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## THOMPSON PLAN TO REDUCE FEDERAL GOVERNMENT SPENDING

*In 2007, the federal government's spending rose to an astounding \$2.8 trillion – the equivalent of \$22,000 per household. Growth in federal government spending, however, rarely translates into better services for the American people. Solutions for many public policy problems are best found in the private sector, and then at the State and local level – not in Washington, DC. Indeed, the federal government loses billions every year due to ineffective programs, poor management, waste, and fraud. And, the problem is getting worse. Within the next five years, federal spending is expected to reach more than \$3.2 trillion, or about 20 percent of our economy; more than half of this amount is mandatory spending for entitlements. Increasing government spending is not the answer to our country's problems. It is time to get it under control with better solutions and better management of our federal government.*

### **Balance the Budget and Eliminate Underperforming Programs**

Congress has consistently refused to balance the budget and address the deficit. In fact, federal spending continues to grow at rates double inflation. This rate of growth in federal spending is not sustainable and must be brought under control. The following actions will result in better control of the growth of non-defense discretionary spending:

1. Limit Non-Defense Federal Spending to Inflation. Federal spending is expected to grow an average of 4.5 percent each year over the next five years. This growth is more than twice as fast as the estimated rate of inflation! Slowing the rate of growth in federal spending would help the federal government balance its books. Further cost savings can be achieved by limiting increases in the annual rates of growth for mandatory federal spending programs.
2. Implement a One-Year Hiring Freeze Pending Completion of Federal Government Strategic Assessment. Initiate a senior-level Administration assessment of the federal government's activities to determine their proper alignment with national priorities. This assessment will permit a re-shaping of the federal government to best address these priorities. Until that assessment is completed, institute a one-year freeze on the hiring of all non-essential civilian workers and contractors. This will give a new Administration time to assess its personnel requirements in order to "right size" the federal workforce, commensurate with national priorities, to match staffing and contracting needs to agency responsibilities across the

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executive branch.

3. Conduct a Comprehensive Cost-Benefit Analysis of All Federal Programs. Over the past few years, the Office of Management and Budget's Program Assessment Rating Tool has found that many federal programs are ineffective or only moderately effective. With the aid of rigorous cost-benefit analysis and relying on the Government Performance and Results Act, the President must work with Congress to determine which federal programs to eliminate, reduce, combine, or place on probation.

### **Enact Meaningful Earmark Reform**

Congressional earmarks add up to tens of billions of dollars each year. In Fiscal Year 2006 alone, the cost to the American taxpayer was more than \$64 billion. Even more disconcerting is the fact that many earmarks do not benefit the America people but only serve to support special interests. To accomplish real and meaningful earmark reform, the following actions must be taken:

1. Provide President with Line-Item Veto Authority. Congress can provide this authority without a Constitutional amendment. Such authority would better control spending and prevent the use of public funding for wasteful earmarks.
2. Direct Agencies to Ignore "Soft" Earmarks. "Soft" earmarks are those included in Congressional report language, but not in actual legislation. Failure to include such earmarks in the bill language itself makes it easier for Members of Congress to hide their earmarks and prevents the full House and Senate from voting on them. Federal agencies must not fund these "soft" earmarks unless they otherwise meet agency standards for a funding award.
3. Propose Legislation on Earmark Procedures. Promote greater transparency by urging Congress to approve legislation that requires the posting of all earmarks on the Internet for the public to view at least 24 hours before the underlying bill is brought to the floor for consideration.

### **Eliminate Improper Government Payments and Prosecute Fraud**

Many government agencies cannot pass an audit. In 2007 alone, the government made more than \$50

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billion in improper payments. On top of that, fraud costs the American taxpayer tens of billions of dollars a year. Government regulations also reduce innovation and competitiveness. The following policies would address these problems:

1. Eliminate Improper Payments. Implement policies that require agencies to tally and publish an annual “Waste Report” to account for their progress in eliminating waste.
2. Increase the Prosecution of Fraud. Appoint a high-level task force of federal law enforcement officials to coordinate the investigation of fraud and abuse in taxpayer-funded programs.
3. Hold Executives Accountable. All federal agencies must currently undertake and pass an audit every year. Hold agency executives accountable if their agencies fail to pass the annual audit and when they continue to have uncorrected material weaknesses.
4. Propose Regulatory Improvement Legislation. By reducing the cost of the federal government, we must be careful not to shift those costs to the private sector through the hidden costs of regulation. It is too easy to reduce government, but then have government turn around and impose requirements on the private sector indirectly through regulation. Government also does a poor job of prioritizing the areas that do require regulation, as it tends to respond to political demands, or the perceived need, rather than the actual need. Therefore, we must require cost-benefit analysis of all significant government regulations and proposed legislation, using modern economic and scientific analyses.

### **Reform Entitlement Programs**

Entitlement spending is threatening to engulf the American taxpayer in a tidal wave of additional costs, as millions of Americans begin retiring over the next several years. In fact, spending on Social Security, Medicare, and Medicaid is growing so fast that within 40 years it will consume the *entire* federal budget. This is unsustainable. The following initiatives will help restore the fiscal solvency of these programs:

1. Save and Protect Social Security. The goal of reforming Social Security should be to preserve

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and strengthen the program for future generations of Americans and guarantee that the current level of benefits is fully protected for inflation. Most importantly, reforms should completely eliminate the estimated \$4.7 trillion unfunded Social Security liability over the 75-year actuarial planning horizon and leave Social Security on a fiscally sustainable basis. These goals can be accomplished by:

- Providing Voluntary Personal Retirement “Add-On” Accounts to Supplement Benefits. These accounts would act like a private-sector employer 401 (k) plan and provide government matching funds for every contribution made by the participant.
- Indexing the Social Security Benefit Formula for Prices, Not Wages. This action would go a long way toward resolving the impending bankruptcy of Social Security while ensuring fairness by making sure future retirees receive the same amount as current retirees in real terms.

2. Ensure Future Viability of Medicare and Medicaid. Spending on Medicare has sky-rocketed as government-mandated price controls and planning have failed to keep health-care costs down. Medicare has an estimated \$12 trillion shortfall over the 75-year actuarial period. The following reforms should be implemented as the first steps to cost reduction and broader reform:

- Provide more choice and efficiencies by introducing new competitive features, similar to the Medicare prescription drug benefit (Part D) and the Medicare Advantage Program (Part C), to all parts of the program. Medicare must be moved away from price controls and government planning to a free-market system in order to reduce costs.
- Expand Means-testing of Medicare. Requiring wealthier seniors to pay more through higher premiums, increased co-pays, and higher deductibles is a reasonable and equitable approach that would go a long way to reducing Medicare costs.
- Shift Medicare to a prevention and chronic-care management approach. Establish new models of care that make health and wellness a priority so as to reduce the more

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expensive care that is required once one becomes ill.

- Medicaid costs have also been increasing dramatically. Providing tax credits to Medicaid-eligible individuals and families to allow them to purchase private insurance will increase the options for low-income individuals, expand personal choice, and should reduce costs as well.

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