Function 370: **Commerce and Housing Credit**

Let the Postal Service (USPS) Eliminate Saturday Mail Delivery

#57

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025
$1,285	$1,460	$1,685	$1,850	$2,020	$2,170	$2,320	$2,470	$2,720	$2,970	$8,300	$20,950

Heritage Recommendation:

In addition to other efficiency-creating steps, the U.S. Postal Service (USPS) should be granted authority to eliminate Saturday delivery of letter mail. This proposal would save $1.3 billion in 2016, and $21 billion over 10 years.

Although the USPS relies almost exclusively on its own revenue for operations, as part of the federal government, its spending is included in the Unified Budget. The reduction of USPS spending will benefit taxpayers by reducing the chances of a financial failure that will lead to a taxpayer-funded bailout.

Rationale:

The USPS is in trouble. As the Internet has grown, the amount of mail sent by Americans is inexorably shrinking, leading to losses in the billions. Unless the organization is comprehensively reformed, it will fail, leaving the U.S. taxpayer to pick up the pieces.

Congress, however, is impeding the Postal Service's ability to reform its operations for the smaller role it will play in the new digital world. Most prominently, and expensively, the USPS has been prohibited from reducing its mail service to five days a week from the current six, eliminating Saturday mail service (parcel delivery would continue). Such a step would save approximately $2 billion per year for the USPS.

Additional Reading:

- James L. Gattuso, "Can the Postal Service Have a Future?" Heritage Foundation *Backgrounder* No. 2848, October 10, 2013, http://www.Heritage.org/research/reports/2013/10/can-the-postal-service-have-a-future.
- James Gattuso, "Sending a Message: USPS Strips Saturday Service," The Daily Signal, February 7, 2013, http://dailysignal.com/2013/02/07/sending-a-message-usps-sinks-Saturday-service/.

Calculations:

Based on CBO Cost Estimate, "H.R. 2748, Postal Reform Act of 2013, June 23, 2014, http://www.cbo.gov/sites/default/files/hr2748.pdf. This savings estimate based on scores for the reduction in the frequency of mail delivery, other changes in mail delivery, and Alaska mail delivery. The CBO estimates are provided through 2024. We assume the same trend in savings as indicated by the CBO's estimates for the 2025 value. This results in estimated savings of $850 million, $2.1 billion, and $20 million in 2025 for the three components listed above.

#58

Cut Universal Service Subsidies

Heritage Recommendation:

Eliminate telecommunications subsidies for rural areas, phase out the schools and libraries subsidy program, and reduce spending on the Lifeline program by reducing fraud and waste.

Although this proposal will have no impact on the budget deficit, it will save taxpayers approximately $9.3 billion annually, and $92.7 billion in taxes and fees over 10 years, since these programs are supported by fees.

Rationale:

The Universal Service Fund (USF) was created in 1996 to replace a system of implicit subsidies administered by telephone companies. Run by the Federal Communications Commission (FCC) through the Universal Service Administrative Corporation, the program is financed by a dedicated fee paid by all telecommunications service users. The program funds a number of subsidy programs, including those for rural telephone companies, schools and libraries fund, and for low-income consumers:

- The "high-cost fund," which cost $4.17 billion during the 2013 funding year, largely supports rural areas where the cost of providing telecom connections is high. Under reforms adopted by the FCC in summer 2014, the USF, which traditionally subsidized rural phone companies, will be replaced by a new fund focusing on rural broadband and wireless service. Even after that reform, however, the program will remain fundamentally flawed, because it provides federal cash regardless of need. Residents of Aspen, Colorado, and Jackson Hole, Wyoming, for instance, receive support regardless of need at the expense of poorer Americans elsewhere. The program should be ended.
- The schools and libraries (E-Rate) fund—which, based on increases approved by the FCC in December 2014, now costs $3.9 billion per year—was originally intended to finance the connection of schools and libraries to the Internet.[47] For the most part, that task was completed years ago. But rather than declare victory, the program has been expanded to fund other Internet-related goods and services. This program is not needed. If any federal funding is needed by schools, it should be managed by the Department of Education—not the FCC—and should compete with other education priorities.
- The "Lifeline" fund provides discounted phone service and equipment to low-income Americans. While well-intended, the program has been plagued by fraud and abuse, as costs tripled from under $600 million in 2001 to almost $1.8 billion in the 2013 funding year.[48]

Additional Reading:

- Diane Katz and Luke Welch, "The FCC's Universal Service Folly," The Daily Signal, November 8, 2011, http://dailysignal.com/2011/11/08/the-fcc%E2%80%99s-universal-service-folly.
- Matthew Sabas, "Obamaphones: Rife with Waste, Fraud and Abuse," The Daily Signal, November 24, 2013, http://dailysignal.com/2013/11/24/obamaphones-rife-waste-fraud-abuse/.
- Adi Robertson, "FCC Approves Multibillion-Dollar Push to Put Wi-Fi in Schools and Libraries, The Verge, July 11, 2014, http://www.theverge.com/2014/7/11/5888059/fcc-approves-e-rate-reform-proposal-2014.

Calculations:

Taxpayer savings were calculated by adding the costs of the high-cost fund and the schools and libraries fund, along with the proposed $1.2 billion reduction in the Lifeline fund. High-cost spending of $4.17 billion is found on page 35 of Universal Service Administration Company, *2013 Annual Report*, http://usac.org/_res/documents/about/pdf/annual-reports/usac-annual-report-Interactive-Layout-2013.pdf. Schools and libraries fund costs are found at news release, "FCC Continues E-Rate Reboot to Meet Nation's Digital Learning Needs," FCC, December 11, 2014, http://www.fcc.gov/document/fcc-continues-e-rate-reboot-meet-nations-digital-learning-needs. Lifeline program costs are found on page 8 of Universal Service Administration Company, *2001 Annual Report*, http://www.usac.org/_res/documents/about/pdf/annual-reports/usac-annual-report-2001.pdf.

#59 to #63

Eliminate Five Corporate Welfare Programs in Commerce Department

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025
$892	$895	$897	$908	$929	$950	$970	$996	$1,016	$1,034	$4,521	$9,487

Heritage Recommendation:

Eliminate:

1. International Trade and Investment Administration ($460.6 million in FY 2014)[49]
2. Economic Development Administration ($246.5 million in FY 2014)[50]
3. Minority Business Development Agency ($28 million in FY 2014)[51]
4. Hollings Manufacturing Extension Partnership ($129 million in FY 2014)[52]
5. Advanced Manufacturing Technology Consortia ($15 million in FY 2014)[53]

This proposal saves $892 million in 2016, and $9.5 billion over 10 years.

Rationale:

The International Trade Administration (ITA) serves as a taxpayer-financed sales department for selected businesses, and promotes the U.S. as an investment destination. Businesses should market and sell their own products without using tax money, and foreigners need little help understanding that the U.S. market is worth entering through investments. The ITA also enforces various, mostly counterproductive, aspects of U.S. trade law, particularly antidumping duties and countervailing duties. The Economic Development Administration hands out money to businesses and universities that are not offering products and services that people want to buy. The Minority Business Development Agency hands out grants and runs federally funded management consulting operations, called business centers, in over 40 locations. The National Institute of Standards and Technology (NIST) operates the Hollings Manufacturing Extension Partnership, which is another federally funded management consulting operation directed at manufacturers. The Advanced Manufacturing Technology (AMTech) Consortia program, also managed by NIST, provides federal grants to support commercial technology research.

Businesses should not receive taxpayer subsidies. These long-lived and unnecessary subsidies increase federal spending and distort the marketplace. Corporate welfare to politically connected corporations should end.

Additional Reading:

- Michael Sargent et al., "Cutting the Commerce, Justice, and Science Spending Bill by $2.6 Billion: A Starting Point," Heritage Foundation *Issue Brief* No. 4220, May 12, 2014, http://www.Heritage.org/research/reports/2014/05/cutting-the-commerce-justice-and-science-spending-bill-by-26-billion-a-starting-point.

- Brian M. Riedl, "The Advanced Technology Program," testimony before the Homeland Security and Governmental Affairs Committee, United States Senate, May 26, 2005 http://www.Heritage.org/research/testimony/the-advanced-technology-program.

- Brian M. Riedl, "The Advanced Technology Program: Time to End this Corporate Welfare Handout," Heritage Foundation *Backgrounder* No. 1665, July 15, 2003, http://www.Heritage.org/research/reports/2003/07/the-advanced-technology-program-time-to-end-this-corporate-welfare-handout.

Calculations:

Savings are expressed as budget authority and were calculated by using the FY 2014 enacted spending levels for each of the five programs as footnoted above. Spending levels were increased at the same rate as discretionary spending growth for 2016–2025, according to the most recent August 2014 CBO baseline.

#64

Repeal the Corporation for Travel Promotion

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025
–$38	–$42	–$46	–$50	–$55	$0	$0	$0	$0	$0	–$231	–$231

Heritage Recommendation:

Repeal the Corporation for Travel Promotion, which was extended by the Travel Promotion, Enhancement, and Modernization Act in the December 2014 omnibus spending bill. It should be noted that once created, federal programs are rarely allowed to expire.

This proposal will increase net government spending (taxes minus revenues) by $231 million over five years (the length of its current extension) because, although it will reduce government spending by $500 million, it will also eliminate $731 million in projected tax revenues. Despite adding to net spending, this proposal will reduce the size and scope of government.

Rationale:

More commonly known as Brand USA, the Corporation for Travel Promotion is a public-private partnership that promotes international travel to the U.S. and is administered by the Department of Commerce.[54] Funding comes from the private sector and local governments, and is matched by federal funding up to $100 million. Federal funds come from a fee collected from foreign travelers using the Electronic System for Travel Authorization (ESTA), a service intended to expedite the visa process for nations that are friends and allies of the U.S.

According to the Department of Commerce, the travel industry is one of America's largest export services and garnered $1.5 trillion in total sales in 2013; and international travel to America began increasing years before Brand USA's founding in 2010, beginning with a post-9/11 upswing in 2004. The federal government's role in international travel should remain in improving visa and security requirements. Congress should not be helping industries with marketing and communication strategies.

Additional Reading:

- Katie Tubb, "U.S. Does Not Lack Brand Recognition," The Daily Signal, October 10, 2014, http://dailysignal.com/2014/10/10/u-s-lack-brand-recognition/.

- Jessica Zuckerman, "Travel Promotion: Brand USA Marked by Waste and Abuse," Heritage Foundation *Issue Brief* No. 3751, October 10, 2012, http://www.Heritage.org/research/reports/2012/10/travel-promotion-brand-usa-marked-by-waste-and-abuse.

Calculations:

Savings are based on budget authority found on page 2 of Congressional Budget Office Cost Estimate, "H.R. 4450: Travel Promotion, Enhancement, and Modernization Act of 2014," July 18, 2014, http://www.cbo.gov/sites/default/files/hr4450.pdf. This estimate includes $100 million in estimated federal budget authority from FY 2016–2020 as well as $731 million in estimated revenues that would not be collected if the program were repealed.

Reform the Securities and Exchange Commission (SEC)

#65

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025
$321	$448	$588	$742	$912	$1,099	$1,304	$1,530	$1,778	$2,051	$3,011	$10,773

Heritage Recommendation:

Freeze the Securities and Exchange Commission (SEC) budget in real, inflation-adjusted terms. This proposal saves $321 million in 2016 and $10.8 billion over 10 years.

Rationale:

The mission of the SEC is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. These are important goals. However, over the past 10 years, the SEC budget has increased by 60 percent, 26 percent faster than the government as a whole, about a third faster than the economy, and over twice as fast as inflation. In its FY 2015 budget request, the SEC has asked for a 16 percent increase, from $1,463 billion to $1.7 billion.

There is no reason to believe that the previous flood of resources has improved the SEC's performance or effectiveness. In fact, the SEC has become sclerotic and moribund. It has too many layers of middle management, too many offices and too many layers of review. It needs to be reformed and streamlined. It needs to focus on its core enforcement mission of preventing fraud and ensuring compliance with disclosure laws. What it does not need is more tax money.

Additional Reading:

- David Burton, "Lack of Resources Is Not the Reason for SEC Tardiness," The Daily Signal, December 10, 2013 http://dailysignal.com/2013/12/10/lack-resources-reason-sec-tardiness/.

Calculations:

Savings are expressed as budget authority and were calculated by using the FY 2014 enacted spending levels and FY 2015 requested spending level as found on page 17 of SEC, "FY 2015 Congressional Budget Justification; FY 2015 Annual Performance Plan; FY 2013 Annual Performance Report," http://www.sec.gov/about/reports/secfy15congbudgjust.pdf. Historical growth averaging 6.49 percent from 2008 to 2013 is found from the total 46 percent growth between 2008 and 2013, reported in David Burton, "Lack of Resources Is Not the Reason for SEC Tardiness," The Daily Signal, December 10, 2013 http://dailysignal.com/2013/12/10/lack-resources-reason-sec-tardiness/. A current policy continuation assumes annual increases of 8.72 percent for 2016 to 2025. This equals the average growth rate in SEC spending from 2008 through the 2015 request. We compare this current spending path to an alternative policy that increases the FY 2014 enacted amount by CPI inflation as projected by the CBO in its most recent August 2014 baseline. The savings equal the difference between the two spending paths.

Endnotes: Commerce and Housing Credit

47. News release, "FCC Continues E-Rate Reboot to Meet Nation's Digital Learning Needs," Federal Communications Commission, December 11, 2014, http://www.fcc.gov/document/fcc-continues-e-rate-reboot-meet-nations-digital-learning-needs (accessed January 6, 2015).
48. Universal Service Administration Company, *2001 Annual Report*, p. 8, http://www.usac.org/_res/documents/about/pdf/annual-reports/usac-annual-report-2001.pdf (accessed January 6, 2015).
49. Penny Pritzker, "The Department of Commerce Budget in Brief: Fiscal Year 2015," U.S. Department of Commerce, p. 49, http://www.osec.doc.gov/bmi/budget/FY15BiB/EntireBiB2_508.pdf (accessed January 6, 2015).
50. Ibid., p. 22.
51. Ibid., p. 61.
52. Ibid., p. 122.
53. National Institute of Standards and Technology, National Technical Information Service, "Fiscal Year 2015 Budget Submission to Congress," p. 183, http://www.osec.doc.gov/bmi/budget/FY15CJ/NISTandNTISFY2015CJFinal508Compliant.pdf (accessed January 6, 2015).