care initiative will ever be funded, but even the existing governmental structures are woefully in need of a sharp management knife to prune waste, inefficiency, and fraud from their administration. While lamenting the total irresponsibility in growth of government, in calling for a new Grace Commission, we can still hope that government does what it can to carry out its ill conceived programs in a manner as devoid of waste, inefficiency and fraud as possible. A new Grace Commission would help.

In September 2010, shortly before he was elected to the United States Senate to the seat once held by President Obama, then-Congressman Mark Kirk (R-Ill.) wrote in *The Hill*, "Congress and the president should establish a new Grace Commission. ... After a two-year study at no taxpayer expense, the panel made 2,478 recommendations, which it estimated would save $1.9 trillion by the year 2000. A 21st century Grace Commission should also be given the

powers of the Base Realignment and Closure Commission, with its recommendations facing certain up or down votes in both chambers."

In a June 15, 2011 editorial, the *Las Vegas Review-Journal* opined on President Obama's contemporaneous announcement of a new effort to eliminate government waste – the "Campaign to Cut Waste," with Vice President Biden to chair the oversight board of federal departments and agencies. The op-ed concluded as follows: "If Vice President Biden's new commission is really interested in eliminating waste and redundancy, the first thing they do should also be the last thing they do: Order new copies of the Grace Commission report printed up and handed out to the president and each member of Congress, and then set a good example by voting themselves out of existence."

Arguments have been made by members of Congress that a new Grace Commission or CARFA is not needed since Congress already has the authority to make any changes it wants to agencies and programs. However, if that were correct, the number of duplicative, overlapping, and fragmented programs would be reduced; the efficiency of remaining programs would be vastly improved; and the nation would be on a path to a balanced budget. Therefore, it remains true that every possible proposal to stop mismanaging the taxpayers' money should be pursued.

Since its inception, CAGW has been closely following spending at the United States Department of Agriculture (USDA), particularly during consideration of the Farm Bill by Congress. The Farm Bill creates a rare situation in which the headwinds to eliminating waste are more regional than partisan. In other words, eliminating waste in federal agriculture spending is not any easier than cutting profligate spending in other areas of the budget where the differences are partisan. My testimony today will focus on eight specific programs within federal agriculture spending which, if eliminated, would save tens of billions of dollars.

On February 3, 2014, when Congress finally passed the Agriculture Act of 2014, more commonly known as the 2014 Farm Bill, it codified a piece of legislation that is on track to be even more expensive and wasteful than the abysmal 2008 Farm Bill that it replaced. The Congressional Budget Office (CBO) estimated that the 2014 Farm Bill would save a measly $16.6 billion over 10 years compared to a $956 billion cost of the legislation over the same timeframe. The projected cost of the 2014 Farm Bill was therefore 49 percent greater than the projected 10-year, $640 billion cost of the 2008 Farm Bill.

CBO has a long history of underestimating the cost of farm bills, which makes it unlikely that even the miniscule $16.6 billion in savings will be achieved. According to an analysis by Taxpayers for Common Sense, CBO underestimated the cost of the 2002 and 2008 Farm Bills by a cumulative total of $450 billion. Given this track record, there is little reason to believe that any of the projected savings for the 2014 Farm Bill will materialize.

Despite claims to the contrary by members of Congress, the 2014 Farm Bill did not sufficiently reform or terminate profligate subsidy programs. Although the bill did eliminate the indefensible direct payments program, it expanded crop insurance subsidies, left intact the market-distorting sugar program, and failed to repeal the $200 million, corporate-welfare stalwart, Market Access Program.

The sugar program not only distorts the free market, it also keeps prices much higher than necessary for consumers and taxpayers. The U.S. sugar program could accurately be described as an outdated, Soviet-style command-and-control program that uses price supports, prohibitive tariffs, import quotas, guaranteed loans, and domestic marketing allotments to artificially inflate the price of sugar. The program is often justified as providing assistance to small farmers; however, the sugar program is designed to benefit about a dozen highly profitable sugar

processors and about 4,700 sugar farms that are not surprisingly some of the nation's wealthiest farms.

While the federal government has been supporting sugar beet and sugar cane growers and processors for more than 75 years, the sugar program has been particularly pernicious to taxpayers since the 2008 Farm Bill. That legislation increased loan rates for raw and refined sugar; continued a domestic allotment system; placed new restrictions on the ability of the secretary of Agriculture to allow imports even if they are needed to fill shortfalls in the U.S. sugar market; and created the federal Feedstock Flexibility Program, which requires the U.S. Department of Agriculture (USDA) to sell surplus sugar for ethanol production (an industry which receives its own federal subsidies) at a huge loss to the government. Despite the best efforts of taxpayer and consumer groups, amendments to mitigate the negative effects of the 2008 Farm Bill were defeated during consideration of the 2014 Farm Bill.

The sugar program has caused the price of sugar to be about 40 percent higher than the world price, resulting in increased costs to consumers of $3.5 billion annually between 2009 and 2012. Thousands of jobs in sugar-using industries, particularly candy manufacturers, have been lost. Finally, sugar producers forfeited $152 million worth of sugar to the USDA in September and October 2013. CBO forecast in its March 2015 Baseline for Farm Programs that the U.S. sugar program will cost taxpayers an additional $115 million over the next 10 years.

The 2014 Farm Bill created the Dairy Producer Margin Protection Program (DPMPP), which replaced the Milk Income Loss Contract Program and the Dairy Product Price Support Program. The DPMPP pays dairy farmers when the national margin on milk sales falls below a certain set level.

Written into permanent law and therefore not subject to periodic reauthorization in the Farm Bill are federal milk marketing orders (FMMOs). FMMOs are the federal government's milk pricing regulations, which date back to the Great Depression. They are one of the last remaining areas of direct government market intervention in food prices. As such, FMMOs have a substantial impact on hundreds of millions of U.S. consumers and taxpayers.

FMMOs initially provided an important service to the American public. Specifically, they were adopted to ensure an adequate supply of fluid milk, particularly in rapidly growing cities, with a pricing system based on the distance from Eau Claire, Wisconsin. Today, that mission has been fulfilled, and the continued existence of FMMO milk pricing regulations is no longer in the best interests of consumers and taxpayers.

Despite efforts in both the House and Senate to eliminate or reduce spending on MAP, which is a poster child for corporate welfare, the program survives. MAP has delivered advertising subsidies to successful firms, such as Blue Diamond, Butterball, Dole, McDonald's, Pillsbury, Sunkist Growers, Tyson, and Welch Foods, as well as agriculture trade associations and farmer cooperatives, to market their goods abroad.

A June 2012 report on MAP by former Sen. Tom Coburn (R-Okla.) disclosed that some of the $20 million that was given to the Cotton Council International (CCI) in 2011 was used to create an Indian reality TV show in which designers create clothing made from cotton. The show was intended to promote the use of cotton generally, not necessarily cotton from the U.S. Indeed, India does not have any need for U.S. cotton, as it is a net exporter of the product, producing twice the amount of U.S. cotton growers. MAP has provided more than $169 million to CCI over 10 years.

MAP was included among the recommendations in GAO's 2013 duplication report. Over the past decade, MAP has provided nearly $2 billion in taxpayer money to the programs beneficiaries. President Obama's FY 2012 budget proposed a 20 percent cut in MAP, which included in an amendment on the floor of the Senate and defeated. Numerous attempts to eliminate the entire program have consistently been rejected in the House.

According to an article in *The Los Angeles Times* regarding a particularly absurd expenditure:

> [MAP] financed a $3-million advertising campaign in Japan for the California Raisin Board, featuring the animated dancing raisins that were such a hit in the United States. It bombed.
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> The campaign's theme song, 'I Heard It Through the Grapevine,' couldn't be translated into Japanese, so it ran in English and was therefore incomprehensible to most viewers, according to the GAO. The shriveled dancing figures disturbed Japanese children, who thought they were potatoes or chunks of chocolate. The characters' four-fingered hands reminded television viewers of members of criminal syndicates, whose little fingers are cut off as an initiation rite. If all that wasn't enough, the Raisin Board couldn't even get its product onto store shelves during the promotion period.
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> The board's goal was to sell 900 tons of raisins in Japan during the campaign; exports during the period reached a little more than half that. And the U.S. government spent $2 in promotion costs for every dollar's worth of raisins that reached Japanese store shelves.

Taxpayers should not subsidize advertisements for private entities. According to *Prime Cuts 2015*, the elimination of MAP would save taxpayers $200 million in the first year and $1 billion over 5 years.

In the 2009 American Recovery and Reinvestment Act (stimulus), Congress allocated $7 billion for broadband grants and loans. The Rural Utilities Service (RUS) received $2.5 billion for its Broadband Initiatives Program (BIP) for 320 projects in 44 states and territories. According to the USDA, the RUS has obligated $2.28 billion to broadband grants, and used $87 million to back $1.26 billion in broadband loans, with the remainder of its allocation used for administration and oversight. Despite the program's widespread funding reach, the money is not necessarily being spent wisely by grant recipients.

A March 2013 USDA IG report on the stimulus funds stated that "RUS funded BIP projects that sometimes overlapped preexisting RUS-subsidized providers and approved 10 projects, totaling over $91 million, even though the proposed projects would not be completed within the 3-year timeframe RUS established and published." The IG also found that "the agency could have implemented the program so that it would have focused more exclusively on rural residents who do not already have access to broadband."

On February 27, 2013, the House Committee on Energy and Commerce held a hearing on the status of broadband spending under the stimulus. Witnesses stated that much of the stimulus broadband funding has produced overbuild leading to direct competition with incumbent private sector providers of broadband services. While Connect North Georgia President, Bruce Abraham, lauded the economic benefits to northern Georgia stemming from the $33 million broadband stimulus loan it received, Vermont State President of FairPoint Communications, Michael K. Smith, described millions in federal dollars being used for overbuild projects

throughout New England that "create a publicly financed competitor aimed at putting FairPoint and other private providers at a competitive disadvantage."

While the RUS broadband initiative primarily issues and guarantees loans for broadband expansion into rural areas, the High Cost Program of the Universal Service Fund (USF) also provides a funding mechanism for the expansion of telecommunications services to areas of the country that are either unserved or underserved (particularly rural areas) where costs to build infrastructure is higher. This means that there are at least two federal programs that have essentially the same mission: to provide funding for the expansion of broadband into high cost, unserved or underserved regions of the country. This situation also provides a mechanism whereby grant recipients have an opportunity to draw from two separate federal resources for funding broadband projects, with little oversight. When the Federal Communications Commission began discussion of the Connect America Fund to further promote broadband across the country, RUS officials raised concerns that the USF grants that are included by applicants as income for RUS loans might be in jeopardy under the Connect America Fund.

In addition to competing unfairly with provide broadband providers, numerous RUS broadband projects are appallingly wasteful. For example, in 2009, Buford Communications of LaGrange, Arkansas, (population 122) received $667,120 to build a hybrid fiber coaxial network and a new community center. This equates to $5,468 per resident of LaGrange.

Despite ample evidence of waste and mismanagement in the RUS broadband program, Congress expanded it by creating the Rural Gigabit Network Pilot Program in the Agriculture Act of 2014. There is $50 million allocated for the project over five years for the development of "ultra-high-speed" broadband access to rural cities and towns. Among other requirements, proposals for funding through this pilot program are limited to areas that do not already have

ultra-high speed service available, and the project must be completed within three years of receiving funding.

Increased broadband connectivity is important, and many private sector companies have already stepped up and improved service for both wireline and wireless customers through their own capital investments. However, when taxpayer funds are used through either grant or loan programs, there should be increased accountability for where and how tax dollars are being spent in order to avoid wasteful spending and overbuild of existing infrastructure. CAGW's *2015 Prime Cuts* highlighted wasteful spending at RUS and called for the elimination of the entire agency, which would save $9.6 billion in one year and $48.1 billion over five years.

Programs designed to support the peanut subsidy have existed in some form since the early 1900s. The 2014 Farm Bill moved the program to be covered by the expanded crop insurance system; peanut farmers chose in late 2014 to participate in either the Agriculture Risk Coverage (ARC) program or the Price Loss Coverage (PLC) program. Under the PLC program, payments are made to farmers when the price for a crop dips below its "reference price." The Farm Bill set the reference price for peanuts at $535 per ton. Under the ARC, USDA makes a payment for a covered crop in any year that "actual crop revenue" for the commodity is less than its "agriculture risk guarantee."

Many economists believe that the cost of the expanded crop insurance programs will significantly exceed initial estimates, as crop prices are beginning to fall much sooner than projected. On January 26, 2015, the Congressional Budget Office (CBO) released a revised baseline that showed annual payments to farmers could average $4.8 billion over the next decade. This represents a nearly 50 percent increase over CBO's estimate following passage of the 2014 Farm Bill.

The Delta Regional Authority, established in 2000, is supposed to provide economic development assistance to support the creation of jobs and improve local conditions for the 10 million people who reside in 252 counties and parishes throughout the Mississippi Delta states of Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee. However, the Republican Study Committee's FY 2016 budget pointed out that these efforts are duplicative of other federal programs and support mostly local projects. This is true of most federal "regional" commissions, authorities, and programs. Since FY 2003, the DRA has received six earmarks totaling $17.8 million, as noted in CAGW's *2015 Congressional Pig Book.*

The legislation that authorized ethanol tax credits expired in January 2012, yet ethanol subsidies live on through the Renewable Fuel Standard (RFS). The RFS creates a government-guaranteed demand for ethanol by requiring that increasing amounts of transportation fuel come from renewable sources, notably corn-based ethanol, until 2022. Since the RFS was implemented in 2005, costs of vital food commodities, including corn, grains, milk, eggs and may other commodities have increased as disproportionate amounts of corn are diverted away from food and animal feed and instead directed toward fuel. The government should do everything in its power to eliminate senseless policies that artificially inflate the price of gasoline and cost consumers millions of dollars each year through higher commodity prices.

Better stewardship of the taxpayers' money should be the mantra for every member of Congress. Every American would be well-served if every day representatives and senators came to work thinking first and foremost about how they could better manage the taxpayers' money and solve problems effectively with the resources that are already allocated to the federal treasury and through the use of existing programs, and only after doing all that can be done to

answer that question affirmatively then seek another way to solve the problem. In other words, rather than thinking that his or her committee or subcommittee has the best or the only answer to solve a perceived problem, each representative and senator should first think about how to solve the problem and then determine if a new program is needed.

I appreciate the opportunity to testify before the committee today, and would be glad to answer any questions.