

Chapter 4

Restructuring Domestic Spending

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This chapter discusses the domestic spending component of the better government plan. For purposes of the chapter, domestic spending consists of all budget outlays except defense, international affairs, homeland security, and the three large entitlement programs (Social Security, Medicare, and Medicaid), which are discussed elsewhere. In fiscal year 2003, domestic spending, apart from interest on the debt, accounted for 31 percent of the total budget and 6.3 percent of GDP. In our baseline budget these programs grow less rapidly than the economy, shrinking to 4.8 percent of GDP by 2014.

The better government plan is based on the premise that federal activities need continuous review as the economy changes and social norms evolve. When new national priorities gain acceptance, government is called on to devote resources to meet new objectives. But meanwhile, unfortunately, existing programs have acquired beneficiaries and political constituencies that make it almost impossible to cut them back. The benefits of such programs often go to a narrow segment of the population that is well organized to preserve its gains, whereas the costs are spread across a much larger population, which has little incentive to evaluate the benefits or object to the higher taxes entailed. But if new programs are piled on top of old ones, the government will grow too large and unwieldy. Older programs should be periodically reviewed and some of them downsized or eliminated to make room for higher-priority spending.

We believe that effective government programs can both enhance the productivity of the economy and open opportunities for those left behind. The plan offers an illustrative menu of spending choices designed to move toward current national priorities in both areas. It rejects the view, inherent in the smaller government plan, that a substantial fraction of what the federal government does in the domestic arena is unwarranted. At the same time, it recognizes that over the years the budget has accumulated programs whose costs, at current funding levels, significantly outweigh their benefits and whose continued funding at those levels may slow economic growth. The plan includes a set of program

cuts to make room for increases elsewhere. On balance, the program cuts and additions hold government spending relative to GDP at approximately its current levels. The plan entails more revenue increases than spending cuts, however, because recent tax cuts have reduced revenues substantially below the GDP share that prevailed for several decades.

A detailed examination of the hundreds of individual domestic programs in the federal budget is beyond the scope of the current effort. This chapter simply illustrates the kinds of choices to be made if government is to be not just leaner but also better.

An Illustrative Menu of High-Priority Initiatives

Eliminating the deficit without addressing important domestic priorities would not make economic or social sense. Although a large continuing deficit is detrimental to economic growth, so is neglect of public investments in education, health, transportation, and research. Public investment complements private investment in new technologies, facilities, and equipment that enhance growth. Furthermore, citizens value such things as a cleaner environment, shorter commuting times, and safer streets, which enhance their quality of life but do not show up in conventional measures of economic welfare. Moreover, while most Americans have benefited from the higher productivity that has accompanied rapid advances in technology and globalization, some mechanism is needed to cushion the losses suffered by those whose jobs have been destroyed in the process. Restructuring the social safety net to encourage work can simultaneously increase the incomes of the least fortunate and produce more jobs and more growth. For all these reasons, a balanced plan to reduce the deficit should make room for new domestic spending to achieve these objectives.

This plan allocates roughly \$21 billion a year for such purposes, in addition to increases in domestic spending already assumed in the baseline. Such a modest sum (less than 3 percent of total domestic discretionary spending) can make a substantial contribution to funding these new initiatives although budgetary discipline will require making hard choices among competing priorities.

The first priority is “making work pay” by restructuring safety net programs to increase the incentives and rewards for low-wage workers. The reform of welfare in 1996 transformed the social policy landscape in the United States by requiring most mothers receiving welfare to work, limiting cash assistance to five years, and increasing state responsibility. These reforms have been far more successful than many people expected. Caseloads were more than halved. Child poverty declined. And the majority of mothers leaving welfare are working. Some of this success is due to the strong economy in the late 1990s, but much of it is due to new welfare rules in combination with more supports for low-wage earners that both encourage and reward work. These supports include the earned income tax credit, Medicaid, child care, and other programs that assist lower-income working families.¹

Research suggests that further progress in reducing poverty and improving the life chances of children could be achieved by supporting the efforts of low-income parents to become self-sufficient through work. Work is a powerful antidote to poverty. If the heads of low-income families worked as much as the heads of nonpoor families, poverty in the United States would be almost halved.² But most former welfare recipients are single parents with little education or technical skill. The work available to them pays low wages and offers few benefits and little job security. To ensure that children are not left alone or in dangerous circumstances, a parent who is earning, say, \$7 to \$12 an hour needs help paying for child care.

Moreover, child care made affordable to low-income working families should not only ensure children's safety, but also help them develop the language and other skills they need for future success. The best Head Start and other early childhood development programs have well-documented track records of improving the later school success of disadvantaged children.³ But Head Start and the Child Care and Development Block Grant program now serve only a fraction of the children eligible for assistance. Head Start targets preschool-age children from poor families and serves about 60 percent of eligible children.⁴ The block grant targets all children in families with incomes up to \$40,000 or \$50,000 a year and serves only about 12 percent of those eligible.⁵ Additional funding would enable more of the families eligible for assistance to participate.

A related priority is increasing health care coverage for low-income working families. An increasing number of low-wage jobs provide no health benefits. In recent years, considerable progress has been made toward covering low-income children through Medicaid or the Children's Health Insurance Program (CHIP). Even so, 20 percent of children in families below the poverty line were uninsured in 2002.⁶ For their parents, the situation is even more serious. Although mothers on welfare are automatically eligible for Medicaid, once they leave the rolls for a job and have exhausted some temporary benefits, they often end up with no coverage at all since only a third of low-wage workers have coverage through their employer.⁷ Federal funds could be used to encourage states both to expand coverage under CHIP or Medicaid and to enroll more of those already eligible for these public programs.

Another priority is helping states improve elementary and secondary education—a key to future workforce productivity. Enactment of the No Child Left Behind Act of 2001 (NCLB) was a milestone in the many attempts to reform elementary and secondary education. The act combined an emphasis on standards and testing with new resources for teacher training, student assessments, preschool and after-school programs, and extra help for poor children. But some of the added funds earmarked for these purposes have never been appropriated, leaving states with a partially unfunded mandate to improve student performance on their own. In the meantime, states are struggling with the federal requirement to

educate the increasing number of children with special needs, a requirement that absorbs as much as one-third of all education spending in some jurisdictions.⁸

Education is primarily a state and local responsibility, but NCLB reflected a national consensus that the federal government should help states increase the effectiveness of schools. To this end Washington should pick up the costs for the testing requirements of NCLB and assist states in meeting the “highly qualified” teacher components of the act. Teacher development is expensive, and although teacher training has historically been a state duty, NCLB requires that states raise certification requirements for secondary school teachers. Middle and high school teachers will have to demonstrate proficiency in the subjects they teach, either by having majored in the subject in college or by passing a test demonstrating college-level knowledge of the subject. In mathematics, approximately 50 percent of current teachers do not meet the requirement.⁹ Without higher federal spending, the effort to improve educational outcomes and better prepare students for work is in jeopardy.

A final example concerns energy and the environment. Investments in less polluting or less energy-intensive products or manufacturing processes are public goods (meaning that those making the investments seldom get all the benefits for themselves). For this reason, clean and energy-efficient technologies are undersupplied by the market. An expansion of environmentally friendly research and development—without anointing any particular technologies as “the” solution—is clearly justified.

Such a goal need not impose new demands on the budget, however. Perhaps the most important step that could be taken to improve the environment and ease energy concerns is to get the prices of energy right. Government could move the nation toward more accurate pricing either through taxes on energy or a system of auctioned and tradable emissions permits that confronts consumers with the full social cost of the energy they use, including environmental damages. Such measures could both reduce the deficit and encourage environmentally friendly research and investment.

Cutting Domestic Spending (Outside Social Security, Medicare, and Medicaid)

The better government plan identifies domestic saving of several major types: federal investment and R&D programs that provide low or negative returns or that carry out activities better provided by the private sector; subsidy programs for business or for middle- and upper-income groups that do not provide public benefits commensurate with their costs; grants to state and local governments that do not meet the objectives for which they were established or that finance activities more properly financed by state and local taxpayers; and specific budget-saving improvements in the efficiency of government programs. Some of the savings identified here are also included in the sweeping cuts contained in the smaller government plan. But in keeping with the more positive view of the role of government underlying this

Table 4-1. *Better Government Plan: Illustrative Spending Cuts*
Billions of dollars

<i>Category of cut</i>	<i>2014</i>
Subsidies	23
State and local grants	17
Low-value investment	20
Improved efficiency and reduction of fraud and abuse	8
Total	68

Sources and methods: Some savings from budget actions were identified by the authors, but many came from the Congressional Budget Office, *Budget Options* (March 2003), either directly, or as modified by the authors. In most cases the savings were estimated for fiscal 2003 and projected forward to 2014 at the same rate as the overall growth in discretionary spending in the baseline. In some cases, CBO projections of annual savings, available annually through 2008, and as five- and ten-year totals, were used as the basis for projecting 2014 estimates. Savings in mandatory programs were projected using CBO estimates of growth in those programs contained in its publication “The Budget and Economic Outlook: An Update,” August 2003. Figures may not add to totals because of rounding.

plan, the criteria to select programs for spending cuts are substantially more selective than those applied in the smaller government plan.

In the remainder of the chapter, tables offer illustrative lists of spending cuts of various kinds included in the better government plan as they would affect fiscal 2014, the target year for eliminating the deficit.¹⁰ Together the cuts total \$68 billion (table 4-1). Even though these spending reductions are substantially smaller than those in the smaller government approach, many are quite controversial. Few cuts, however, can be made in existing federal programs without eliciting heated, if highly concentrated, opposition. And those unwilling to support the smaller government agenda sketched in chapter 2 must nevertheless recognize that without some significant spending cuts, neither deficit reduction nor attempts to fund new program initiatives will be acceptable to the broad public.

Finally, the presentation of such specific lists of cuts as those shown in the following tables does not imply a belief that any group of people, even those broadly sharing the same criteria used in constructing the tables, would select these particular reductions as the best choices available. The lists simply demonstrate that the spending objective in the better government plan could be met with those criteria in mind.

Federal Subsidies

In total, subsidy programs would be cut to produce \$23 billion in annual budget savings by 2014 (see table 4-2). The largest of these cuts would come in farm subsidies.

Phasing down farm subsidies to half their current level for 2008 and subsequent years would save more than \$6 billion a year by 2014.¹¹ Crop production in the United States is highly concentrated among

Table 4-2. *Subsidies: Illustrative Cuts*
Billions of dollars

<i>Cut</i>	<i>2014</i>
Phase down farm subsidies to one-half baseline by 2008	6.5
Reduce selected conservation programs by half	1.3
Eliminate rural development programs (except housing)	1.2
Cut subsidy element for crop insurance in half	1.9
Phase out maritime subsidies by 2008	0.2
Charge fees for trade promotion	0.4
Eliminate advanced technology program and manufacturing partnerships	0.4
Eliminate Economic Development Administration, regional commissions, and related programs	1.2
Recover meat inspection costs with fees	1.0
Reform flood insurance to reduce subsidies and future flood damage	0.6
Eliminate Amtrak subsidies for less traveled lines	0.4
Eliminate veterans disability compensation for disability ratings of 30 percent of less and use one-third of savings for higher disabilities	0.4
Charge FAA air traffic control fees based on marginal cost	2.0
Increase fees to cover 75 percent of additional transportation security costs	2.1
Charge fees for cost of operating inland waterways and levy harbor maintenance fees on port users	0.6
Charge 10 basis point fee per \$100 of owned assets of Fannie Mae, Freddie Mac, and other housing government sponsored enterprises	2.4
Charge market-based fees for power marketing administration power sales	0.2
Eliminate requirement that government-owned or financed cargo be carried on U.S. flag vessels	0.5
Total	23

Sources and methods: See table 4-1.

large farms. Because subsidies are distributed among individual farms more or less in proportion to their production, the 7 percent of farms with gross receipts in excess of \$250,000 in 2001 got 50 percent of all subsidy payments. Farmers with net income of \$100,000 and over received an average of \$50,000 each in subsidy payments.¹² There are limits on the payments that a farm can receive, but they are not fully effective—indeed one element of the subsidy system is explicitly constructed to bypass payment limits.

Supporters of large-scale farm subsidies argue that the current system is needed in good times and bad to keep small and intermediate-size farms, and a rural way of life, in existence. But the share of subsidies going to such farmers is small. Moreover, the excess production capacity sustained by U.S. farm subsidies depresses the livelihood of farmers in the third world. American subsidies, along with their European counterparts, are a major obstacle to world trade negotiations.

The smaller government program, which would wipe out all farm subsidies, goes too far. There is a legitimate case for federal income supports, within carefully defined limits, as a safety net. The better

government program would restrict farm subsidies to countercyclical supports for farm families to offset some of the large declines in income which they periodically suffer because of the high volatility of agricultural prices. But even these subsidies should be subject to much lower payment limits.

In 1996, Congress enacted a substantially scaled-down subsidy system, only to pass a series of emergency measures sharply boosting subsidy levels a few years later. To ensure the permanence of the subsidy cut, such emergency appropriations should be prohibited under congressional procedures (see the discussion of budget procedures in chapter 2).

Other subsidy cuts are possible. Congress could, for example, impose a fee, based on marginal costs, for air traffic control services. The fees would vary by the cost of providing the services, which vary according to type of airport and other factors. Such fees would encourage a more efficient pattern of operations and yield savings of some \$2 billion by 2014. Congress could also impose fees or raise highly subsidized charges for providing business-like services. It could recover Department of Agriculture meat inspection costs with fees; reduce the subsidy for government-provided flood insurance, which often promotes development of frequently flooded areas; raise the fees for providing airline security; charge fees to exporters to cover costs of trade promotion activities; and cut in half the subsidy in government-sponsored crop insurance. Savings for 2014 would total \$6 billion.

State and Local Grants

The smaller government plan for spending reductions wipes out some \$123 billion of programs, principally federal grants to state and local governments, on grounds that there is no rationale for federal taxpayers to support programs that essentially meet the needs of citizens within individual state and local boundaries. Such programs, it posits, should therefore be the responsibility of state and local taxpayers. It consequently eliminates, among other programs, all grants for elementary and secondary education within the Department of Education; all housing subsidy, community development, and other grants of the Department of Housing and Urban Development; and the waste treatment grants of the Environmental Protection Agency. The better government plan cuts a substantial but much smaller \$17 billion from federal grant programs (table 4-3).

One major difference between the two plans is that the better government approach preserves most or all grants that assist poor and disadvantaged households or schools and other institutions serving them. Competition among states and localities tends to limit the tax dollars those governments can devote to support for lower-income citizens and the institutions that serve them. The cost to state and local taxpayers for providing significant assistance to the poor and disadvantaged is twofold: the direct cost of the support itself and an indirect cost when generous provision of such services threatens to drive away

Table 4-3. *State and Local Grants: Illustrative Cuts*
Billions of dollars

<i>Cut</i>	<i>2014</i>
Cut wastewater and drinking water construction grants in half by increasing state cost-sharing	1.8
Eliminate senior community service employment program	0.6
Concentrate Community Development Block Grant funding on less wealthy communities	1.0
Eliminate federal grants for vocational and adult education, drug-free schools, and a number of additional purposes, while maintaining other grants such as those for disadvantaged schools and state grants for improving teacher quality	6.6
Combine twenty-four categorical grants into four block grants and cut totals by 10 percent	6.6
Total	17

Sources and methods: See table 4-1.

well-to-do taxpayers or attract an influx of the poor from other jurisdictions. Partial support for such services by the federal government reduces the competitive problem and lets taxpayers judge the merits of such programs more nearly on the basis of the direct cost of furnishing them.

In some cases, such as building interstate highways or constructing waste treatment plants along major rivers, the services provided by one governmental jurisdiction accrue in a substantial way to citizens outside that jurisdiction. Here, federal grants that reimburse state and local governments for part of the cost of such services help make sure the services are indeed provided. The appropriate magnitude of such grants is, of course, a matter of budgetary policy.

Following these criteria, the better government plan preserves the housing subsidy grants of the Department of Housing and Urban Development that provide services to the poor and near-poor. Some might argue that the support furnished to lower-income citizens might be better served by lessening the fraction devoted to housing subsidies, but if so the funds saved should be rechanneled through other grants that serve the same population. The plan does not eliminate the Community Development Block Grant program but does recommend excluding more affluent communities from grant eligibility.

In addition to providing funds for elementary and secondary schools serving many children from disadvantaged families and for the “No Child Left Behind” initiative, the Department of Education oversees many other categorical grants to state and local governments for elementary and secondary education. Some grants provide modest funds for purposes that are principally financed by and are a part of the educational responsibilities of state and local governments. Others fund special activities with worthy objectives but limited effectiveness. Some, such as safe and drug-free schools and vocational education, show few signs of improving outcomes.¹³ And to the extent that the vocational curriculum successfully meets the needs of particular communities, it is clearly in the interest of those communities and their business establishments to support the program. Savings from eliminating these and other

questionable programs would amount to a little under \$7 billion in 2014. The better government budget plan does not, however, eliminate the program for the education of the disadvantaged or a number of other major education grants.

The better government plan retains the Environmental Protection Agency's grants for building waste treatment and water supply facilities, but cuts them in half by increasing state cost-sharing. It also proposes combining twenty-four of the remaining federal grants into four block grants and cutting their spending 10 percent. The increase in efficiency and flexibility for the states ought, at least roughly, to make up for the reduced funding. Grants for "income security" and those associated with high-priority national objectives (for example, aid to disadvantaged schools and state children's health insurance) were not included in the group to be blocked.

Low-value Federal Investments

Federal spending on low-value investments and research would be reduced \$20 billion a year by 2014 under the spending cuts suggested for this category (table 4-4). Almost half the cuts would come in National Aeronautic and Space Administration programs.

The space shuttle and the space station rank high on the list of major federal investments whose costs have vastly exceeded the benefits delivered. Originally NASA's shuttle program was conceived as an inexpensive way of sending human beings on numerous important military and scientific missions—as many as twenty-five to sixty missions a year.¹⁴ But the costs and complexity of life systems led to payload limits that sharply downgraded the shuttle's usefulness. The Air Force dropped out as a customer, and both military and serious scientific tasks have long been carried out through unmanned missions. By 1988, planned flights had dropped to eight a year; the past four years flights averaged five annually. Moreover, in the 113 shuttle flights launched to date, fourteen astronauts have died, an average fatality rate of one for every eight missions. The international space station is also vastly less productive than

Table 4-4. *Research and Investment Spending: Illustrative Cuts*
Billions of dollars

<i>Cut</i>	<i>2014</i>
Eliminate manned space flight	9.0
Eliminate energy research on fossil fuels, solar and renewable sources, freedom car, conservation techniques, and grants to states for households	2.9
Eliminate construction grants for large and medium-sized airports	2.0
Eliminate earmarking in highway authorization bills	2.5
Eliminate grants for "light rail" urban mass transit investments	1.8
Reduce Army Corps of Engineers new construction starts to the point where 2014 construction outlays, adjusted for inflation, are half of 2003 levels	1.3
Total	20

Sources and methods: Same as table 4-1.

originally conceived. Because of spiraling costs and other problems, several design features were dropped and the planned crew size of seven was cut to three. Since substantial crew time is required simply to maintain the station, little capability is left for scientific uses. Phasing out both manned space flights and the space station would save a total of \$9 billion by 2014.

Examples of other low-value investments that could be halted include the Energy Department's applied research on solar and renewable power sources, fossil fuels, and conservation technologies. The department would do better to concentrate on carrying out its basic research mission, for its record in developing commercially viable alternative sources of fossil fuels is poor. Markets for renewable power sources are growing rapidly, especially in photo-voltaics and wind energy.¹⁵ If the tax and tradable emissions permits recommended earlier are put in place, the private capital market should be able to support an expansion in applied research and development by private firms. A similar case can be made for reducing or eliminating the federal role in developing conservation technologies. However, the better government program leaves intact funds for general and more basic energy research. Such research is less likely to be supported through the incentives of the private market and is, unlike applied research, appropriately a federal function.

Congress could also eliminate its earmarked "high-priority" projects in the federal-aid highway program. Increasingly Congress requires that hundreds of specific highway projects be funded each year, on top of the regular federal-aid highway grants whose use states decide subject to guidelines and broad categories established by the federal government. Essentially these earmarked projects are typical "pork barrel."

Congress could also reduce new construction starts by the Army Corps of Engineers to the point where outlays fall to something like 50 percent of their projected path. The smaller government program simply wipes out all funds for the corps civil programs. Although the corps and its congressional supporters have often been criticized, with reason, for undertaking many projects whose realistically evaluated benefits cannot cover costs, one cannot assume that no water investments deserve federal support. The fraction of corps projects that would pass more rigorous cost-benefit evaluations may turn out to be higher or lower than assumed here, but significant budget savings can be expected. Funds for operating and maintaining existing corps inland waterway projects should be raised by fees on waterway users (included in the subsidy reduction category), thus relieving federal taxpayers of the need to subsidize waterway users. Together these proposals could save some \$2 billion in 2014.

Improved Efficiency and Reduction of Fraud and Abuse

Congressional committees, the General Accounting Office, and agency inspector generals have reported numerous studies estimating losses of billions of dollars in erroneous, fraudulent, or excessively generous

payments to individuals, health care providers, and business firms in general. And lists totaling scores of billions of dollars in potential budget savings have been compiled. Often, however, recommendations about how to achieve those savings are simply admonitory—“agency officials should work more closely with state and local enforcement officials,” and so on. Enforcement efforts can indeed be improved and efficiencies are surely possible. But without highly specific and detailed plans and without much larger enforcement budgets and sometimes much more intrusive and time-consuming eligibility monitoring, one should not count on large budget savings.

In some cases the current “rules of the game” clearly foster excessive costs in the operation of government programs, and cost-saving changes can be made without creating onerous burdens for those involved. Annual savings amounting to \$8 billion are identified in table 4-5. One example involves a change in paying home health care providers under Medicare. In 2001 the government, which had been paying these providers for each home visit to a patient, began paying on the basis of a single charge for each sixty-day “episode” of care. A fee schedule per episode for each of eighty categories of treatment was set, taking into account the earlier experience about the specific services typically provided during a sixty-day period. But since then, home visits per episode have fallen by about one-third, and on average payments now exceed costs by 25 percent. The proposed reform would freeze episode payments for each of the eighty categories at the 2003 level through 2007, thus gradually narrowing the difference between costs and payments. Cost savings in 2014 would be in the neighborhood of \$4 billion. (Medicare is the subject of chapter 5, but these savings involve administrative matters rather than payments to beneficiaries, and are included here.)

Table 4-5. *Improving Efficiency and Reducing Waste: Illustrative Cuts*
Billions of dollars

<i>Cut</i>	<i>2014</i>
Reform Medicare payment formula for home health care	4.5
Change Medicaid procurement rules to acquire drugs at competitive prices	0.8
Eliminate floor on rates for lenders fees on student loans	1.7
Improve FDA’s list of approved brand-name drugs to speed the marketing of generic drugs	1.1
Total	8

Sources and methods: See table 4-1.

ENDNOTES

1. Isabel V. Sawhill, Kent R. Weaver, Ron Haskins, and Andrew Kane, eds., *Welfare Reform and Beyond: The Future of the Safety Net* (Brookings, 2002), pp. 79-80.
2. Ron Haskins and Isabel Sawhill, "Work and Marriage: The Way to End Poverty and Welfare," *Welfare Reform and Beyond Brief #28* (Brookings, September 2003).
3. Barbara Wolfe and Scott Scrivner, "Providing Universal Preschool for Four-Year-Olds," in Isabel Sawhill, ed., *One Percent for the Kids* (Brookings, 2003).
4. The percentage of income-eligible children who are enrolled in Head Start was computed by dividing the number of three- and four-year-old children served in 2001 by the number of three- and four-year-old children in poverty. For the former see U.S. Department of Health and Human Services, Administration for Children and Families, Head Start Bureau, 2002 *Head Start fact sheet*. Retrieved from www.acf.hhs.gov/programs/hsb/research/factsheets/02_hsf.html. For the latter, see U.S. Bureau of the Census and Bureau of Labor Statistics, September 2002, Detailed poverty tables: 2001 P60 package. In *Annual demographic survey: March supplement*. Retrieved from ferret.bls.census.gov/macro/032002/pov/new23_001.html.
5. www.hhs.gov/news/press/2000pres/20001206.html.
6. Robert J. Mills and Shailesh Bhandari, "Health Insurance Coverage in the United States: 2002," *Current Population Reports* (U.S. Census Bureau, September 2003), p. 5.
7. Sara R. Collins and others, "On the Edge: Low-Wage Workers and Their Health Insurance Coverage," Issue Brief 626 (Commonwealth Fund, April 2003), p. 6.
8. Pietro S. Nivola, *Tense Commandments* (Brookings, 2002), p. 9.
9. U.S. Department of Education, Office of Policy Planning and Innovation, "Meeting the Highly Qualified Teachers Challenge: The Secretary's Second Annual Report on Teacher Quality," 2003, p. 7.
10. Almost half of the total budget saving in table 4-1 comes from suggestions included in Congressional Budget Office, *Budget Options* (March 2003).
11. The CBO projection of "mandatory spending" assumes that farm subsidies will fall from the current \$17 billion to \$13 billion by 2013, despite a rise of some 20 percent in the general price level. While this kind of a fall seems quite unlikely, that level is built into the adjusted baseline projection used throughout this book and therefore controls the 2014 estimate of the size of the spending cut.
12. U.S. Department of Agriculture, *Agricultural Income and Finance Outlook*, AIS-79/September 2002, table 9.
13. See evaluations in Congressional Budget Office, *Budget Options* (March 2003), option 500-02, and Office of Management and Budget, *Budget of the U.S. Government, 2004*, pp. 93, 95, and 99.
14. See Cliff Letheridge, "History of the Space Shuttle Program," Spaceline, Inc., available at www.spaceline.org/rocketsum/shuttle-program.html.
15. See Congressional Budget Office, *Budget Options* (March 2003), option 270-03, p. 62.