Appendix: Spending Options With Smaller Budgetary Effects

Most of the policy options presented earlier in this report would reduce the federal deficit by at least $10 billion over the 2019–2028 period, in the assessment of the Congressional Budget Office. This appendix presents an assortment of options that would save less than that. Some of the options were chosen to appear here because they appeared in previous editions of this report. Other options were chosen in response to strong Congressional interest.

Mandatory Spending Options

The following options would reduce the deficit by reducing mandatory spending.

Option A-1. Divest Two Agencies of Their Electric Transmission Assets

This option would reduce the government's role in electricity markets by divesting it of the transmission assets of the Southwestern Power Administration and the Western Area Power Administration. Those federal agencies market and transmit electricity for wholesale customers, such as cooperative, public, and private utilities. Once the assets were sold, the agencies would neither spend money on new transmission projects nor collect income from customers repaying the costs of past investment in electric transmission. CBO estimates that implementing this option would save $2.0 billion in mandatory spending over the 2019–2028 period, a sum reflecting $2.3 billion in sale proceeds and $0.3 billion in costs from forgone receipts. In addition, CBO estimates that implementing the option would reduce discretionary spending by $0.1 billion over that period. Those savings are uncertain and depend on various factors, such as the terms and characteristics of each asset sale and whether the past cash flows of the assets—which, once privatized, would no longer be subject to some statutory constraints—would accurately inform CBO's estimates of the assets' private-sector valuations.

Option A-2. Change the National Flood Insurance Program

Under this option, the federal government would stop offering discounted rates to households that bought insurance through the National Flood Insurance Program for "pre-FIRM" properties—that is, properties constructed before their community's first flood insurance rate map (FIRM) was created. The option would also eliminate an annual surcharge of $25 for primary residences and $250 for other properties. To replace the collections forgone by eliminating the surcharge, the option would increase the reserve fund assessment, which is currently set by the Federal Emergency Management Agency at 15 percent, to 23 percent. CBO estimates that implementing those changes would reduce spending by $1.3 billion over the 2019–2028 period. Those savings are uncertain, because two related factors are likewise uncertain: the number of pre-FIRM properties that would have received discounted rates in the absence of the changes and the way the changes would affect the number of property owners who chose to purchase insurance through the National Flood Insurance Program.

Option A-3. Tighten Eligibility for the Supplemental Nutrition Assistance Program

This option would eliminate broad-based categorical eligibility for the Supplemental Nutrition Assistance Program (SNAP) for some households. Specifically, for households that do not include an elderly or disabled person and are eligible for SNAP under current law because all household members receive or are authorized to receive noncash benefits from the Temporary Assistance for Needy Families (TANF) program, eligibility for SNAP would instead be determined through income and asset requirements. CBO estimates that the option would yield federal savings of $8.1 billion from 2019 to 2028. The largest source of uncertainty in that estimate is CBO's estimate of the number of participants who would be affected by the option. To estimate that

number, CBO relies on administrative data that include detailed information about participants' income but do not generally include information about their assets. As a result, determining precisely how many people would remain eligible for SNAP if they were subject to the asset requirements is difficult.

RELATED OPTIONS: Mandatory Spending, "Convert Multiple Assistance Programs for Lower-Income People Into Smaller Block Grants to States" (page 89), "Eliminate Subsidies for Certain Meals in the National School Lunch, School Breakfast, and Child and Adult Care Food Programs" (page 92)

Option A-4. Reduce Pension Benefits for New Federal Retirees

This option would reduce spending on the Federal Employees Retirement System by decreasing the pensions of most federal workers who retired in January 2019 or later. For those retirees, the formula for calculating the basic annuity would be changed so that the annuity was based on the average of employees' earnings over the five consecutive years when they earned the most. (Currently, the annuity is based on the average of the three consecutive years when employees earned the most.) That change would save the federal government $2.9 billion from 2019 through 2028, CBO estimates. Those savings are uncertain and depend on a number of factors, including CBO's projections of salary growth and of when employees choose to retire.

RELATED OPTIONS: Revenues, "Increase Federal Civilian Employees' Contributions to the Federal Employees Retirement System" (page 304); Appendix, Mandatory Spending, "Eliminate the Special Retirement Supplement for New Federal Retirees" (page 310)

Option A-5. Eliminate the Special Retirement Supplement for New Federal Retirees

Part of the Federal Employees Retirement System is the Special Retirement Supplement—income that employees who are eligible to retire before age 62 can receive until they become eligible for Social Security benefits at that age. This option would eliminate the Special Retirement Supplement for federal workers who retired in January 2019 or later. The option would save the federal government $5.3 billion from 2019 through 2028, CBO estimates. Uncertainty about the option's savings stems from CBO's projections of federal workers' salary growth and retirement rates, which are themselves uncertain.

RELATED OPTIONS: Revenues, "Increase Federal Civilian Employees' Contributions to the Federal Employees Retirement System" (page 304); Appendix, Mandatory Spending, "Reduce Pension Benefits for New Federal Retirees" (page 310)

Discretionary Spending Options

The following options would reduce the deficit by reducing discretionary spending, provided that federal appropriations were reduced accordingly.

Option A-6. Eliminate Certain Forest Service Programs

This option would eliminate two entities within the U.S. Forest Service: the State and Private Forestry program and U.S. Forest Service R&D (Forest and Rangeland Research). Those entities examine and mitigate environmental concerns, such as threats to forests from insects, disease, and invasive plants. They also help businesses and other stakeholders sustainably manage and use natural resources—for instance, by developing new products, such as wood-based chemicals. Provided that federal appropriations were reduced accordingly, eliminating the programs would save $6.4 billion through 2028, CBO estimates. The eliminated appropriations would not immediately decrease outlays by the same amount because funds appropriated in one year are typically spent over many years. One source of CBO's uncertainty about the option's savings is that the process of shutting down programs might cost more than CBO anticipates, which could limit savings in the near term. Another is that the agency's baseline projections of the programs' costs, against which the option's savings are measured, are themselves uncertain.

Option A-7. Limit the Number of Cities Receiving Urban Areas Security Initiative Grants

This option would limit the cities receiving Urban Areas Security Initiative grants to the 10 cities at highest risk, as determined by the Department of Homeland Security. Cities use the grants for efforts to prevent terrorism and recover from it. Provided that federal appropriations were reduced accordingly, the option would save $1.2 billion through 2028, CBO estimates. Those savings are uncertain and depend on various factors, including the risk of terrorism in cities across the country.

Option A-8. Eliminate the International Trade Administration's Trade-Promotion Activities

The International Trade Administration (ITA) supports U.S. businesses that sell their goods and services abroad. Part of ITA's work is promoting trade by assisting domestic companies that are either new to the exporting process or trying to increase their exports. To do that, ITA assesses the companies' competitiveness in foreign markets and develops trade and investment policies to promote the companies' exports. This option would eliminate those trade-promotion activities. CBO estimates that eliminating them would save $3.0 billion through 2028, provided that federal appropriations were reduced accordingly. Uncertainty about this option's savings stems primarily from uncertainty about baseline projections of the activities' costs, against which those savings are measured. Furthermore, if ITA's priorities shifted between trade promotion and other activities, the expected savings would change as well.

Option A-9. Convert the Home Equity Conversion Mortgage Program Into a Direct Loan Program

This option would replace the Home Equity Conversion Mortgage (HECM) program with a direct loan program in 2020. Instead of guaranteeing reverse mortgages that private lenders originate, the Federal Housing Administration (FHA) would make loan disbursements directly to borrowers.

Using the budgetary procedures prescribed by the Federal Credit Reform Act of 1990, CBO projects that if FHA charged borrowers an interest rate similar to those charged by private lenders, the option would result in discretionary savings with a net present value of $3.1 billion from 2020 to 2028, provided that federal appropriations were reduced accordingly. (A present value is a single number that expresses a flow of current and future payments in terms of an equivalent lump sum paid today; the present value of future cash flows depends on the rate of interest, or discount rate, that is used to translate them into current dollars.) Using fair-value accounting—an alternative method that is based on market values and that more comprehensively accounts for the risk that the government assumes in guaranteeing or making loans—CBO projects that net discretionary savings would amount to $6.9 billion over the same period. The savings are uncertain and depend on a number of factors, including CBO's projections of interest rates, house prices, and the size of the HECM program, as well as CBO's assessment of how lenders and borrowers would react to such a change.