Center for American Progress

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A Thousand Cuts

What Reducing the Federal Budget Deficit Through Large Spending Cuts Could Really Look Like

Michael Ettlinger and Michael Linden September 2010

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Introduction and summary

There are hard budget decisions coming for our country and we need to get serious about them. Whether you agree with us that any deficit reduction should take place only after the economic recovery is firmly in place, or agree with those who believe deficits should be reduced immediately—halting projects and jobs mid-stream—there is little argument that the budget deficits projected for the years ahead are unsustainable. Everyone knows that tax increases, spending cuts, or both, are in our future. What few have been willing to do, however, is say what those tax increases and spending cuts might look like.

That failure has rendered the debate on this subject close to worthless—people talking past each other saying either "no" to meaningful tax increases or "no" to meaningful spending cuts, offering as evidence of their fiscal virtue only trivial or vague measures that serve primarily to mislead their audiences about the true scope of the problem. They scrupulously avoid detailing what meaningful action might look like. This does the country a grave disservice.

Hiding how difficult grappling with federal budget deficits is going to be, leading the public to believe that there are relatively easy ways out, raises the political liability of taking action and postpones the day when we step up to the challenge. That isn't to say that no one has acknowledged how difficult this really is or offered specific ideas and gotten attention for their work—but they have been largely drowned out by the disingenuous cacophony.

The purpose of this report is to examine what spending cuts could look like under several scenarios for hitting a deficit target of primary balance in 2015: either all through spending cuts, two-thirds through spending cuts, half through spending cuts, or one-third through spending cuts. Tax increases would have to make up the difference for those plans that don't hit the target entirely through spending cuts—although we leave to another day detailing what such tax hikes might look like.

By showing sets of specific spending cuts we hope to deepen the discussion of where deficit reduction is going to come from. The challenge we issue is this: If you think all or most of the deficit problem should be dealt with on the spending side, are you then willing to own the cuts we outline? If not, then it's time to go public with what your cuts are, with at least the same level of precision we do—no gimmicks, "sunsets," or other games. No infomercial claims that you've got a magic elixir that gets the same results for half the money.

We have analyzed spending cuts in this report to promote serious discussion not because of a failure to recognize that most spending cuts are painful and, in some way, harmful. We recognize the value of public expenditures for the nation's present and future. We recognize that millions of people rely on Social Security, Medicare, Medicaid, Veterans benefits, and the rest. We know that the future of our economy rests in part on public investments. We see that our safety and security rely on government spending.

The cuts we identify are not chosen to scare, but represent a sincere effort to minimize the harm that would be done.

The cuts we identify are not chosen to scare, but represent a sincere effort to minimize the harm that would be done. Our goal is, to the extent possible, to preserve necessary spending that promotes economic growth, protects the most vulnerable, keeps the country safe, and fulfills our national obligations. But that isn't easy. The truth is that, contrary to popular wisdom, most federal government dollars go to good and popular things.

The value and popularity of most public programs does not, however, end the discussion. As we all know, not every federal dollar is spent well. And there is hardly a clamor for higher taxes to pay for all that is good and popular. It may be that the best way to preserve what is valuable for government to do is to cut what is less valuable. That is a proposition to be tested, not dismissed at the outset. This report tests that proposition by moving from the abstract to the specific—by looking at what cuts would have to be made to hit a deficit reduction target relying, to varying degrees, on the spending side of the ledger.

Our deficit reduction target is $255 billion in 2015. This is the amount by which the deficit would have to be reduced in 2015, relative to the president's current budget plan for that year, to bring the budget into "primary balance." Primary balance is when total government revenues are equal to total government spending, with the exception of interest on the debt. A budget in primary balance means that all government services, benefits, and programs are paid for and require no additional borrowing to support. Primary balance is the intermediate goal that we first suggested in our report “A Path to Balance.”[1] It is also the specific goal, with 2015 as the target the year, set by President Barack Obama for the National Commission on Fiscal Responsibility and Reform.

This report is the third in a series that we have produced in the last year on the nation’s budget deficits. We released “Deal With It” in September of 2009, which chronicled our national path from federal budget surpluses in the years 1998 through 2001 to a steady stream of deficits that, with the advent of the Great Recession, topped postwar records in 2009.[2] That report does not decry the deficits of 2009, 2010, or the years that will immediately follow as we dig ourselves out of our economic hole. Those deficits are largely inevitable and, in fact, necessary. Instead, that report laments the poor fiscal posture in which we entered the recession and looks ahead with alarm at the longer-term deficit projections. It is those deficits of the future that are unsustainable and pose substantial risks. “Deal With It” went through the arithmetic of deficit reduction—demonstrating the implausibility of balancing the budget solely through either spending cuts or tax increases on the wealthy and corporations.

We followed that report with “A Path to Balance” in December of 2009, which outlines a set of deficit targets including a long-term goal of a balanced budget and the interim goal of primary balance. It emphasizes the need to run deficits in the immediate future to jumpstart the economy because a growing economy makes deficit reduction much easier and much more likely. But recognizing the need for deficits now does not mean that we should not take action now on the deficits projected for the future. The report calls for such action—for making a plan *now* to deal with the deficits *later*. That is to say: a path to balance.

We have always been clear in this work that deficit reduction should not come at all costs. We could successfully address the nation’s fiscal challenges but end up doing net harm to our country. Cutting investments that are important for future economic growth, for example, would leave us a poorer nation overall, even if we did have a balanced budget. Reducing our national defense, regulatory infrastructure, or social safety net to the point of inadequacy might be worse than deficits. We could also raise taxes beyond the boundaries of good sense. A more balanced budget requires a balanced approach. The nation needs a serious discussion of what that balance should be.

By offering a set of plans that demonstrate what spending cuts might look like in order to achieve significant deficit reduction, we aim to embolden that discussion. Our plans are almost certainly not perfect. And, to be clear, we do not ourselves support all the cuts listed. In fact, we offer cuts where, in other contexts, the Center for American Progress has urged expansions. But our choices have been made with a sincere eye toward what would work best for our country given the deficit-reduction parameters we have set out for ourselves. To some extent, the purpose of this exercise is to test those parameters. Is cutting the budget by $255 billion too much? Is $170 billion, $130 billion, or $85 billion?

If your answer is that every one of these options is too much, that they short-change public needs, that perhaps we need to be making greater investments and provide expanded public services not less, that's a fair position. It means you either believe that we can afford very large deficits or that we should solve the deficit problem completely, or almost completely, through taxes.

The other ground for disagreement is with our specific choices regarding what to cut. That's fair as well. But what we ask for is this: We have shown a way to do this within *your* broad parameters for spending cuts, whoever you are. If you don't like the way we did it, offer an alternative at least as detailed as we have. Replace everything you take out from our plan with something just as big. Let's put serious ideas on the table and discuss them.

But there is one position that isn't fair. That is the all-too-common posture that this can all be done with just a little belt-tightening and reductions in wasteful government spending—with no need to get into spending cuts that hurt and unwanted tax increases. That sort of nonsense does a great disservice to our country.

Nothing does more to postpone the day when we seriously address budget deficits than pretending that it is easy

The deficits our nation will run for the next few years are important for getting the country back on a solid economic foundation. But we need to be planning for the day when we deal with our longer-term deficits. That fiscal challenge is one where discussion that isn't serious doesn't just get us nowhere—it brings us backward. Nothing does more to postpone the day when we seriously address budget deficits than pretending that it is easy, offering only showy spending cuts that don't amount to much or orchestrating budget gimmicks that obscure the true cost of tax cuts. The deficit peacocks who play this game are all show and no substance.[3] But they're worse than that—by offering these palliatives they're making it politically harder to get to the real business of addressing our deficit challenge. And that's a challenge we need to address.

The risks of persistent, large deficits

Our earlier reports outline the unprecedented nature of our projected deficits and the risks they pose. The projections for the next 10 years have not appreciably improved since those reports were written. In its analysis of the president's most recent budget submission, the Congressional Budget Office projects that we face sustained long-term deficits at historic levels even after we get past the alarmingly high deficits brought on by the recession. Every year between now and 2020 is projected to show a deficit in excess of 4 percent of GDP. This would be the longest stretch of deficits exceeding 4 percent since World War II. The projected deficit for 2020 is 5.6 percent of GDP. Deficits, of course, lead to higher debt. CBO projects that publicly held debt will climb from 63 percent this year to 90 percent by 2020. If that happens, we will be spending more than 15 percent of the federal budget just on interest payments on the accumulated debt.

And remember that these figures are projections based on President Obama's budget plan, which already contains a number of deficit reduction measures.

This is not a pretty picture, nor is it a safe one. Budget experts from across the political spectrum are in general agreement that the current fiscal path is unsustainable. Large deficits and spiraling debt can lead to reduced national savings, higher interest rates, and inflation. They also definitively mean that a larger and larger share of our national income in the future will have to be dedicated toward paying back our lenders, many of whom are foreign. As that happens, fewer and fewer resources will be available for much needed investments here at home.

There is also the risk that the mere perception of an out-of-control budget will lead to a crisis. If investors begin to believe that Congress is unable to solve the fiscal dilemma they may grow leery of buying government debt, thus driving up public borrowing costs and creating problems that could ripple across the economy. It is impossible to know whether this would happen, or when. Many investors are currently buying our government bonds, keeping interest rates low, but some within the investor community who study these markets are deeply concerned.

These are clearly consequences that we should seek to avoid. And doing so means taking concrete steps toward a more sustainable budget. This does not, however, mean immediate fiscal retrenchment. In fact, such actions would likely be counterproductive. The projections of future deficits and debt, depressing as they are, do assume that the economy will eventually get back on track over the next several years. But we will hamper our climb out of the recession if we reduce the deficits too quickly, and then the fiscal picture will actually be even worse. Policies enacted to boost the economy today may cost the budget in the short term, but will pay dividends over the long run.

Fortunately, avoiding the most serious of the deficit-related risks does not require instituting massive, recession-inducing austerity measures. It does require setting out a plan to achieve sustainability within a reasonable time frame. Laying out such a plan would increase confidence, ease investor fears, and offer some certainty that our budget woes are only temporary.

The goal of primary balance

In the long run deficits need to be brought down and sustained at much lower levels than are currently projected. The primary balance goal described above is a good intermediate objective given the state of the economy and the great difficulty in achieving our ultimate goal. Primary balance in 2015 is projected to equate to a deficit in the range of 3 percent of GDP. That is a level much closer to historic norms. It is also a level where the debt-to-GDP ratio is likely to be stable—a substantial improvement from the continuous growth currently projected.

The first step in designing a plan for bringing primary expenditures and revenues in line in 2015 is to figure out how big the gap will be in that year. A variety of projections are put out for future year budgets. There are "current law" projections that assume nothing changes in the law going forward. And there are "current policy" projections that assume that the law changes to keep the current policies in effect.

Consider, for example, the tax cuts passed under President George W. Bush, which are scheduled to expire at the end of 2010. A "current law" projection assumes those tax cuts go away at the end of 2010 as currently written into the law. A "current policy" projection assumes that the law changes to make those tax cuts continue in perpetuity. The current law projection therefore shows much smaller deficits than the current policy projection.

The Bush tax cuts are actually a good example of why both those approaches are flawed since the most likely outcome is that Congress will extend some, but not all, of the Bush tax cuts—splitting the difference between the two projection methods. This is why we choose a third set of projections in setting our target for budget reductions: the president's budget plan.

The president's budget plan isn't a perfect predictor either, of course. Any observer of Congress will tell you that the president's plan is not likely to pass exactly as proposed. Yet it represents a far more realistic assessment of where the overall budget levels are likely to end up than either a "current law" or "current policy" approach—even if the details end up being somewhat different. To give a sense of where it fits in with these other two alternatives, the Congressional Budget Office *current law* projection for the primary deficit in 2015 is $10 billion, while the Office of Management and Budget *current policy* projection for the primary deficit in 2015 is $400 billion. Under the president's budget, CBO projections indicate that the 2015 primary deficit will be $255 billion.[4]

Based on the president's budget plan, therefore, achieving primary balance in 2015 means that we must find $255 billion in deficit reductions that year, which amounts to about 1.4 percent of GDP. That means that Congress and the president must find $255 billion in deficit reductions in the year 2015 specifically—not over five or 10 years. To give some perspective to this number, consider the Deficit Reduction Act of 2005, the last package of legislation passed specifically with the intent of reducing the deficit. That bill included a grand total of about $100 billion in lower deficits over the subsequent *10 years*—or a lower deficit of only $10 billion in any specific year, on average. Achieving primary balance means we will need to find 2.5 times the amount of savings in just one year that the Deficit Reduction Act of 2005 found over the course of 10 years. That is no small task.

It is worth acknowledging up front that not everyone will agree that primary balance by 2015 is a good goal. Those who predict that the economy will still be in tough straights then are likely to believe that deficits should be allowed to stay a bit higher for a bit longer. Our answer to them is this: Don't get hung up on that. We completely agree that we will have to be careful if the economy is in rough shape in 2015. But close your eyes and pretend we're talking about 2016, 2017, or whenever you think the time will be ripe. Whatever year that is, the challenge will still be there. So play along and help us look for serious answers to a problem that we are going to have to face sooner or later.

The tools of deficit reduction

Deficits are the product of a mismatch between revenues and spending. This year, for example, the federal government is collecting only 60 cents in revenue for every one dollar it spends. This being the case, there are two fundamental ways to shrink deficits. We can reduce spending and we can increase revenues.

Spending reductions can take four basic forms. The first, and simplest, is a cut to a direct spending program. Each dollar that the federal government accounts for as a "direct outlay" is budgeted as part of some program, service, or benefit. We can therefore reduce spending by cutting these programs' budgets. A budget cut like this would usually have the effect of reducing the service or benefit provided by that program.

The second way to reduce government spending is to cut tax expenditures.[5] There are dozens and dozens of subsidies and benefits that operate through the U.S. tax code, but are economically and substantively equivalent to direct spending programs. There is functionally no difference between giving a corporation a tax break worth a million dollars and writing it a check for the same amount. Cutting tax expenditures will be scored by the CBO as increasing revenue rather than decreasing outlays, but economists and policy experts have been arguing for decades that tax expenditures should be properly thought of as spending programs. The simple fact is that reducing tax expenditures has the effect of reducing a government obligation, just as reducing a direct spending program would.

A third and most desirable way to reduce government spending is to improve efficiency so that the government can provide the same level of service at a lower cost. This can apply to either direct spending or tax expenditures. Improving efficiency can happen at the program level—a specific way to deliver a service more efficiently—or through government or agencywide reforms. The government can maintain or improve services even as dollars are saved to the extent that it can reduce overhead costs, streamline operations, or otherwise improve the way it does business.

[The] most desirable way to reduce government spending is to improve efficiency so that the government can provide the same level of service at a lower cost.

The fourth way to reduce government spending is to impose widespread constraints on spending across multiple programs. Wage and hiring freezes, closing government facilities on particular days, pangovernment moratoria on certain kinds of contracts or purchases can all provide savings—although they can be as harmful to the quality of service provided as program-by-program spending choices and are less well targeted.

The other major tool for deficit reduction is revenue increases. The government could implement any number of policies to generate more revenue, ranging from the simple to the complex. This report, however, is focused on the spending side of the equation. But bear in mind that any plan that includes less than $255 billion in spending reductions will necessarily require some revenue increases to meet the overall goal.

The budget picture will be better to the extent that lawmakers can pursue policies that encourage faster and broader growth.

Reducing spending and increasing revenue are the two fundamental levers that policymakers can pull in order to reduce the deficit, but there is a third factor that drives the size of deficits: the state of the economy. Tax receipts are highly dependent on the state of the economy, but safety net programs are also affected. This is not to say that economic growth alone can balance the budget, but it is a necessary condition to achieving that goal. The budget picture will be better to the extent that lawmakers can pursue policies that encourage faster and broader growth.

Any plan to achieve $255 billion of deficit reduction in 2015 will include some mix of the two major tools available to policymakers: spending cuts and tax increases. The ratio of spending cuts to tax increases can, of course, vary from plan to plan. On one end of the spectrum would be plans that find $255 billion of spending cuts alone. These plans need no tax increases. On the other end, there are ways to raise $255 billion in new revenue without necessitating spending cuts. Every potential set of policies that would get the budget into primary balance must necessarily lie somewhere on this line between an all-spending plan and an all-revenue plan.

Without dismissing the idea of a no-spending-reduction plan, this report presents spending plans along four distinct points on this line:

- 33 percent spending cuts - $85 billion in spending reductions
- 50 percent spending cuts - $130 billion in spending reductions
- 66 percent spending cuts - $170 billion in spending reductions
- 100 percent spending cuts - $255 billion in spending reductions

We will describe the cuts for each plan in four major categories: mandatory spending, defense spending, nondefense discretionary spending, and tax expenditures. We also present an "alternate all-spending plan" in which we cut $255 billion from the budget without touching tax expenditures for the purposes of illustration, even though we firmly believe that tax expenditures should be treated as equivalent to traditional, direct spending.

Let the cutting begin

It is time to turn to specifics. It is easy to say, "we need to cut spending," but it is much harder to actually identify the cuts.

Take, for example, those who might argue that it would take a spending cut of "only" 7 percent across the board to achieve primary balance in 2015. That certainly sounds tough, but maybe we need to be tough in these difficult times. But how realistic is this? Not very, once we start looking at what it means. An across-the-board cut of 7 percent would apply to things like Social Security payments, veterans benefits, food safety inspection, air traffic control, defense spending, unemployment insurance payments, homeland security, Medicare, education funding for local school districts, and many other government services that are popular, necessary, or both. A 7 percent cut in those programs would have a very big impact on our safety and quality of life, and require an abrogation of some of our society's basic obligations.

The reality is, once the consequences are examined, some spending is going to come off the "across the board" list. But taking large amounts of spending off the list means the cuts in other areas have to be much more than 7 percent.[6] And once the cuts become large, it becomes even more evident that the areas subject to those cuts are not, of course, all of equal importance. So some will be cut more and some less. Which means that we are no longer in the realm of an "across the board" cut, and that is exactly as it should be.

The simplicity and generality of an across the board cut sounds good, but it is both politically impossible to implement and would be bad policy. Surely even those who would like to substantially shrink government spending believe some forms of government spending are more important than others. Generic calls to "cut government" do not address the fact that the vast majority of what the government does is popular with the public and is trying to address a legitimate public need—that there are choices to be made and they are difficult.

The spending plans described below represent our best effort to come up with the specific cuts needed to reach the selected budget targets (see Appendix 1 for a comparison of all five spending cut plans). We do not claim that these are the only or necessarily the very best ways to achieve each level of savings. We do not endorse these cuts as desirable. They should be thought of as a good faith effort on our part to find the billions in reductions needed to hit the targets without the use of budget gimmicks, one-time gains (such as selling Yosemite National Park), or succumbing to the "Washington Monument" strategy (whereby one claims that the only way to save money is to close the Washington Monument, provoking such outrage among those who have visited our nation's capital that the whole notion of budget cutting becomes anathema).

We did not begin with any *a priori* targets within broad budget categories and work down from there to arrive at the spending cuts in each plan. We began by looking at specific lines in the budget separately and attempted to build the savings up to the selected target. Our goal in each plan was to find cuts that would, to the extent possible, minimize harm to the broader economy, protect the most vulnerable, leave the country safe, and maximize efficiency. Yet if one ignores the offsetting benefits of deficit reduction itself, it's clear that we do, indeed, do harm. Government programs serve purposes—and they usually can't be cut without negative consequences. The question is whether the higher purpose of deficit reduction is worth it.

The "one-third spending plan"—$85 billion in spending cuts

Even finding $85 billion in spending reductions is no simple or easy task. There is very little "low-hanging fruit" still left on the budget tree—programs that are demonstrable failures, clear wastes of money, and hugely unpopular. Yet the spending reductions in the "one-third spending plan" are the least widespread compared to subsequent plans.

Reductions to certain tax expenditures and defense spending supply the bulk of the savings in this plan. It eliminates the deduction for business meals and entertainment, reduces a subsidy for life insurance companies, and abolishes another half dozen or so smaller subsidies to various industries. These cuts together contribute about 20 percent of the total savings in the plan.

One-third spending plan

Total cuts: $85 billion

	Cuts in billions	Percentage cut
Mandatory	**11.0**	
Federal subsidies and other mandatory support for agriculture	7.5	50.0%
Federal employees and military pensions program	3.5	3.4%
Tax expenditures	**18.5**	
Deduction for business meals and entertainment	10.0	100.0%
Exclusion of interest on life insurance savings	5.0	16.7%
Exemption of credit union income	1.0	100.0%
Capital gains treatment of certain income from sales of agricultural items	1.0	100.0%
Special Blue Cross/Blue Shield deduction	0.7	100.0%
Expensing of multiperiod timber growing costs	0.3	100.0%
Tax exemption of certain insurance companies owned by tax-exempt organizations	0.2	100.0%
Expensing of certain multiperiod agricultural production costs	0.1	100.0%
Capital gains treatment of certain timber income	0.1	100.0%
Expensing of certain capital outlays including fertilizer and feed	0.1	100.0%
Defense	**50.6**	**5.7%**
Overhead	25.0	
Military personnel stationed in Europe and Asia	12.0	
U.S. deployed strategic nuclear arsenal	5.5	
V-22 Osprey	1.9	
DDG-51 Arleigh Burke class destroyers	1.9	
CVN-80 aircraft carrier	1.5	
Littoral combat ships	1.3	
Missile defense programs	1.3	
Marine Corps expeditionary fighting vehicle	0.6	
Nondefense discretionary	**4.9**	
Federal Highway Administration	2.1	5.0%
International security assistance	0.8	5.0%
Customs and Border Protection	0.5	5.0%
Energy supply programs	0.5	10.0%
Federal Aviation Administration	0.4	2.0%
Immigration and Customs Enforcement	0.3	5.0%
Federal correctional activities	0.2	2.0%

Note: Due to data limitations, tables do not reflect cuts to defense spending in percentage terms. Lines may not sum to totals due to rounding.

Cuts to the Pentagon's budget supply another 60 percent of the savings. These come primarily from using the general efficiency gains sought by Secretary Robert Gates for deficit reduction, reducing military personnel stationed in Europe and Asia, and making some cuts in weapons procurements.

The cuts in this plan only affect two mandatory programs, and it reduces fewer than a dozen nondefense discretionary programs. Of these, only one faces a reduction of more than 10 percent, and most the reductions are less than 5 percent.

The one program that is cut more substantially is federal direct subsidies for agriculture. This plan includes a 50 percent reduction to these direct subsidies. The other programs most affected are the Federal Highway Administration, international security assistance, support for fossil fuel and nuclear power research, and the immigration related agencies. Yet the reductions in all of these cases would leave the programs with larger budgets, in real terms, than they enjoyed in 2008. That, of course, does not imply that such levels are necessarily sufficient to meet program needs as, in the president's judgment, these are areas in need of increased funding.

The "half-spending plan"—$128 billion in spending cuts

Cuts begin to add up very quickly with the "half-spending plan." As with the previous plan, tax expenditures and defense spending contribute the most toward the overall target, but the contribution of nondefense discretionary programs triples, and the cuts to mandatory spending grow by half.

This plan also cuts all of the discretionary, nondefense programs cut in the one-third plan, and it cuts them all by a substantially larger amount. Federal highway funding, for example, goes from a 5 percent reduction relative to the president's budget blueprint in the first plan to a 10 percent reduction in this one. International security assistance goes from a 5 percent cut to a 25 percent cut. And several nondefense discretionary programs that escaped cuts in the previous plan are not so fortunate in this one. The National Institutes of Health, for example, contributes about $900 million in savings—a cut of 3 percent.

There are mandatory programs, too, which are newly cut in this plan. The Universal Service Fund supplies more than $2 billion in savings, as do changes to veterans' disability compensation. Cuts to agriculture subsidies go up to 55 percent in the half spending plan.

Defense spending cuts in this plan are broadly similar to the one-third plan. It makes all of the same cuts; the only addition is changes to the military's health program and compensation regime that would save an additional $8.5 billion.

All of the cuts to tax expenditures from the first plan are also present in this one. The main difference is that this plan includes the elimination of a subsidy for rental property owners, and reduces federal support for certain private activity bonds.

Half spending plan

Total spending cuts: $128 billion

	Cuts in billions	Percentage cut
Mandatory	**16.8**	
Federal subsidies and other mandatory support for agriculture	8.3	55.0%
Federal employees and military pensions program	3.5	3.4%
Universal Service Fund	2.8	30.0%
Veterans' disability compensation	2.2	3.1%
Tax expenditures	**35.1**	
Deduction for business meals and entertainment	10.0	100.0%
Exclusion of interest on life insurance savings	5.0	16.7%
Exemption of credit union income	1.0	100.0%
Capital gains treatment of certain income from sales of agricultural items	1.0	100.0%
Special Blue Cross/Blue Shield deduction	0.7	100.0%
Expensing of multiperiod timber growing costs	0.3	100.0%
Tax exemption of certain insurance companies owned by tax-exempt organizations	0.2	100.0%
Expensing of certain multiperiod agricultural production costs	0.1	100.0%
Capital gains treatment of certain timber income	0.1	100.0%
Expensing of certain capital outlays including fertilizer and feed	0.1	100.0%
Exception from passive loss rules for $25,000 of rental loss	13.0	100.0%
Exclusion of interest on private purpose bonds	3.6	25.0%
Defense	**59.1**	**7.0%**
Overhead	25.0	
Military personnel stationed in Europe and Asia	12.0	
U.S. deployed strategic nuclear arsenal	5.5	
V-22 Osprey	1.9	
DDG-51 Arleigh Burke class destroyers	1.9	
CVN-80 aircraft carrier	1.5	
Littoral combat ships	1.3	
Missile defense programs	1.3	
Marine Corps expeditionary fighting vehicle	0.6	
Military compensation	5.5	
Defense health program	3.0	
Nondefense discretionary	**16.7**	
Federal Highway Administration	4.2	10.0%
International security assistance	4.1	25.0%
Customs and Border Protection	0.8	7.0%
Energy supply programs	1.1	20.0%
Federal Aviation Administration	1.4	8.0%
Immigration and Customs Enforcement	1.2	19.0%
Federal correctional activities	0.3	4.0%
International development and humanitarian assistance	1.3	3.6%
National Institutes of Health	0.9	3.0%
National Aeronautics and Space Administration	0.6	3.0%
Bureau of Land Management	0.4	33.0%
Federal legislative activities	0.2	5.0%
Courts of Appeals, District Courts, and other judicial services	0.1	2.0%
Legal activities and U.S. Marshals	0.1	2.0%

Note: Due to data limitations, tables do not reflect cuts to defense spending in percentage terms.
Lines may not sum to totals due to rounding.

Two-thirds spending plan

Total cuts: $170 billion

	Cuts in billions	Percentage cut
Mandatory	**21.1**	
Federal subsidies and other mandatory support for agriculture	9.8	65.0%
Federal employees and military pensions program	3.5	3.4%
Universal Service Fund	4.6	50.0%
Veterans' disability compensation	2.2	3.1%
Pell Grants	1.0	2.5%
Tax expenditures	**43.7**	
Deduction for business meals and entertainment	10.0	100.0%
Exclusion of interest on life insurance savings	5.0	16.7%
Exemption of credit union income	1.0	100.0%
Capital gains treatment of certain income from sales of agricultural items	1.0	100.0%
Special Blue Cross/Blue Shield deduction	0.7	100.0%
Expensing of multiperiod timber growing costs	0.3	100.0%
Tax exemption of certain insurance companies owned by tax-exempt organizations	0.2	100.0%
Expensing of certain multiperiod agricultural production costs	0.1	100.0%
Capital gains treatment of certain timber income	0.1	100.0%
Expensing of certain capital outlays including fertilizer and feed	0.1	100.0%
Exception from passive loss rules for $25,000 of rental loss	13.0	100.0%
Exclusion of interest on private purpose bonds	12.2	85.0%
Defense	**70.6**	**8.7%**
Overhead	25.0	
Military personnel stationed in Europe and Asia	12.0	
U.S. deployed strategic nuclear arsenal	5.5	
V-22 Osprey	1.9	
DDG-51 Arleigh Burke class destroyers	1.9	
CVN-80 aircraft carrier	1.5	
Littoral combat ships	1.3	
Missile defense programs	1.3	
Marine Corps expeditionary fighting vehicle	0.6	

The cuts in the "half spending" plan all together begin to reach a broader group of programs and begin to reach deeper into programs. Agricultural subsidies were the only direct spending program to be cut by more than 10 percent in the one-third plan, but several direct spending programs are cut by at least that much in the half plan. These are trends that will accelerate in subsequent spending plans.

The "two-thirds spending plan"—$170 billion in spending cuts

Every program that was cut in the previous plan is also cut in this one, but the "two-thirds plan" includes targeted reductions to nearly two dozen additional programs. Most of the newly cut programs can be found in the nondefense discretionary category, including reductions to several environmental and conservation-related agencies, the National Park Service, some Department of Education offices, the Federal Emergency Management Agency, and agricultural research and services.

There are also some new cuts in the other spending categories. Pell Grants, for example, are reduced by 2.5 percent from the levels currently proposed by the president. This plan also includes a partial rollback in the size of U.S. ground forces from their Iraq and Afghanistan peaks.

Many of the programs cut in the half plan are cut even deeper in the two-thirds plan. The Federal Highway Administration goes from a 10 percent cut to a 25 percent cut. What was a 3 percent cut to the National Institutes of Health in the previous plan is now a 5 percent cut. Federal direct agriculture subsidies go from a 55 percent reduction to a 65 percent reduction. And this plan further cuts federal support for state and local private activity bonds.

There is one other major difference between the half plan and the two-thirds plan. The two-thirds plan includes, for the first time, a general reduction to all nondefense discretionary spending not otherwise specifically cut. It is a 1 percent general reduction in this plan, producing about $4.5 billion in savings. We are hopeful that the government could achieve this 1 percent cut through increased efficiency and that it would not necessarily result in reduced services (see sidebar). In fact, it is our hope that efficiency gains can mitigate the harm of the cuts even for the programs where the cuts are more aggressive.

A note on efficiency savings

Not all budget cuts have to be all pain and no gain. The negative impact of each of the plans outlined here can be mitigated to the extent that instead of reducing the quantity and quality of the service that programs provide, those services are provided more efficiently. The two-thirds and all-spending plans explicitly count on efficiency savings in some programs by calling for small cuts (1 to 2.5 percent) in all nondefense discretionary programs not otherwise cut in the plan. The hope is that these cuts could be absorbed through improved efficiency without injury to program effectiveness.

There are myriad opportunities for the federal government to improve the way it does business. Managers in government agencies can be given the authority and incentives to make their programs operate more efficiently. These public servants are on the front lines, and they are the ones who are most likely to identify ways to find real savings without sacrificing service or performance. Other areas ripe for efficiency gains and budget savings include the federal government's procurement practices, its contracting procedures, and its information technology systems. Recent estimates suggest that moving to a more modern and efficient IT system alone could save the government up to $16 billion a year.[7] The Center for American Progress's Doing What Works Project is working to develop and promote these kinds of efficiencies, identify programs that should be eliminated or redesigned, and improve government decisionmaking by enhancing transparency and performance measurement and evaluation.

(continued on page 18)

(Two-thirds spending plan continued)	Cuts in billions	Percentage cut
Military compensation	5.5	
Defense health program	3.0	
U.S. ground forces	6.0	
Civilian personnel	5.5	
Nondefense discretionary	**34.4**	
Federal Highway Administration	10.6	25.0%
International security assistance	4.9	30.0%
Customs and Border Protection	1.3	12.0%
Energy supply programs	1.1	20.0%
Federal Aviation Administration	1.8	10.0%
Immigration and Customs Enforcement	1.2	20.0%
Federal correctional activities	0.3	4.0%
International development and humanitarian assistance	2.0	5.5%
National Institutes of Health	1.5	5.0%
National Aeronautics and Space Administration	0.9	5.0%
Bureau of Land Management	0.6	50.0%
Federal legislative activities	0.4	10.0%
Courts of Appeals, District Courts, and other judicial services	0.1	2.0%
Legal activities and U.S. Marshals	0.1	2.0%
Forest Service	0.5	10.0%
Corps of Engineers-Civil Works	0.5	10.0%
Conduct of foreign affairs	0.4	2.5%
Office of Safe and Drug-Free Schools	0.4	20.0%
Office of Vocational and Adult Education	0.4	20.0%
National Park Service	0.3	10.0%
Federal Emergency Management Agency	0.3	3.5%
National Infrastructure Innovation and Finance Fund	0.2	5.0%
Agricultural Research and Services	0.2	4.0%
United States Fish and Wildlife Service	0.2	10.0%
Wildland Fire Management and other Department of the Interior programs	0.1	10.0%
Natural Resources Conservation Service	0.1	10.0%
Foreign Information and Exchange Activities	0.1	5.0%
Minerals Management Service (equivalent)	0.0	10.0%
General reduction on all other nondefense discretionary spending	4.2	1.0%

Note: Due to data limitations, tables do not reflect cuts to defense spending in percentage terms. Lines may not sum to totals due to rounding.

(A note on efficiency savings, continued)

There are certainly a great deal of savings to be had, but budgeting such savings is difficult. First, improvement in an agency's efficiency doesn't necessarily translate in to budget savings. It will still require Congress to appropriate a lower amount to turn those efficiency gains into lower spending in most cases. Second, the Congressional Budget Office would not necessarily count proposals to improve efficiency as deficit reducers. The deficits might go down in the end, but provisions that don't "score" face special challenges in the legislative process. Third, the level of savings that can be achieved from efficiency will vary by program—one program may save 0.2 percent while another may save 5 percent. Fourth, there is simply the risk that changing long-standing practices in an institution as large as the federal government will be harder and slower than expected.

In light of these challenges, we don't count on such efficiencies in two of the plans. For those plans we don't risk the harm that would be done to programs if the efficiencies don't materialize by 2015. Yet if there are sufficient gains in efficiency across the government, then the cuts in those two plans could be appreciably smaller. We do explicitly include benefits of greater efficiency to different degrees in the two-thirds and all-spending plans. We assume these savings by including a general reduction in nondefense discretionary spending not otherwise specifically reduced of 1 percent in the two-thirds plan and 2.5 percent in the all-spending plans.

The two-thirds plan reaches into nearly every part of the federal budget with its broad reduction in nondefense discretionary spending and the dozens of new programs specifically cut, but certainly some parts bear a larger burden than others. Yet these cuts pale in comparison to those required to meet the goal of the next two spending plans.

The "all-spending plan"—$255 billion in spending cuts

The cuts involved in this plan are extraordinarily deep. The plan cuts direct subsidies to agriculture by 75 percent. It includes cuts of 40 percent to the Federal Highway Administration, 30 percent to a variety of conservation-related agencies such as the Forest Service and the U.S. Fish and Wildlife Service, 40 percent cuts to the Office of Safe and Drug Free Schools, and a 50 percent reduction to federal aid to the District of Columbia. It also includes a full rollback of the size of U.S. ground forces from its Iraq and Afghanistan peaks, as well as a substantial reduction in the number of deployed strategic nuclear weapons.

The cuts involved in this plan are also wide. The plan includes specific reductions to more than half a dozen mandatory programs, more than 15 separate tax expenditures, and more than 45 different nondefense discretionary agencies, bureaus, and programs. It also includes about $96 billion in cuts to the Pentagon's budget, and a general 2.5 percent reduction to all nondefense discretionary spending not otherwise specifically cut.

There are many newly cut programs in this plan. Social Security, for example, makes its first appearance, contributing $12 billion by indexing the cost of living adjustments to a different measure of inflation—a cut of 1.4 percent from currently projected levels. The Environmental Protection Agency, the Corporation for National and Community Service, the Federal Bureau of Investigation, and the U.S. Geological Survey all face reductions of at least 5 percent from currently projected levels. It reduces procurement of two more defense weapons systems—the F-35 Joint Strike Fighter and Virginia Class Submarines.

Almost nothing escapes entirely intact. The major exception to this "rule" is health care entitlement programs. The recently enacted Patient Protection and Affordable Care Act already made use of substantial reductions to Medicare spending. The Affordable Care Act also included myriad other cost saving measures, most of which are due to be phased in over the next several years. It is true that rising health care costs are the largest driver of our long-term deficit, and that bringing those costs down will be absolutely crucial for fiscal sustainability in the long run. That's why aggressive implementation of the Affordable Care Act is so important for the fiscal future of the country. Yet there appears to be little more that the federal government can do by 2015 beyond what it has already accomplished to hold down health care spending in the federal budget without significantly compromising the quality of care.

All-spending plan

Total spending cuts: $255 billion

	Cuts in billions	Percentage cut
Mandatory	**35.7**	
Federal subsidies and other mandatory support for agriculture	11.3	75.0%
Federal employees and military pensions program	3.5	3.4%
Universal Service Fund	4.6	50.0%
Veterans' disability compensation	2.2	3.1%
Pell Grants	2.1	5.0%
Social Security	12.0	1.4%
Tax expenditures	**52.6**	
Deduction for business meals and entertainment	10.0	100.0%
Exclusion of interest on life insurance savings	5.0	16.7%
Exemption of credit union income	1.0	100.0%
Capital gains treatment of certain income from sales of agricultural items	1.0	100.0%
Special Blue Cross/Blue Shield deduction	0.7	100.0%
Expensing of multiperiod timber growing costs	0.3	100.0%
Tax exemption of certain insurance companies owned by tax-exempt organizations	0.2	100.0%
Expensing of certain multiperiod agricultural production costs	0.1	100.0%
Capital gains treatment of certain timber income	0.1	100.0%
Expensing of certain capital outlays including fertilizer and feed	0.1	100.0%
Exception from passive loss rules for $25,000 of rental loss	13.0	100.0%
Exclusion of interest on private purpose bonds	14.3	100.0%
Exclusion of interest on public purpose state and local bonds	6.0	14.7%
Empowerment zones and renewal communities	0.7	100.0%
Defense	**95.7**	**12.5%**
Overhead	25.0	
Military personnel stationed in Europe and Asia	12.0	
U.S. deployed strategic nuclear arsenal	11.4	
V-22 Osprey	1.9	
DDG-51 Arleigh Burke class destroyers	1.9	
CVN-80 aircraft carrier	1.5	
Littoral combat ships	1.3	
Missile defense programs	1.3	
Marine Corps expeditionary fighting vehicle	0.6	
Military compensation	5.5	
Defense health program	6.0	
U.S. ground forces	12.1	
Civilian personnel	8.0	
F-35 Joint Strike Fighter	4.8	
Virginia class submarines	2.8	
Nondefense discretionary	**70.7**	
Federal Highway Administration	16.9	40.0%
International security assistance	8.2	50.0%

(All-spending plan, continued)	Cuts in billions	Percentage cut
Customs and Border Protection	2.2	20.0%
Energy supply programs	2.7	50.0%
Federal Aviation Administration	2.7	15.0%
Immigration and Customs Enforcement	1.2	20.0%
Federal correctional activities	0.6	8.0%
International development and humanitarian assistance	5.7	15.6%
National Institutes of Health	2.4	8.0%
National Aeronautics and Space Administration	1.9	10.0%
Bureau of Land Management	1.1	100.0%
Federal legislative activities	0.5	11.6%
Courts of Appeals, District Courts, and other Judicial Services	0.3	5.0%
Legal Activities and U.S. Marshals	0.2	5.0%
Forest Service	1.5	30.0%
Corps of Engineers-Civil Works	0.7	15.0%
Conduct of foreign affairs	2.6	15.5%
Office of Safe and Drug-Free Schools	0.8	40.0%
Office of Vocational and Adult Education	0.7	40.0%
National Park Service	0.5	15.0%
Federal Emergency Management Agency	0.6	7.0%
National Infrastructure Innovation and Finance Fund	1.4	30.0%
Agricultural Research and Services	0.4	8.0%
United States Fish and Wildlife Service	0.5	30.0%
Wildland Fire Management and other Department of the Interior programs	0.3	30.0%
Natural Resources Conservation Service	0.3	30.0%
Foreign Information and Exchange Activities	0.2	15.0%
Minerals Management Service (equivalent)	0.1	30.0%
Research and general education aids	1.6	41.4%
Office of Innovation and Improvement	0.7	10.0%
Environmental Protection Agency	0.5	5.0%
Federal aid to the District of Columbia	0.4	50.0%
Office of Federal Student Aid	0.3	10.0%
Office of Postsecondary Education	0.2	10.0%
Corporation for National and Community Service	0.2	10.0%
Rural Utilities Service and Rural Development	0.2	20.0%
Federal Bureau of Investigation	0.2	5.0%
Economic Development Administration	0.1	50.0%
Rural Business Cooperative Service and other small agencies	0.1	50.0%
Drug Enforcement Administration	0.1	5.0%
Department of Justice Management and Operations	0.1	5.0%
United States Secret Service	0.1	5.0%
United States Geological Survey	0.1	5.0%
Bureau of Alcohol, Tobacco, Firearms, and Explosives	0.1	5.0%
General reduction on all other nondefense discretionary spending	8.7	2.5%

Note: Due to data limitations, tables do not reflect cuts to defense spending in percentage terms. Lines may not sum to totals due to rounding.

Mandatory programs contribute about $36 billion all together, cuts to tax expenditures result in about $53 billion in savings, the Pentagon's budget is cut by $96 billion, and nondefense discretionary spending would decline by $71 billion. Total spending reductions are at just about $255 billion.

The "alternative all-spending plan"—$255 billion in spending cuts, tax expenditures excluded

This plan entails getting all $255 billion in deficit reduction exclusively from direct spending reductions. This plan does not treat tax expenditures as spending and derives no deficit reduction from eliminating them, though we strongly believe tax expenditures should be treated as spending. The previous all-spending plan derived just over $50 billion in savings from cutting various tax expenditures. Without that $50 billion, the alternative all-spending plan must cut even deeper and find a few new programs to cut.

In the category of mandatory spending, two new programs face the knife: Build America Bonds, and state grants for disability research and rehabilitative services. The alternative all-spending plan eliminates both of these programs entirely. It cuts the Pentagon's budget by another $13.5 billion that comes mainly from a 15 percent reduction to funding for research, development, testing, and evaluation. And there are two new cuts on the nondefense discretionary side of the budget—a 5 percent reduction to housing assistance programs, and a 5 percent cut to Children and Families Services.

All-spending plan, tax expenditures excluded

	100 percent spending cuts (no TE)	100 percent spending cuts (no TE)
Mandatory	**56.7**	
Federal subsidies and other mandatory support for agriculture	11.3	75.0%
Federal employees and military pensions program	3.5	3.4%
Universal Service Fund	9.2	100.0%
Veterans' disability compensation	2.2	3.1%
Pell Grants	3.7	9.0%
Social Security	12.0	1.4%
Build America Bonds	11.5	100.0%
State grants for rehabilitative services and disability research	3.3	100.0%
Defense	**108.7**	**14.5%**
Overhead	25.0	
Military personnel stationed in Europe and Asia	12.0	
U.S. deployed strategic nuclear arsenal	11.4	
V-22 Osprey	1.9	
DDG-51 Arleigh Burke class destroyers	1.9	
CVN-80 aircraft carrier	1.5	
Littoral combat ships	1.3	
Missile defense programs	1.3	
Marine Corps expeditionary fighting vehicle	0.6	
Military compensation	5.5	
Defense health program	6.0	
U.S. ground forces	12.1	
Civilian personnel	8.0	
F-35 Joint Strike Fighter	4.8	
Virginia class submarines	2.8	
Research, development, testing and evaluation	10.0	
Carrier battle groups	3.0	
Nondefense discretionary	**89.2**	
Federal Highway Administration	29.6	70.0%
International security assistance	8.2	50.0%
Customs and Border Protection	2.2	20.0%
Energy supply programs	2.7	50.0%
Federal Aviation Administration	3.6	20.0%
Immigration and Customs Enforcement	1.2	20.0%
Federal correctional activities	0.6	8.0%
International development and humanitarian assistance	5.7	15.6%
National Institutes of Health	2.4	8.0%
National Aeronautics and Space Administration	1.9	10.0%
Bureau of Land Management	1.1	100.0%
Federal legislative activities	0.5	11.6%

(All-spending plan, tax expenditures excluded, continued)	Cuts in billions	Percentage cut
Courts of Appeals, District Courts, and other judicial services	0.3	5.0%
Legal activities and U.S. Marshals	0.2	5.0%
Forest Service	2.3	45.0%
Corps of Engineers-Civil Works	0.7	15.0%
Conduct of foreign affairs	2.6	15.5%
Office of Safe and Drug-Free Schools	1.0	50.0%
Office of Vocational and Adult Education	0.9	50.0%
National Park Service	0.8	25.0%
Federal Emergency Management Agency	0.6	7.0%
National Infrastructure Innovation and Finance Fund	1.8	40.0%
Agricultural Research and Services	0.4	8.0%
United States Fish and Wildlife Service	0.7	45.0%
Wildland Fire Management and other Department of the Interior programs	0.4	45.0%
Natural Resources Conservation Service	0.4	45.0%
Foreign Information and Exchange Activities	0.2	15.0%
Minerals Management Service (equivalent)	0.1	45.0%
Research and general education aids	1.6	41.4%
Office of Innovation and Improvement	0.7	10.0%
Environmental Protection Agency	0.5	5.0%
Federal aid to the District of Columbia	0.7	100.0%
Office of Federal Student Aid	0.3	10.0%
Office of Postsecondary Education	0.2	10.0%
Corporation for National and Community Service	0.5	20.0%
Rural Utilities Service and Rural Development	0.2	20.0%
Federal Bureau of Investigation	0.2	5.0%
Economic Development Administration	0.1	50.0%
Rural Business Cooperative Service and other small agencies	0.1	50.0%
Drug Enforcement Administration	0.1	5.0%
Department of Justice Management and Operations	0.1	5.0%
United States Secret Service	0.1	5.0%
United States Geological Survey	0.1	5.0%
Bureau of Alcohol, Tobacco, Firearms, and Explosives	0.1	5.0%
Housing assistance	2.4	5.1%
Administration for Children and Families	0.6	5.0%
General reduction on all other nondefense discretionary spending	6.8	2.5%

Note: Due to data limitations, tables do not reflect cuts to defense spending in percentage terms. Lines may not sum to totals due to rounding.

The cuts to these newly reduced programs add about $30 billion toward the goal, which leaves about $20 billion to get from cutting deeper into programs that were already slated for reductions in the previous all-spending plan. The alternative all-spending plan entirely eliminates the operations of the Universal Service Fund, for example, instead of reducing it by just 50 percent. The Federal Aviation Administration faces a cut of 20 percent, instead of 15 percent. This plan cuts the National Park Service by a quarter, instead of 15 percent. And the biggest cut is to the Federal Highway Administration—it receives a massive 70 percent reduction, compared to a very substantial 40 percent cut in the previous all-spending plan.

Cutting $255 billion from the budget involves several dramatic reductions as well as dozens of smaller, but still significant cuts. The dramatic cuts come mainly from federal support for agriculture, transportation, and international affairs—including defense spending. The smaller cuts are spread across the full range of federal programs, benefits, and services. It seems hardly worth mentioning that cuts of this magnitude would involve some rather wrenching changes.

The specifics

What follows are brief descriptions of the individual spending cuts that make up the various plans described above. Each description is paired with a bar graph displaying, in percentage terms, the cut required for each of the five different plans. Note again that these are cuts from current projections under the president's most recent budget plan. The program cuts are divided into sections corresponding to the four categories of spending—mandatory, tax expenditures, defense, and nondefense discretionary. Each section begins with a short description of some important aspects of the president's budget that affect the category.

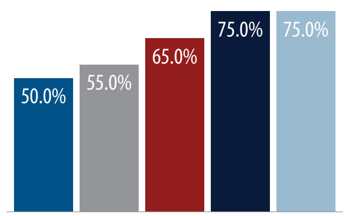
Mandatory spending cuts

The president proposed a myriad of changes to mandatory spending in his most recent budget submission, most of which have relatively small budgetary effects. Yet there are several that are important to note.

The president's budget includes converting the Pell Grants program from a discretionary program to a mandatory program, and also includes a significant increase in funding. The budget includes a permanent extension of the Build America Bonds program. And the budget also included the estimated effects of the health care reform legislation, which had not yet passed at the time. This report accounts for the Patient Protection and Affordable Care Act by removing the original accounting of the president's proposed changes and substituting the Congressional Budget Office's later analysis of the actual bill signed into law.

Direct agricultural subsidies

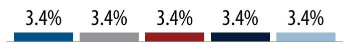
The Congressional Budget Office projects that federal direct mandatory support for agriculture will total just over $15 billion in 2015. All five spending plans derive savings by reducing these subsidies to varying degrees ranging from a 50 percent cut to a 75 percent cut.



33% spending cuts | 50% spending cuts | 67% spending cuts | 100% spending cuts | 100% spending cuts (no tax expenditures)

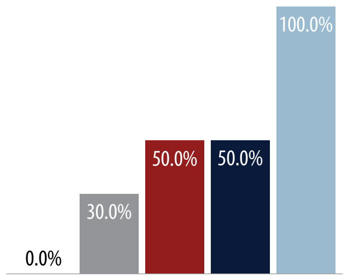
Federal employees' and military retirees' pensions

The pensions owed to federal civil servants and military retirees are indexed to a measure of inflation called the CPI-W. Replacing this method with a different indexing method—namely the chained CPI-U—would yield savings of approximately $3.5 billion in 2015 if implemented this year.[8] All five spending plans include these savings.



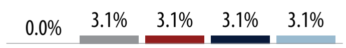
Universal Service Fund

The federal government collects fees from telecommunications companies to fund the operations of the Universal Service Fund, a federal program aimed at bringing telecommunications service to rural areas. Reducing some portion of the USF's operations but maintaining the current fee levels would result in deficit reduction. The half-spending plan includes a 30 percent reduction, the two-thirds and the all-spending plans include a 50 percent reduction, and the alternative all-spending plan eliminates the operations of the Universal Service Fund altogether. The one-third plan does not include USF reductions.



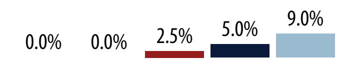
Veterans' disability compensation

Close to 5 percent of veterans who receive disability compensation from the Department of Veterans Affairs also receive disability payments from the Social Security system. Reducing their VA payments by the amount of their Social Security payments would remove this duplication and save approximately $2.2 billion in 2015.[9] Implementation of this change is included in all but the one-third spending plan.



Pell Grants

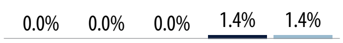
The president has proposed making the Pell Grant program mandatory rather than discretionary, which is why it appears here in the mandatory category. He has also proposed a significant increase in funding for the program. Slowing this growth would mean lower overall spending in 2015. The two-thirds spending plan reduces Pell Grant funding by 2.5 percent, saving $1 billion relative to the president's budget plan. The all-spending plan reduces funding by 5 percent, saving $2.1 billion, and the alternative all-spending plan reduces 2015 funding by 9 percent, saving $3.7 billion.



33% spending cuts | 50% spending cuts | 67% spending cuts | 100% spending cuts | 100% spending cuts (no tax expenditures)

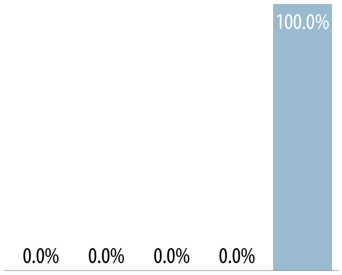
Social Security

Each year's Social Security cost-of-living adjustment is based on a particular measure of inflation—the CPI-W. Indexing the COLA to a different measure, the chained CPI-U, would lower 2015 Social Security outlays by about $12 billion if implemented now.[10] Only the all-spending plans include this change.



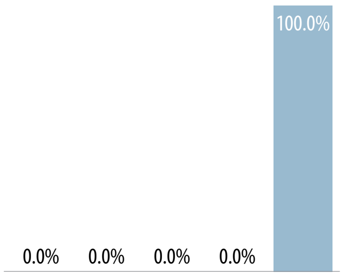
Build America Bonds

Build America Bonds are taxable bonds sold by state and local governments and subsidized by the federal government. The legislation authorizing them is currently set to expire, but the president's budget plan includes extending them. The alternative all-spending plan eliminates the program entirely, which will reduce outlays by $11.5 billion in 2015. No other spending plan makes changes to Build America Bonds.



Grants to states for rehabilitative services and disability research

The Congressional Budget Office estimates that the federal government will spend $3.3 billion on mandatory state grants for disability research and rehabilitative services in 2015. The alternative all-spending plan eliminates these grants, which would yield $3.3 billion in savings. No other spending plan includes reductions to this grant program.



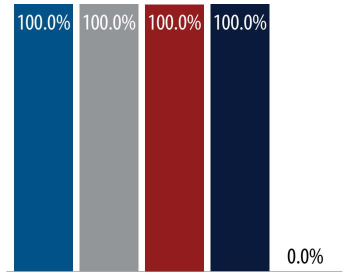
Tax expenditure cuts

President Obama has proposed several policy changes that would reduce tax expenditures from current policy levels. His budget includes the elimination of a host of tax expenditures that benefit the oil, gas, and coal industries, together totaling around $4 billion a year.

The president's budget also includes a limitation on the rate at which itemized deductions can reduce tax liability. Itemized deductions reduce an individual's taxable income. For people in the top two tax brackets each deducted dollar would be worth 36 and 39.6 cents, respectively assuming the expiration of the Bush tax cuts for the wealthy. The president's proposal would cap the value of itemized deductions at 28 cents per dollar. This would have the effect of reducing the cost of many of the largest tax expenditures.

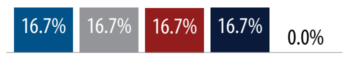
33% spending cuts 50% spending cuts 67% spending cuts 100% spending cuts 100% spending cuts (no tax expenditures)

Special deduction for business meals and entertainment



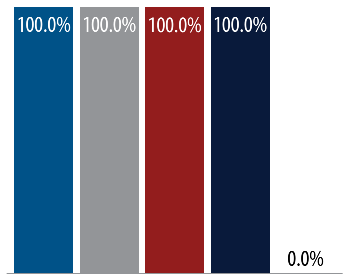
If an individual takes his family out to dinner, he cannot deduct the cost of that meal from his taxable income. If, however, he takes a business client out to lunch, he can deduct half of the cost of the meal. This special exception acts as an unnecessary subsidy for many people who can benefit from expense accounts. Allowing deductions for business meals and entertainment also results in an unknown quantity of abuse and fraud—classifying as "business expenses" costs that are actually personal. This particular subsidy has been reduced twice before, and fully eliminating it will save approximately $10 billion in 2015.[11] All four spending plans that address tax expenditures include the elimination of this subsidy.

Life insurance subsidy



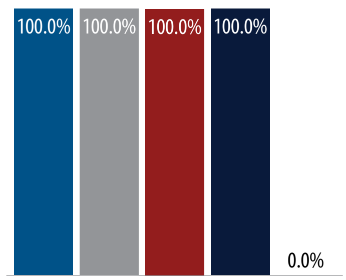
Beneficiaries of life insurance policies do not generally have to pay tax on investment income that is earned from the policies if the contract is held until death. And investment income distributed prior to death is tax deferred until distribution. The cost of this tax expenditure is projected to be $30 billion in 2015. All four plans reduce this by $5 billion. This could be accomplished by requiring life insurance companies to pay a fee on the investment income at a rate set to raise $5 billion to offset a portion of this subsidy.

Certain agriculture subsidies



Agricultural companies enjoy several special tax subsidies that other industries do not. Certain portions of their income are taxed at a much lower rate, and they are able to immediately write off many of their costs instead of recouping those costs over a number of years as companies in most other industries must do. All four spending plans eliminate these subsidies to agricultural businesses, resulting in $1.2 billion in deficit reduction in 2015.

Credit union subsidy

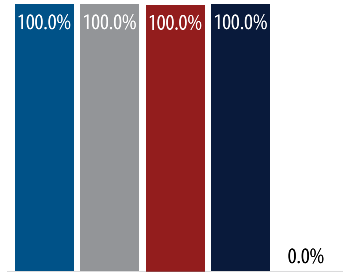


Most businesses face a tax on earnings that are not paid out to shareholders in the form of dividends or interest. Credit unions, however, are not taxed on similar earnings. This particular preference is a holdover from an earlier time when most credit unions were more clearly differentiated from other financial institutions. This distinction has largely disappeared in recent years. All four plans eliminate this preference, which will save about $1 billion.

■ 33% spending cuts ■ 50% spending cuts ■ 67% spending cuts ■ 100% spending cuts ■ 100% spending cuts (no tax expenditures)

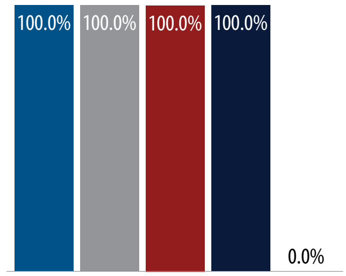
Special subsidy for Blue Cross and Blue Shield health insurance providers

Most health insurance companies have to pay income tax on their profits, but certain Blue Cross and Blue Shield providers are an exception to this rule. These health insurance companies benefit from a special deduction that similar health insurance companies do not enjoy, which amounts to a federal subsidy of their operations. Eliminating this special deduction will save almost $700 million in 2015.



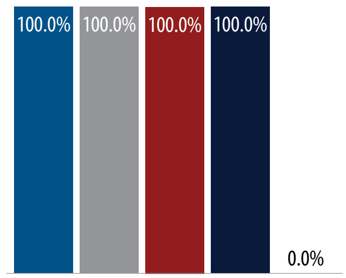
Timber subsidies

Timber companies benefit from a number of special subsidies that are delivered through the tax code. One of these comes in the form of a special tax rate on timber sales. Another is timber companies' ability to immediately write off the costs associated with timber production even though most other companies can only write off similar production costs over a number of years. Eliminating these two special subsidies for timber companies would yield about $400 million in 2015, and all four plans include these eliminations.



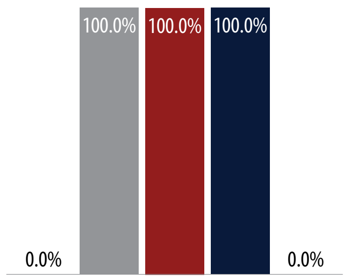
Special subsidy for life insurance companies operated by nonprofits

Some tax-exempt organizations also offer a variety of insurance products, but do not have to pay tax on the earnings when those insurance operations turn a profit. In most other cases nonprofit organizations do have to pay taxes on profits when they operate unrelated businesses. Eliminating this special rule for insurance operations would save about $200 million.



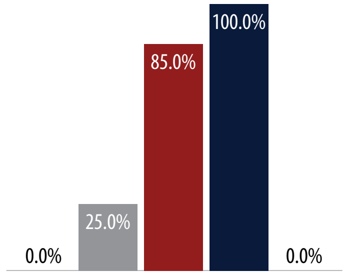
Subsidy for rental real estate investors

Rental property investors benefit from several subsidies delivered to them through the tax code. One of these subsidies comes in the form of a special dispensation from rules relating to how investment losses are treated. Investment losses are usually subject to specific rules designed to limit taxpayers' ability to use losses as a tax shelter. The one-third plan would not touch this. The other three spending plans would eliminate the subsidy entirely, saving $13 billion.



33% spending cuts | 50% spending cuts | 67% spending cuts | 100% spending cuts | 100% spending cuts (no tax expenditures)

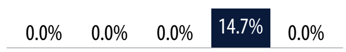
Subsidy for certain private-purpose bonds



When an individual or corporation buys a bond and earns interest on that investment, they have to pay taxes on that interest. There are several exceptions to this rule, including certain state and local bond issuances for private purposes. These include bonds for certain energy facilities, water and sewage plants, airports, docks, hospitals, and private schools, among others.

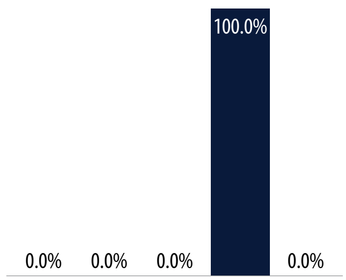
The exclusion from taxable income of interest from these bonds amounts to a government subsidy because the bond's tax-exempt status allows the bond-issuer to borrow at a lower cost than they otherwise would. These subsidies are estimated to cost the federal government over $14.3 billion in 2015. The half and two-thirds plans reduce the total cost of these subsidies by 25 and 85 percent, respectively. This could be accomplished either by adjusting the volume caps that limit the use of these bonds, or by converting these traditional bonds into direct subsidy bonds, with the subsidy set at the appropriate level. The all-spending plan eliminates this subsidy altogether.

Subsidy for state and local government bonds



The tax exclusion of bonds for state and local governments serves a valuable purpose and has enabled many important public investments. But the way they operate is inefficient. A better approach is that used with Build America Bonds, which is a straight subsidy not contorted by the tax rate schedule. The all-spending plan cuts the tax expenditure for state and local bonds by $8 billion. One way to approach that would be to convert the bond to the Build America model and then set the subsidy at a level that would reduce projected costs by $6 billion. The subsidy could alternatively be capped at lower than the top-marginal rate, similar to what the president has proposed for itemized deductions.

Subsidies for businesses that locate in specific areas

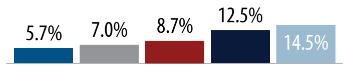


The tax code contains several provisions designed to confer a special benefit on businesses that locate or expand in certain designated areas. Two of these, "empowerment zones" and "renewal communities," together cost about $700 million. Only the all-spending plan terminates these two subsidies.

33% spending cuts | 50% spending cuts | 67% spending cuts | 100% spending cuts | 100% spending cuts (no tax expenditures)

Defense spending cuts

The president's budget assumes that the wars in Afghanistan and Iraq will come to a close before 2015. The budget, however, does include a $50 billion contingency allowance. Defense spending is projected to decline from a peak of about $740 billion next year to $680 billion in 2015 even with this allowance.



General efficiency savings

The Department of Defense is already planning a major initiative to cut out waste and inefficiency from defense spending over the next five years—with the savings expected to grow from year to year. The department is planning to shave nearly $30 billion by 2015. Yet the federal government is currently planning on redirecting those to other areas within DOD. The federal government would save around $25 billion if most of those savings are simply applied to deficit reduction instead.

Military personnel stationed in Europe and Asia

The United States permanently stations about 150,000 military personnel at U.S. bases in Europe and Asia. Reducing this presence by one-third would save around $12 billion in 2015, while still maintaining a substantial military force on both continents. All five spending plans include this reduction.

U.S. deployed strategic nuclear arsenal

The United States currently maintains around 2,000 deployed strategic nuclear weapons, in addition to tactical weapons and stockpiled nuclear warheads, all at an annual cost of more than $22 billion. An analysis from scholars at the Air War College suggests that we could safely reduce the number of deployed strategic nuclear weapons by around 85 percent. An 85 percent reduction in strategic weapons, of course, does not translate to an 85 percent reduction in total costs since some of the $22 billion is associated with the tactical and stockpiled weapons. But it seems reasonable to estimate that reducing deployed strategic nuclear weapons to just more than 300 would allow for at least a 50 percent cut in total costs—suggesting savings in the range of $11.4 billion. Both all-spending plans reduce deployed strategic nuclear weapons by this amount. The other three plans reduce them by half, saving about $5.5 billion.

V-22 Osprey

The Pentagon is currently projected to spend about $50 billion purchasing more than 450 V-22 Ospreys. Canceling the Osprey would save almost $2 billion in 2015. All five spending plans include this full cancellation.

DDG-51 Arleigh Burke class destroyers

The Navy is expected to purchase two DDG-51 destroyers in 2015 at a cost of almost $4 billion. All five spending plans have the Pentagon instead purchasing just one destroyer, instead of two, which would save $1.9 billion.

CVN-80 aircraft carrier

The Navy is currently planning to buy, or is in the middle of buying, three additional Gerald Ford class nuclear aircraft carriers. The first payments for the third carrier, CVN-80, are scheduled to begin in 2014. If the Navy instead purchases only the two additional carriers for which it has already begun paying, it would reduce spending by about $1.5 billion in 2015. All five plans include forgoing the third carrier purchase.

Littoral combat ships

The Navy intends to purchase 55 littoral combat ships—small, versatile, easily modifiable vessels—beginning with two ships in the next two years, then four ships annually from 2013 to 2015. All five spending plans have the Navy instead purchasing just two ships a year through 2015, saving around $1.3 billion that year.

Missile defense programs

The Department of Defense currently spends about $10 billion a year on a variety of missile defense programs. All five spending plans eliminate some of these programs—namely "Special Programs," directed energy research, ground-based midcourse defense, and the Space Experimentation Center. These cuts would save more than $1.3 billion in 2015.

Marine Corps's expeditionary fighting vehicle

The expeditionary fighting vehicle is designed to be an amphibious vehicle that would allow ships to deploy marines onto land from 25 miles offshore. Defense Secretary Robert Gates has recommended canceling the program. All five spending plans implement the secretary's recommendation. Eliminating procurement of the EFV would save about $600 million in 2015.

Military compensation

The 10th Quadrennial Review of Military Compensation in 2008 recommended that the military use a different measure—Military Annual Compensation rather than Regular Military Compensation—to determine annual pay increases. All plans except for the one-third plan include these changes to military compensation, producing savings of about $5.5 billion in 2015.

Defense health program

The Department of Defense Task Force on the Future of Military Health Care made several recommendations in 2007 regarding the military's TRICARE health insurance program for military retirees. These recommendations included allowing annual premiums to rise for retired service members, raising co-pays, and a higher cap on total out-of-pocket costs. The task force also suggested increased fees and increased annual deductibles. Implementing the task force's recommendations would save the Department of Defense around $6 billion in 2015. Both all-spending plans would implement these recommendations. The half-spending and two-thirds spending plans include some reduced form of these recommendations, saving about half as much.

U.S. ground forces

One result of the wars in Afghanistan and Iraq was a nearly 100,000-person increase in the number of active-duty soldiers and marines. The president's budget assumes that these wars will have concluded by 2015, but includes no reduction in the overall size of the Army and Marine Corps. Rolling back the growth in U.S. ground forces would produce significant savings. The two-thirds spending plan includes a 50-percent rollback—reducing Army positions by about 37,000 and Marine positions by 13,500—saving about $6 billion. Both all-spending plans fully return the Army and Marine Corps to their prewar sizes—a reduction of 65,000 soldiers, 27,000 marines, and 9,500 army reservists. That would trim more than $12 billion from the defense budget. The other two plans include no such reductions.

Department of Defense civilian personnel

Concomitant with the reductions in active duty military personnel included in the two-thirds spending and all-spending plans, all three plans also include a proportional reduction in Department of Defense civilian personnel. The two-thirds spending plan reduces the civilian workforce by approximately 7 percent, saving about $5.5 billion. The all-spending plans cut the civilian workforce by 10 percent, resulting in savings of $8 billion.

F-35 Joint Strike Fighter

The president's budget includes about $9.4 billion in 2015 for the Air Force and Navy to purchase 89 Joint Strike Fighters from Lockheed Martin—70 for the Air Force and 19 for the Navy. Reducing the planned procurement of Joint Strike Fighters by half would save $4.8 billion in 2015. Only the all-spending plans reduce the JSF procurement.

Virginia class submarines

The Navy is slated to begin purchasing two Virginia class nuclear submarines annually starting next year, up from one per year. Canceling this increase and maintaining the one-per-year purchase would save just under $2.8 billion in 2015.

Research, development, testing, and evaluation

The president's budget projects that the Pentagon will spend almost $70 billion in 2015 on research, development, testing, and evaluation. The alternative all-spending plan includes a 15 percent reduction in this spending, yielding $10 billion in savings. A cut of that magnitude would bring total spending on research, development, testing, and evaluation down to about 2003 levels.

Carrier battle groups

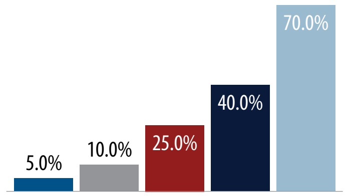
Conservative estimates put the annual cost of maintaining one Navy carrier battle group at about $1.5 billion. The U.S. military currently operates 11 carrier groups. The alternative all-spending plan retires two of these groups, leaving the United States with nine and saving around $3 billion in 2015. No other spending plan includes a reduction in the number of carrier groups.

33% spending cuts | 50% spending cuts | 67% spending cuts | 100% spending cuts | 100% spending cuts (no tax expenditures)

Nondefense discretionary spending cuts

The president's 2011 budget plan proposed a nonsecurity discretionary spending freeze for three years. Nonsecurity spending is a subset of nondefense discretionary spending—it excludes law enforcement, homeland security, and veterans' affairs spending. The freeze only applies to this narrower portion of nondefense discretionary programs, but overall funding for the nondefense discretionary category is projected to decline from its 2010 peak of about $680 billion to just over $643 billion in 2015.

Federal Highway Administration



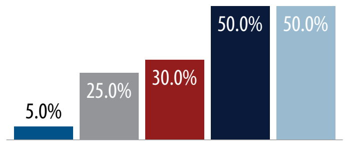
In all five plans, cuts to Federal Highway Administration contribute the largest overall reductions, in dollar terms, of any nondefense discretionary line. This is in part because the Federal Highway Administration enjoys the second largest allocation of nondefense discretionary budgetary resources under the president's budget behind the Veterans' Health Administration, with 2015 outlays projected to be $42.3 billion.

The one-third spending plan cuts the FHA budget by 5 percent, leading to $2.1 billion in savings. The cuts grow in each successive plan, to 10 percent in the half-spending plan, 25 percent in the two-thirds spending plan, and then to 40 percent in the all-spending plan. The percentage reduction jumps even more dramatically, however, in the alternative all-spending plan.

Our alternative all-spending plan reduces overall nondefense discretionary spending by almost $90 billion. It does so, in large part, by including a very sizable reduction in the federal commitment to highway construction and maintenance—70 percent, to be exact. This would require a severe readjustment of the federal role in highway construction and maintenance. One way to achieve a 70 percent reduction would be to limit federal funds to safety improvement projects rather than building new roads and other congestion-reducing efforts. The Department of Transportation estimates that in 2011, such safety funding will make up a bit less than 25 percent of total federal highway spending.[12]

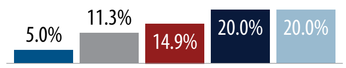
33% spending cuts | 50% spending cuts | 67% spending cuts | 100% spending cuts | 100% spending cuts (no tax expenditures)

International security assistance



All five spending plans include cuts to the international security assistance budget relative to the president's budget plan. This is an area, however, where the president anticipates substantial increases in spending. The cuts in the first three plans slow the growth of this spending, rather than cutting it in real terms. Both of the all-spending plans, however, reduce the allocation for international security assistance by half, saving $8.2 billion relative to the president's proposal, which would be a real cut from current levels.

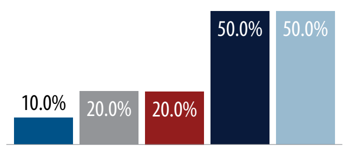
Customs and Border Protection and Immigration and Customs Enforcement



Customs and Border Protection and Immigration and Customs Enforcement both benefit from substantial increases in the president's budget. These two immigration-related agencies also happen to be the two largest—in terms of budgetary resources—nondefense law enforcement agencies.[13] All five plans include some degree of reduction from these currently projected levels.

The one-third spending plan enacts a 5 percent reduction from currently projected levels, saving $800 million. The half-spending plan holds the growth in these agencies' budgets to just 5 percent over 2008 levels, saving $2 billion. The two-thirds spending plan eliminates all growth in funding for CBP and makes a 20 percent reduction from currently projected levels for ICE. ICE's budget would still be slightly above 2008 levels. This would save $2.7 billion in 2015. And both all-spending plans include 20 percent cuts to levels currently projected in the president's budget, saving $3.4 billion. The two agencies' combined resources would then be slightly below 2008 levels.

Energy supply programs



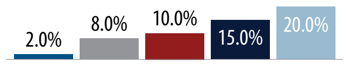
The federal government is projected to spend about $5.4 billion on various programs and projects related to "energy supply" in 2015. All five of our spending plans include cuts to energy supply funding for fossil fuels and nuclear energy research.

The one-third plan cuts these programs by 25 percent, generating $450 million in savings. Both the half and the two-thirds plans cut them by 60 percent, reducing spending by $1.1 billion. The all-spending plan all but eliminates funding for fossil fuel research and development and nuclear energy research, reducing these budgets by 90 percent. That would save $1.7 billion.

■ 33% spending cuts ■ 50% spending cuts ■ 67% spending cuts ■ 100% spending cuts ■ 100% spending cuts (no tax expenditures)

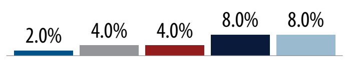
The all-spending plans also include another $1 billion in reductions to energy supply spending. One way to achieve those savings would be to reduce the Title 17 innovative technology loan guarantee program by half and shave renewable energy supply programs by one-third. Those two measures would together save $1 billion.

Federal Aviation Administration



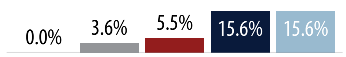
The president budgets $18.1 billion for the Federal Aviation Administration in 2015. The one-third plan reduces this allocation by just 2 percent, which would save $360 million and leave the FAA's budget about 10 percent higher than it was in 2008. The half plan has FAA spending growing to only 3 percent above real 2008 levels, saving $1.4 billion. The two-thirds spending plan eliminates any real growth in the FAA budget, holding overall spending to real 2008 levels. That would reduce spending by $1.8 billion. The all-spending plan includes a 15 percent cut to the currently projected FAA budget, which would be a real cut of about 5 percent. And the alternative all-spending plan imposes a 20-percent reduction from currently projected levels. The government could achieve these savings without compromising the FAA's direct safety activities by eliminating grants-in-aid to airports, which typically make up just over 20 percent of total FAA spending.

Federal correctional activities



The one-third plan reduces funding for federal correctional activities by 2 percent from the president's proposed levels. The next two plans include a 4 percent reduction, saving about $300 million. This is an area where the president's budget plan calls for significant increases. These cuts would reduce the rate of growth. The final all-spending plans cut $600 million. Some of these cuts, especially those in the larger spending cut plans, may necessitate changes in incarceration policies.

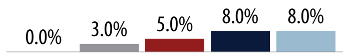
International humanitarian and development assistance



Four of the five spending plans include some amount of cutback in the allowance for future foreign assistance needs relative to the president's budget plan. The half plan cuts it by 15 percent, the two-thirds plan includes a 20-percent cut, and the all-spending plans reduce it by half. The all-spending plans also include a $700 million reduction in international drug control and law enforcement spending, as well as a $400 million cut to the U.S. contribution to the International Development Association.

■ 33% spending cuts ■ 50% spending cuts ■ 67% spending cuts ■ 100% spending cuts ■ 100% spending cuts (no tax expenditures)

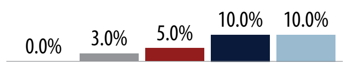
National Institutes of Health



The National Institutes of Health receives one of the largest allocations of nondefense discretionary funding in the entire budget at just under $30 billion annually. About four-fifths of those dollars flow out in the form of research grants. The average research grant totaled around $490,000 in 2009. The one-third spending plan includes no cuts to NIH, but the other four do.

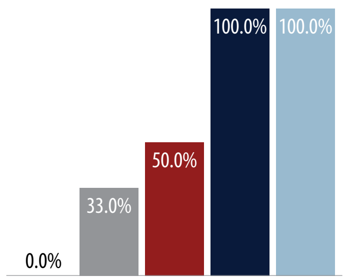
The half-spending plan makes a 3 percent reduction from currently projected levels, saving $900 million. If this is accomplished solely by forgoing grants, this cut would require NIH to award about 4 percent or around 1,800 fewer grants—assuming the current total grant volume and average grant amount. The two-thirds spending plan imposes a 4 percent reduction from currently projected levels, saving $1.2 billion. If this is accomplished solely by forgoing some grants, the cut would require NIH to award about 5 percent or around 2,400 fewer grants. And the all-spending plans involve an 8 percent reduction from currently projected levels, saving $2.4 billion. If this is accomplished solely by forgoing some grants, it would require NIH to award about 10 percent, or around 4,900 fewer grants.

National Aeronautics and Space Administration



The president has proposed a budget of $19 billion for NASA in 2015. Four of the five spending plans include some cuts to NASA's budget. The half plan cuts NASA by 3 percent, the two-thirds plan cuts it by 5 percent, and the all-spending plans cut NASA by 10 percent. These cuts would save $600 million, $1 billion, and $1.9 billion respectively.

Bureau of Land Management

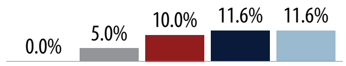


The Bureau of Land Management is responsible for the care of over 250 million acres of public lands across the United States, including managing grazing on those lands. BLM's 2015 budget is estimated to be about $1.1 billion. Four of the five plans include the establishment of grazing fees to cover at least a portion of the BLM's operating costs. The half plan requires the fees to cover 33 percent of BLM's costs, the two-thirds plan sets the fees at a level that would cover half of the costs, and both all-spending plans include fees that would fully offset BLM's $1.1 billion budget.[14]

33% spending cuts | 50% spending cuts | 67% spending cuts | 100% spending cuts | 100% spending cuts (no tax expenditures)

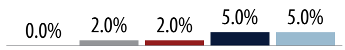
Federal legislative activities

The operating costs of the U.S. Senate, the House of Representatives, and associated agencies such as the Congressional Budget Office, make up a very small slice of total federal spending—less than one-tenth of 1 percent. Yet the $4.1 billion projected budget for these activities in 2015 will be about 13 percent higher than it was in 2008 in real terms. Four of the five plans reduce this allocation to varying degrees. The half-spending plan cuts 5 percent, the two-thirds plan cuts 10 percent, and the all-spending plans cut 12 percent from currently projected funding amounts. These measures would save $200 million, $400 million, and $500 million respectively.



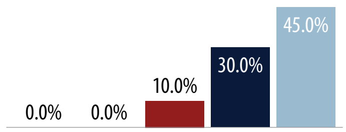
Courts of Appeals, District Courts, U.S. Marshals, and U.S. Attorneys

The federal court system is organized into 94 judicial districts and 12 regional circuits, each with its own court of appeals. Each district also has a U.S. attorney's office. These activities, along with the Marshals, who serve as the enforcement arm of the federal courts, are projected to cost about $10.5 billion in 2015. All but the one-third spending plan reduce the funding for these activities. The half plan cuts 2 percent, the two-thirds plan cuts 3 percent, and the all-spending plans cut 5 percent.



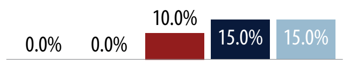
Forest Service, Fish and Wildlife Service, Natural Resources Conservation Service, Wildland Fire Management, and Minerals Management Service

The Forest Service, Fish and Wildlife Service, Natural Resources Conservation Service, Wildland Fire Management, and Minerals Management Service together are projected to have a combined 2015 budget of $8.6 billion. Three of the five plans include reductions to each of these agencies. The two-thirds plan cuts 10 percent, the all-spending plan cuts 30 percent, and the alternative all-spending plan cuts 45 percent. A reduction of this magnitude would likely require a fundamental reevaluation and careful prioritization of these agencies' activities.



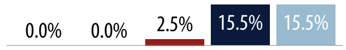
Army Corps of Engineers' civil works

Both all-spending plans include a 15 percent reduction in the budget for the Corps of Engineers' civil works, saving $700 million in 2015. The two-thirds spending plan also includes a reduction, albeit a smaller 10 percent one.[15]



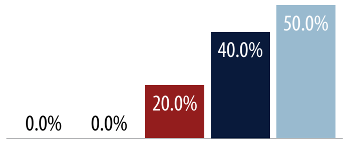
■ 33% spending cuts ■ 50% spending cuts ■ 67% spending cuts ■ 100% spending cuts ■ 100% spending cuts (no tax expenditures)

Administration of foreign affairs



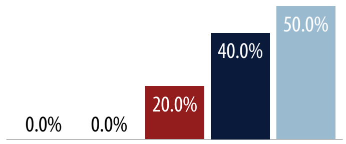
The administration's budget allocates $12.5 billion for the day-to-day costs of running the U.S. diplomatic operations such as maintenance and security of embassies and consulates, the salaries of ambassadors, and Foreign Service staff. The two-thirds spending plan reduces the budget for these activities by 2 percent, saving about $400 million. Both all-spending plans reduce the allocation by 20 percent, saving $2.5 billion. These cuts would reduce the rate of growth in spending since the president's budget plan includes substantial increases in this area. The other two plans do not include cuts in this area.

Office of Safe and Drug-Free Schools



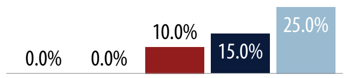
The president's budget more than doubles funding for the Office of Safe and Drug-Free Schools from its 2008 levels. The three plans most heavily reliant on spending cuts trim back this growth. The two-thirds plan reduces the 2015 allocation by 20 percent, the all-spending plan cuts 40 percent, and the alternate all-spending plan cuts funding for OSDFS by half. These cuts would save about $400 million, $800 million, and $1 billion respectively.

Office of Vocational and Adult Education



Three of our plans include sizable cuts to the Office of Vocational and Adult Education, starting with a 20 percent reduction in the two-thirds plan and growing to 50 percent in the alternate all-spending plan. Nearly all of the money allocated for this office is spent in the form of grants to states, so cuts of this magnitude would mean that the federal government will either have to reduce grants themselves or dramatically alter the formulas used to allocate the grants.

National Park Service



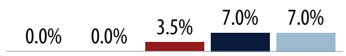
The National Park Service budget is expected to be a bit over $3 billion in 2015. The two-thirds spending plan cuts funding for the NPS by 10 percent relative to the president's budget, saving about $300 million. The all-spending plan cuts NPS by 15 percent, generating about $450 million in savings. The alternate all-spending plan would cut NPS by 25 percent, saving close to $800 million. A cut of this magnitude would, in all likelihood, significantly affect the operations of the NPS. It might have to discontinue all grants to states (about 4 percent of total NPS spending), drastically reduce visitor services (9 percent of total spending),

33% spending cuts | 50% spending cuts | 67% spending cuts | 100% spending cuts | 100% spending cuts (no tax expenditures)

eliminate spending on recreational programs (2 percent), find very large savings in administrative support and overhead (16 percent), and severely cut back on resource stewardship (13 percent).

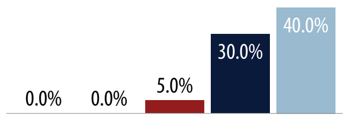
Federal Emergency Management Agency

The president's 2011 budget already includes some proposed reductions within FEMA's state and regional preparedness programs, but it uses much of those savings to increase funding for metropolitan statistical area preparedness programs. Going ahead with the proposed cuts, but not with the proposed increases, will yield savings of about $300 million in 2015—the cut included in the two-thirds spending plan. Both all-spending plans include another $300 million in savings, which translates to 3.5 percent cut from FEMA's total projected 2015 budget.



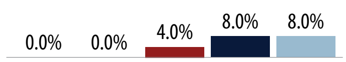
National Infrastructure Innovation and Finance Fund

The president's 2011 budget proposed creating the National Infrastructure Innovation and Finance Fund. The initial allocation would be $4 billion, growing to $4.6 billion by 2015. Three of the plans reduce the allocation for this new program. The two-thirds plan reduces it by 5 percent, saving more than $200 million. The all-spending plan cuts the funding by 30 percent, which would save about $1.4 billion, and the alternative all-spending plan cuts NIIFF by 40 percent, for $1.8 billion in savings.



Agricultural research and services

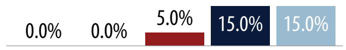
Most federal direct spending on agriculture is on the mandatory side of the ledger, but there is also more than $4 billion each year in discretionary money spent on agricultural research and other agricultural services. This funding goes to agencies such as the Agricultural Research Service, the National Institute of Food and Agriculture, the Animal and Plant Health Inspection Service, and the National Agricultural Statistics. The total budget for these agencies is projected to be $4.5 billion in 2015. The two-thirds plan cuts about $180 million, and the all-spending plans cut about $350 million from this funding.



33% spending cuts | 50% spending cuts | 67% spending cuts | 100% spending cuts | 100% spending cuts (no tax expenditures)

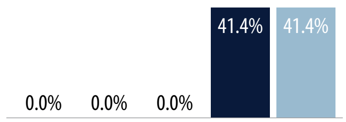
Foreign information and exchange activities

The United States funds a variety of programs that fall into this category, most notably the activities of the Broadcasting Board of Governors—including Voice of America—as well as a number of exchange programs. The two-thirds spending plan reduces funding for these activities by 5 percent, saving around $100 million, while the all-spending plans cut 15 percent, saving $250 million.



Research and general educational aids

This category of activities includes the Smithsonian Institution, the Corporation for Public Broadcasting, the Library of Congress, the Institute of Museum and Library Sciences, the National Endowments for the Arts and for the Humanities, and the Institute of Education Sciences. Funding for all of these programs is estimated to total about $3.8 billion in 2015. The all-spending plans include cuts to most of these.



The Smithsonian's budget is projected to approach $1 billion in 2015. The all-spending plans reduce net spending by half. One option, however, is to begin charging a fee to Smithsonian visitors. There were about 30 million visitors to 1 of the 19 Smithsonian museums or the national zoo in 2009. These visits were all free. The fees would probably have to exceed $15 per person in order to raise about $500 million—assuming that the introduction of a fee would result in fewer total visitors.

The federal government is projected to spend just under $520 million on the Corporation for Public Broadcasting in 2015. The all-spending plans reduce these expenditures by half, saving about $260 million. Since about 90 percent of the funding for the CPB flows out to local radio and TV stations, a cut of this magnitude would mean that these grants would have to be substantially reduced, distributed to many fewer stations, or both.

The Library of Congress is not solely reliant on its appropriated funding. It also generates some revenues of its own from offsetting collections such as cataloguing distribution service fees and the like. These offsetting collections totaled $132 million in 2009. The all-spending plans would require the Library of Congress to increase those fees or institute new ones to raise about twice as much from offsetting receipts as it did in 2009. It could alternatively cut back on some of its operations and raise somewhat less in offsetting receipts. The plans include a net outlay reduction of about one-third—around $170 million.

33% spending cuts | 50% spending cuts | 67% spending cuts | 100% spending cuts | 100% spending cuts (no tax expenditures)

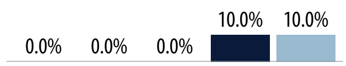
The Institute of Museum and Library Sciences mainly distributes grants to states for use in supporting libraries around the country. The IMLS awarded about $170 million worth of library grants in 2010. The all-spending plans include the complete elimination of the Institute of Museum and Library Sciences, which would save about $250 million in 2015.

President Obama's budget plan includes spending about $150 million each for the National Endowment for the Arts and the National Endowment for the Humanities in 2015. Reducing both appropriations by two-thirds would save $200 million total.

None of the plans reduce funding for the Institute of Education Sciences.

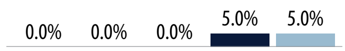
Department of Education Office of Innovation and Improvement

President Obama included within his proposal for a rather sweeping reorganization of the Department of Education a significant increase for programs that fall within the purview of "innovation and improvement." Cutting back on the president's proposed increase by 10 percent would save about $700 million in 2015.



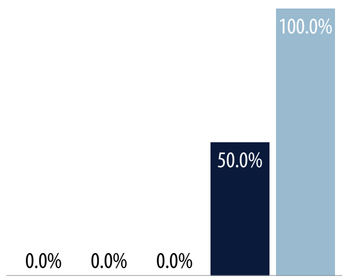
Environmental Protection Agency

The president's budget includes a 5 percent real increase in funding for the Environmental Protection Agency over 2008 levels. The all-spending plans would save about $500 million in 2015 by holding back on this growth.



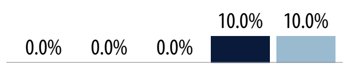
Federal aid to the District of Columbia

Each year the District of Columbia receives several hundred million dollars to support its schools, courts, and general services in light of its special relationship with the federal government. This aid package is projected to total around $700 million in 2015. The all-spending plan would cut this aid in half, while the alternative all-spending plan would eliminate it entirely.



Office of Federal Student Aid and Office of Post-Secondary Education

President Obama's budget moves the bulk of federal support for post-secondary education—Pell Grants—from the discretionary side of the ledger to the mandatory side. His budget also includes a very substantial increase for Pell Grants. A

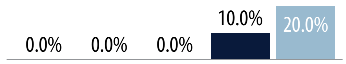


33% spending cuts 50% spending cuts 67% spending cuts 100% spending cuts 100% spending cuts (no tax expenditures)

10 percent reduction in the remaining discretionary funding for student aid and post-secondary education would save $500 million. Only the all-spending plans include this cut.

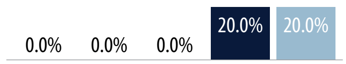
Corporation for National and Community Service

President Obama's budget plan more than doubles the funding for the Corporation for National and Community Service. The all-spending plan reduces CNCS funding from the president's level by 10 percent. The alternative all-spending plan cuts it by 20 percent. A 20 percent reduction would save around $460 million.



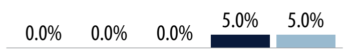
Rural Utilities Service and Rural Development

Spending on the Rural Utilities Service and Rural Development program will total around $1 billion in 2015. Both all-spending plans reduce those outlays by 20 percent, saving $0.2 billion. The Rural Utilities Service already focuses mainly on loan programs rather than grants, and those generally do not result in net outlays for the government. In fact, its electricity programs are already entirely made up of loans. The Rural Utilities Service could achieve the necessary $200 million savings by eliminating about 40 percent of its water and waste disposal grants and moving more toward loans.



Federal nonimmigration, nondefense law enforcement activities

There are several other agencies aside from Customs and Border Protection and Immigration Customs Enforcement that carry out missions related to law-enforcement. These include the Federal Bureau of Investigation, the Drug Enforcement Agency, the United States Secret Service, and the Bureau of Alcohol, Tobacco, Firearms and Explosives. This category also includes some Internal Revenue Service enforcement activities, some Department of Justice administrative and management costs, as well as a myriad of smaller agencies such the Equal Opportunity Employment Commission and the Federal Law Enforcement Training Center.



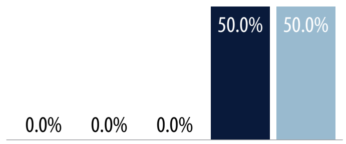
The federal government is projected to spend just under $15 billon on nondefense, nonimmigration law enforcement in 2015. The all-spending plans include a 5 percent reduction for all of these law-enforcement activities. That would save about $700 million in 2015. One important aspect to note about this is that the

33% spending cuts | 50% spending cuts | 67% spending cuts | 100% spending cuts | 100% spending cuts (no tax expenditures)

Federal Bureau of Investigation receives both a defense and a nondefense allocation. A 5 percent reduction in the nondefense allocation would leave that portion of the FBI's funding 30 percent lower than 2008 levels, but the overall FBI budget would still be up by more than 12 percent because the president's budget includes a rather large increase in "defense" funding.

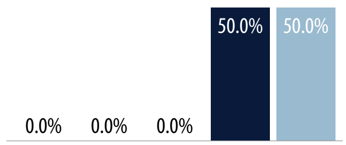
Economic Development Administration

The Economic Development Administration is a small agency—with a 2015 budget of $300 million—located in the Department of Commerce that seeks to promote development in distressed regions. The president has already proposed reducing EDA's public works allocation, though he puts those savings into increased economic adjustment assistance. If these reductions are instead used purely for deficit reduction, the savings will amount to around $100 million in 2015. This cut is included only in the all-spending plans.



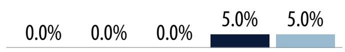
Rural Business-Cooperative Service

The Rural Business-Cooperative Service, like the Rural Utilities Service, operates mainly thorough loans to businesses and industries. Eliminating most or all of the agency's direct grants would save around $100 million in 2015. Only the all-spending plans include this cut.



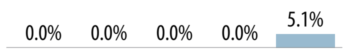
U.S. Geological Survey

President Obama has proposed a $1.3 billion budget for the U.S. Geological Survey in 2015. The all-spending plans include a 5 percent reduction from that level—yielding $65 million in savings.



Housing assistance

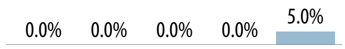
There are several different government programs contained under the general category "housing assistance." The largest of these, by far, are the public and Indian housing programs, including Section 8 housing vouchers, which will have a budget of more than $41 billion in 2015. Housing assistance also includes programs such as the Rural Housing Service. The president's budget allocates $47 billion for this category all together. The only plan that cuts housing assistance is the alternative all-spending plan, which cuts back on this increase somewhat, reducing housing assistance by 5 percent from the president's proposal. This would save $2.4 billion.



33% spending cuts   50% spending cuts   67% spending cuts   100% spending cuts   100% spending cuts (no tax expenditures)

Children and Families Services

Children and Families Services is located in the Administration for Children and Families in the Department of Health and Human Services and itself houses several programs, the largest of which is Head Start. CFS is the beneficiary of a rather large increase in the president's budget, growing to $11.7 billion in 2015. The alternative all-spending plan cuts 5 percent from the president's budget, saving about $600 million.



Conclusion

Well, that was miserable.

Perhaps there were moments of joy for you when some particular cut struck a chord, or dealt with a long-disliked program. Maybe you're a pacifist and reducing the number of men and women in arms and cutting down weapon systems is deeply satisfying. Or perhaps you think that highways ought to be paid for by local governments that put tolls on them or that we spend too much on health research.

But it's evident that cuts of the scope and magnitude we have laid out really will do harm to the country, especially for the plans that cut the most. They are cuts that we'll end up paying for one way or another. We may pay for them in delays at the airport or in the emergence of a new disease without a cure. It may cost us in traffic jams and rough roads or in unsafe food. It may mean lower economic growth as the infrastructure crumbles, education suffers, and investments in research and the technologies of the future languish. Or our armed services may be late-arriving at an international hotspot. Whatever the consequences, and you can go through the list and imagine them, there will be some. And as bad as the consequences might be from what we've outlined here, the consequences from the alternatives we considered were, in our view, worse.

But these are, in fact, the kinds of choices we're going to have to make. Are we going to cut or are we going to raise taxes? What cuts? What taxes? These plans are not designed to shock. It's just what you end up with when you go through the process of actually identifying what would have to be cut. The work ahead over the coming years as we seek to address the unsustainable deficits of our future, once the economy is back on solid ground, will entail these sorts of tough decisions of what to cut, what to tax, and how much of each.

Appendix 1a. A comparison of all five spending cut plans, in billions of dollars

	President's budget (without cuts)	33 percent spending cuts	50 percent spending cuts	67 percent spending cuts	100 percent spending cuts	100 percent spending cuts (no TE)
Mandatory		**11.0**	**16.8**	**21.1**	**35.7**	**56.7**
Federal subsidies and other mandatory support for agriculture	15.1	7.5	8.3	9.8	11.3	11.3
Federal employees and military pensions program	103.3	3.5	3.5	3.5	3.5	3.5
Universal Service Fund	9.2		2.8	4.6	4.6	9.2
Veterans' disability compensation	71.2		2.2	2.2	2.2	2.2
Pell Grants	41.2			1.0	2.1	3.7
Social Security	860.3				12.0	12.0
Build America Bonds	11.5					11.5
State grants for rehabilitative services and disability research	3.3					3.3
Tax expenditures		**18.5**	**35.1**	**43.7**	**52.6**	**0.0**
Deduction for business meals and entertainment	10.0	10.0	10.0	10.0	10.0	
Exclusion of interest on life insurance savings	29.9	5.0	5.0	5.0	5.0	
Exemption of credit union income	1.0	1.0	1.0	1.0	1.0	
Capital gains treatment of certain income from sales of agricultural items	1.0	1.0	1.0	1.0	1.0	
Special Blue Cross/Blue Shield deduction	0.7	0.7	0.7	0.7	0.7	
Expensing of multiperiod timber growing costs	0.3	0.3	0.3	0.3	0.3	
Tax exemption of certain insurance companies owned by tax-exempt organizations	0.2	0.2	0.2	0.2	0.2	
Expensing of certain multiperiod agricultural production costs	0.1	0.1	0.1	0.1	0.1	
Capital gains treatment of certain timber income	0.1	0.1	0.1	0.1	0.1	
Expensing of certain capital outlays including fertilizer and feed	0.1	0.1	0.1	0.1	0.1	
Exception from passive loss rules for $25,000 of rental loss	13.0		13.0	13.0	13.0	
Exclusion of interest on private purpose bonds	14.3		3.6	12.2	14.3	
Exclusion of interest on public purpose state and local bonds	40.9				6.0	
Empowerment zones and renewal communities	0.7				0.7	
Defense		**50.6**	**59.1**	**70.6**	**95.7**	**108.7**
Overhead		24.6	24.6	24.6	24.6	24.6
Military personnel stationed in Europe and Asia		12.0	12.0	12.0	12.0	12.0
U.S. deployed strategic nuclear arsenal		5.5	5.5	5.5	11.4	11.4
V-22 Osprey		1.9	1.9	1.9	1.9	1.9
DDG-51 Arleigh Burke class destroyers		1.9	1.9	1.9	1.9	1.9
CVN-80 aircraft carrier		1.5	1.5	1.5	1.5	1.5
Littoral combat ships		1.3	1.3	1.3	1.3	1.3
Missile defense programs		1.3	1.3	1.3	1.3	1.3
Marine Corps expeditionary fighting vehicle		0.6	0.6	0.6	0.6	0.6
Military compensation			5.5	5.5	5.5	5.5
Defense health program			3.0	3.0	6.0	6.0
U.S. ground forces				6.0	12.1	12.1
Civilian personnel				5.5	8.0	8.0
F-35 Joint Strike Fighter					4.8	4.8
Virginia class submarines					2.8	2.8
Research, development, testing, and evaluation						10.0
Carrier battle groups						3.0

(Appendix 1a, continued)	President's budget (without cuts)	33 percent spending cuts	50 percent spending cuts	67 percent spending cuts	100 percent spending cuts	100 percent spending cuts (no TE)
Nondefense discretionary		**4.9**	**16.7**	**34.4**	**70.7**	**89.2**
Federal Highway Administration	42.3	2.1	4.2	10.6	16.9	29.6
International security assistance	16.4	0.8	4.1	4.9	8.2	8.2
Customs and Border Protection	11.0	0.5	0.8	1.3	2.2	2.2
Energy supply programs	5.4	0.5	1.1	1.1	2.7	2.7
Federal Aviation Administration	18.1	0.4	1.4	1.8	2.7	3.6
Immigration and Customs Enforcement	6.1	0.3	1.2	1.2	1.2	1.2
Federal correctional activities	8.1	0.2	0.3	0.3	0.6	0.6
International development and humanitarian assistance	36.4		1.3	2.0	5.7	5.7
National Institutes of Health	29.9		0.9	1.5	2.4	2.4
National Aeronautics and Space Administration	19.0		0.6	0.9	1.9	1.9
Bureau of Land Management	1.1		0.4	0.6	1.1	1.1
Federal legislative activities	4.3		0.2	0.4	0.5	0.5
Courts of Appeals, District Courts, and other Judicial Services	6.4		0.1	0.1	0.3	0.3
Legal Activities and U.S. Marshals	4.1		0.1	0.1	0.2	0.2
Forest Service	5.1			0.5	1.5	2.3
Corps of Engineers-Civil Works	4.8			0.5	0.7	0.7
Conduct of foreign affairs	16.5			0.4	2.6	2.6
Office of Safe and Drug-Free Schools	1.9			0.4	0.8	1.0
Office of Vocational and Adult Education	1.8			0.4	0.7	0.9
National Park Service	3.1			0.3	0.5	0.8
Federal Emergency Management Agency	8.3			0.3	0.6	0.6
National Infrastructure Innovation and Finance Fund	4.6			0.2	1.4	1.8
Agricultural Research and Services	4.5			0.2	0.4	0.4
United States Fish and Wildlife Service	1.6			0.2	0.5	0.7
Wildland Fire Management and other Department of the Interior programs	0.9			0.1	0.3	0.4
Natural Resources Conservation Service	0.8			0.1	0.3	0.4
Foreign Information and Exchange Activities	1.7			0.1	0.2	0.2
Minerals Management Service (equivalent)	0.2			0.02	0.1	0.1
Research and general education aids	3.8				1.6	1.6
Office of Innovation and Improvement	6.7				0.7	0.7
Environmental Protection Agency	9.2				0.5	0.5
Federal aid to the District of Columbia	0.7				0.4	0.7
Office of Federal Student Aid	2.9				0.3	0.3
Office of Postsecondary Education	2.3				0.2	0.2
Corporation for National and Community Service	2.3				0.2	0.5
Rural Utilities Service and Rural Development	1.0				0.2	0.2
Federal Bureau of Investigation	3.4				0.2	0.2
Economic Development Administration	0.3				0.1	0.1
Rural Business Cooperative Service and other small agencies	0.3				0.1	0.1
Drug Enforcement Administration	2.1				0.1	0.1
Department of Justice Management and Operations	1.8				0.1	0.1
United States Secret Service	1.8				0.1	0.1
United States Geological Survey	1.3				0.1	0.1
Bureau of Alcohol, Tobacco, Firearms, and Explosives	1.1				0.1	0.1
Housing assistance	47.1					2.4
Administration for Children and Families	11.7					0.6
General reduction on all other nondefense discretionary spending				4.2	8.7	6.8

Note: Lines may not sum to totals due to rounding.

Appendix 1b. A comparison of all five spending cut plans, by percentage cut from president's budget plan

	33 percent spending cuts	50 percent spending cuts	67 percent spending cuts	100 percent spending cuts	100 percent spending cuts (no TE)
Mandatory					
Federal subsidies and other mandatory support for agriculture	50.0%	55.0%	65.0%	75.0%	75.0%
Federal employees and military pensions program	3.4%	3.4%	3.4%	3.4%	3.4%
Universal Service Fund		30.0%	50.0%	50.0%	100.0%
Veterans' disability compensation		3.1%	3.1%	3.1%	3.1%
Pell Grants			2.5%	5.0%	9.0%
Social Security				1.4%	1.4%
Build America Bonds					100.0%
State grants for rehabilitative services and disability research					100.0%
Tax expenditures					
Deduction for business meals and entertainment	100.0%	100.0%	100.0%	100.0%	
Exclusion of interest on life insurance savings	16.7%	16.7%	16.7%	16.7%	
Exemption of credit union income	100.0%	100.0%	100.0%	100.0%	
Capital gains treatment of certain income from sales of agricultural items	100.0%	100.0%	100.0%	100.0%	
Special Blue Cross/Blue Shield deduction	100.0%	100.0%	100.0%	100.0%	
Expensing of multiperiod timber growing costs	100.0%	100.0%	100.0%	100.0%	
Tax exemption of certain insurance companies owned by tax-exempt organizations	100.0%	100.0%	100.0%	100.0%	
Expensing of certain multiperiod agricultural production costs	100.0%	100.0%	100.0%	100.0%	
Capital gains treatment of certain timber income	100.0%	100.0%	100.0%	100.0%	
Expensing of certain capital outlays including fertilizer and feed	100.0%	100.0%	100.0%	100.0%	
Exception from passive loss rules for $25,000 of rental loss		100.0%	100.0%	100.0%	
Exclusion of interest on private purpose bonds		25.0%	85.0%	100.0%	
Exclusion of interest on public purpose state and local bonds				14.7%	
Empowerment zones and renewal communities				100.0%	
Defense	5.7%	7.0%	8.7%	12.5%	14.5%

(Appendix 1b, continued)	33 percent spending cuts	50 percent spending cuts	67 percent spending cuts	100 percent spending cuts	100 percent spending cuts (no TE)
Nondefense discretionary					
Federal Highway Administration	5.0%	10.0%	25.0%	40.0%	70.0%
International security assistance	5.0%	25.0%	30.0%	50.0%	50.0%
Customs and Border Protection	5.0%	7.0%	12.0%	20.0%	20.0%
Energy supply programs	10.0%	20.0%	20.0%	50.0%	50.0%
Federal Aviation Administration	2.0%	8.0%	10.0%	15.0%	20.0%
Immigration and Customs Enforcement	5.0%	19.0%	20.0%	20.0%	20.0%
Federal correctional activities	2.0%	4.0%	4.0%	8.0%	8.0%
International development and humanitarian assistance		3.6%	5.5%	15.6%	15.6%
National Institutes of Health		3.0%	5.0%	8.0%	8.0%
National Aeronautics and Space Administration		3.0%	5.0%	10.0%	10.0%
Bureau of Land Management		33.0%	50.0%	100.0%	100.0%
Federal legislative activities		5.0%	10.0%	11.6%	11.6%
Courts of Appeals, District Courts, and other judicial services		2.0%	2.0%	5.0%	5.0%
Legal Activities and U.S. Marshals		2.0%	2.0%	5.0%	5.0%
Forest Service			10.0%	30.0%	45.0%
Corps of Engineers-Civil Works			10.0%	15.0%	15.0%
Conduct of foreign affairs			2.5%	15.5%	15.5%
Office of Safe and Drug-Free Schools			20.0%	40.0%	50.0%
Office of Vocational and Adult Education			20.0%	40.0%	50.0%
National Park Service			10.0%	15.0%	25.0%
Federal Emergency Management Agency			3.5%	7.0%	7.0%
National Infrastructure Innovation and Finance Fund			5.0%	30.0%	40.0%
Agricultural Research and Services			4.0%	8.0%	8.0%
United States Fish and Wildlife Service			10.0%	30.0%	45.0%
Wildland Fire Management and other Department of the Interior programs			10.0%	30.0%	45.0%
Natural Resources Conservation Service			10.0%	30.0%	45.0%
Foreign Information and Exchange Activities			5.0%	15.0%	15.0%
Minerals Management Service (equivalent)			10.0%	30.0%	45.0%
Research and general education aids				41.4%	41.4%
Office of Innovation and Improvement				10.0%	10.0%
Environmental Protection Agency				5.0%	5.0%
Federal aid to the District of Columbia				50.0%	100.0%
Office of Federal Student Aid				10.0%	10.0%
Office of Postsecondary Education				10.0%	10.0%
Corporation for National and Community Service				10.0%	20.0%
Rural Utilities Service and Rural Development				20.0%	20.0%
Federal Bureau of Investigation				5.0%	5.0%
Economic Development Administration				50.0%	50.0%
Rural Business Cooperative Service and other small agencies				50.0%	50.0%
Drug Enforcement Administration				5.0%	5.0%
Department of Justice Management and Operations				5.0%	5.0%
United States Secret Service				5.0%	5.0%
United States Geological Survey				5.0%	5.0%
Bureau of Alcohol, Tobacco, Firearms, and Explosives				5.0%	5.0%
Housing assistance					5.1%
Administration for Children and Families					5.0%
General reduction on all other nondefense discretionary spending			1.0%	2.5%	2.5%

Note: Due to data limitations, tables do not reflect cuts to defense spending in percentage terms. .

Appendix 2. Fifty largest nondefense discretionary programs affected by general reduction included in two-thirds, and all-spending plans

Veterans Health Administration
Public and Indian Housing Programs**
Office of Elementary and Secondary Education
Internal Revenue Service
Office of Special Education and Rehabilitative Services
Global Health and Child Survival Fund, International Drug Control and Law Enforcement*
Federal Transit Administration
Children and Families Services**
Social Security Administration
Employment and Training Administration
Food and Nutrition Service
Environmental Protection Agency*
Community Planning and Development
United States Coast Guard
National Science Foundation
Veterans' Affairs departmental administration
Centers for Medicare and Medicaid Services
Administration for Children and Families
Department of Education Office of Innovation and Improvement*
Agency for International Development
Health Resources and Services Administration
Indian Health Services
Centers for Disease Control and Prevention
National Oceanic and Atmospheric Administration
Office of Justice Programs
International Organizations and Conferences
Multilateral Assistance*
Transportation Security Administration
Federal Bureau of Investigation*
Substance Abuse and Mental Health Services Administration
Federal Railroad Administration
Office of Federal Student Aid*
Bureau of Indian Affairs and Bureau of Indian Education
Food and Drug Administration
Office of Postsecondary Education
Drug Enforcement Administration*
Foreign Agricultural Service
Office of Vocational and Adult Education*
Farm Service Agency
United States Secret Service*
Administration on Aging
Millennium Challenge Corporation
Bureau of the Census
National Institute of Standards and Technology
Bureau of Alcohol, Tobacco, Firearms, and Explosives*
Rural Housing Service
Food Safety and Inspection Service
Bureau of Reclamation
National Highway Traffic Safety Administration
Office of English Language Acquisition

* Under the All-spending plan, this program is not affected by the general reduction because it is specifically cut

** Under the All-spending plan without tax expenditures, this program is not affected by the general reduction because it is specifically cut

Endnotes

1 Michael Ettlinger, Michael Linden, and Lauren Bazel, "A Path to Balance" (Washington: Center for American Progress, 2009).

2 Michael Ettlinger and Michael Linden, "Deal with It" (Washington: Center for American Progress, 2009).

3 Michael Linden, "How to Spot a Deficit Peacock," Center for American Progress, January 20, 2010.

4 This estimate accounts for the specific budgetary effects of the Affordable Care Act, as scored by the Congressional Budget Office. In their original projection of the president's budget, before the ACA was signed into law, the CBO estimated a primary deficit of $273 billion, including a $3 billion net budgetary impact of health care reform. Their final score of the actual health care legislation, however, projected a net effect of $21 billion in deficit reduction for 2015. Therefore, we reduced CBO's original primary deficit projection by $18 billion (the difference between what CBO had already included in their score of the president's budget and the projection impact of the actual law).

5 Linden, "How to Spot a Deficit Peacock."

6 Our report, Deal With It, goes through, in some detail, the implications of taking some items off the budget-cutting table for the remaining programs.

7 Ian Millhiser, "Improving Government Efficiency" (Washington: Center for American Progress, 2010).

8 This estimate is based on the Congressional Budget Office report, "Budget Options, Volume 2" published in August 2009.

9 Ibid.

10 Ibid.

11 The deduction for business meals and entertainment is not included in official estimates of tax expenditures, and as a result there are relatively few recent analyses of the cost of this deduction. In 1996, the Citizens for Tax Justice put its cost at $44 billion from 1996-2002, translating to an average annual cost of $7.3 billion. A Joint Committee on Taxation estimate from 2000 of a proposed change in the deduction is also consistent with this. Given the 13 years between 2002 and 2015, it is likely that this deduction will cost at least $10 billion.

12 U.S. Department of Transportation, "U.S. Department of Transportation Fiscal Year 2010 Budget Estimates" (2010), available at http://www.dot.gov/budget/2011/budgetestimates/.

13 The Federal Bureau of Investigation receives both a defense and a nondefense allocation. CBP and ICE are bigger than the nondefense portion of the FBI's funding.

14 Some fees collected by the federal government are counted not as revenue but as "offsetting receipts." Offsetting receipts are not part of total revenues. Instead they reduce net outlays.

15 Though the corps carries out many worthwhile and vital public projects, there are others that have come under fire for being both wasteful and environmentally harmful. A recent estimate suggests that ending such projects would actually save much more than $700 million. Green Scissors 2010, "More than $200 Billion in Cuts to Wasteful and Environmentally Harmful Spending," available at http://www.greenscissors.com/GreenScissors2010.pdf.

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