

Top-Level Summary of the Libertarian Balanced Federal Budget for FY 2012

	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>GOVERNMENT REVENUE</u>			
OMB Revenue Estimates	\$2,165,119,000,000	\$2,567,181,000,000	\$2,926,400,000,000
	<u>Libertarian Revenue Adjustments</u>		
			Extend 2010 tax rates \$(592,907,580,000)
			Eliminate or phase out selected "tax expenditures" \$414,218,000,000
			One-time sale of gold reserves <u>\$108,000,000,000</u>
			Libertarian Revenue Estimate \$2,855,710,420,000
 <u>GOVERNMENT SPENDING</u>			
OMB Spending Estimates	\$3,720,701,000,000	\$3,833,861,000,000	\$3,754,852,000,000
	<u>Libertarian Spending Reductions</u>		
			Consolidating Agencies \$(186,423,000,000)
			Privatizing Programs \$(26,337,000,000)
			Eliminating Block Grants \$(20,262,000,000)
			Ending the War on Drugs \$(16,351,900,000)
			Other Program Savings* \$(497,791,700,000)
			5% Across-the-Board Cuts <u>\$(165,034,820,000)</u>
			Libertarian Spending Estimate \$2,842,651,580,000
OMB BUDGET DEFICITS	\$(1,555,582,000,000)	\$(1,266,680,000,000)	\$(828,452,000,000)
LIBERTARIAN BUDGET SURPLUS			\$13,058,840,000

* "Other Program Savings" consists primarily of program cuts in Agriculture, Defense, Health and Human Services, State, and Transportation.

SUMMARY OF PRINCIPAL SPENDING REDUCTIONS

Consolidating Agency Functions. The idea that we can balance the budget through ten or twenty years of slow, steady dieting is unrealistic; the time horizon is simply too long and our debt burden is too heavy to give us that much time. Accordingly, rather than asking government to do more with less, we want government to do less and let the private sector do more.

Toward that end, we propose to eliminate the Department of Education, the Department of Housing and Urban Development, NASA, the National Science Foundation, the Environmental Protection Agency, and the Small Business Administration. These agencies pursue worthy goals, but government action is not the only or even the best way to meet those goals.

Privatization of Certain Functions. Many useful services provided by government are substantially similar to services otherwise provided by private entities without taxpayer support. Under this proposal, Amtrak, the Postal Service, the Federal Aviation Administration, and the Transportation Safety Administration would all be privatized.

Eliminating Block Grants to State and Local Governments. One of the greatest inefficiencies in the federal budget is the use of block grants to boss state and local governments around. This means Washington is collecting money from people all over the country and then sending it back where it came from—after taking a cut and usually attaching some conditions. Washington’s instructions on how to spend the money are written by people who are never as familiar with local needs as the state and local governments are. After eliminating, consolidating, or privatizing other government functions, we would dramatically reduce the extent to which surviving federal programs serve merely as check-writing overlords to state and local governments.

Ending the Federal War on Drugs. Whether one is for or against full legalization of marijuana or other drugs, there is no good policy reason for drug prohibition to be federal and we can find no authority for it in the Constitution. Ending the federal drug war will save tens of billions of dollars

each year for federal, state, and local governments, and will restore the political control over drug policy to state governments, where it belongs.

Eliminating or Reducing Other Government Programs. Even agencies with a clear constitutional mandate for important public functions have some programs that are ineffective, unaffordable, or both. Our budget therefore proposes to eliminate roughly \$500 billion in annual spending as follows:

- Over \$140 billion from the Defense budget, including a \$53 billion reduction in discretionary spending on overseas deployments.
- Over \$130 billion in food subsidies from the Agriculture budget.
- Over \$104 billion in block grant programs from the Department of Health and Human Services
- Almost \$60 billion in the Department of Transportation, from terminating the Federal Highway Administration and the Federal Transit Administration.
- Almost \$49 billion more in the budgets of the State Department and other international assistance programs.
- Smaller program cuts in the Commerce Department, the Justice Department, and the Labor Department.

Economizing by 5% Across the Board. Getting more selective about what we ask government to do is the key to fiscal responsibility, but there’s always room for old-fashioned belt-tightening. The programs that survived our budget review will still need to stretch their resources farther, just as households and small businesses are learning to do. That 5% increment—roughly \$165 billion in 2012 under our budget—would not come close to balancing the budget by itself, but as the *final* step in the process it makes our government (barely) affordable.

Summary of Spending Cuts by Agency and Category

	OMB's Budget		Our Budget		How We Did It					
	OMB 2010	OMB 2012	Libertarian	% Change	Agency	Block	Drug	Other	5% Across-	
	Estimate	Estimate	2012	from OMB	Consolidation	Privatization	Grant	War	Program	the-Board
			2012	2012	Savings	Savings	Savings	Savings	Savings	Savings
Agriculture	142,016	137,917	6,329	95.4%					(131,255)	(333)
Commerce	16,714	10,430	7,242	30.6%			(690)		(2,117)	(381)
Corps of Engineers	10,536	5,879	5,580	5.1%			(5)			(294)
Defense -- Military	692,031	653,424	486,564	25.5%				(1,589)	(139,663)	(25,609)
Defense -- Civilian Programs	54,317	56,457	53,634	5.0%						(2,823)
Education	106,944	85,178	0	100.0%	(85,178)					
Energy	38,278	34,792	18,338	47.3%	(15,489)					(965)
EPA	11,301	9,980	0	100.0%	(9,980)					
Executive Office of the President	715	427	406	5.0%						(21)
General Services Administration	1,782	2,170	2,062	5.0%						(109)
Health and Human Services	868,762	911,291	762,621	16.3%					(104,247)	(40,138)
Homeland Security	52,903	46,847	35,350	24.5%		(5,724)	(115)	(3,798)		(1,861)
Housing and Urban Development	62,518	48,153	0	100.0%	(48,153)					
Interior	12,042	12,803	8,277	35.3%			(4,080)	(10)		(436)
Justice	30,333	33,700	19,311	42.7%			(4,814)	(4,531)	(4,028)	(1,016)
Labor	209,265	90,790	78,927	13.1%					(7,709)	(4,154)
Legislative Branch	5,423	5,292	5,027	5.0%						(265)
NASA	19,123	18,953	0	100.0%	(18,953)					
National Science Foundation	7,819	7,558	0	100.0%	(7,558)					
Office of Personnel Management	71,603	75,956	72,158	5.0%						(3,798)
Other Independent Agencies	8,427	26,915	20,648	23.3%		(3,790)	(989)	(401)		(1,087)
Small Business Administration	5,978	1,112	0	100.0%	(1,112)					
Social Security (Off-budget)	683,867	738,430	701,509	5.0%						(36,922)
Social Security (On-budget)	85,108	77,304	73,439	5.0%						(3,865)
State and Other International Programs	49,625	58,288	7,729	86.7%				(1,257)	(48,895)	(407)
The Judiciary	7,159	7,351	6,983	5.0%						(368)
Transportation	90,944	82,817	1,448	98.3%		(16,823)	(4,589)	(3)	(59,878)	(76)
Treasury	502,980	685,279	646,227	5.7%			(4,980)	(60)		(34,012)
Veterans Affairs	124,565	122,369	115,853	5.3%				(418)		(6,098)
Allowances	18,750	(4,187)	(4,187)							
Undistributed Offsetting Receipts, On-Budget	(137,793)	(150,648)	(150,648)							
Undistributed Offsetting Receipts, Off-Budget	(133,334)	(138,175)	(138,175)							
Totals	3,720,701	3,754,852	2,842,652	24.3%	(186,423)	(26,337)	(20,262)	(16,352)	(497,792)	(165,035)

Tax Expenditures Eliminated

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2021</u>	<u>Total</u>
<u>Tax expenditures for corporations</u>						
Eliminate corporate tax preferences for foreign operations	\$42,920	\$43,900	\$43,510	\$44,040	\$264,240	\$438,610
Eliminate corporate tax subsidies for R&D in science, space, and technology	\$8,470	\$8,790	\$8,514	\$8,878	\$53,268	\$87,920
Eliminate corporate tax subsidies for energy R&D and energy conservation	\$15,720	\$11,240	\$7,080	\$4,710	\$28,260	\$67,010
Eliminate corporate tax subsidies for forestry and mining operations	\$1,620	\$1,680	\$1,790	\$1,900	\$11,400	\$18,390
Eliminate corporate tax subsidies for agriculture	\$40	\$40	\$40	\$40	\$240	\$400
Eliminate corporate tax subsidies for financial institutions and insurance companies	\$2,870	\$3,050	\$3,250	\$3,430	\$20,580	\$33,180
Eliminate corporate tax subsidies for housing	\$8,290	\$9,450	\$9,880	\$10,130	\$60,780	\$98,530
Eliminate reduced rate for first \$10 million in corporate income	\$3,070	\$3,150	\$3,420	\$3,600	\$21,600	\$34,840
Eliminate corporate tax subsidies for transportation expenses	\$70	\$40	\$40	\$30	\$180	\$360
Eliminate corporate tax subsidies for development projects	\$1,390	\$1,380	\$1,390	\$1,340	\$8,040	\$13,540
Eliminate corporate tax subsidies for "US production activities"	\$10,910	\$11,570	\$12,260	\$12,950	\$77,700	\$125,390
Eliminate exclusion of interest on hospital bonds	\$1,420	\$1,420	\$1,470	\$1,550	\$9,300	\$15,160
Eliminate tax credit for orphan drug research	\$350	\$380	\$410	\$450	\$2,700	\$4,290
Eliminate special Blue Cross/Blue Shield tax subsidy	\$660	\$590	\$530	\$690	\$4,050	\$6,520
Eliminate special ESOP rules	\$1,410	\$1,480	\$1,550	\$1,620	\$9,720	\$15,780
Eliminate exclusion of interest on public purpose state and local bonds	\$12,140	\$12,170	\$12,570	\$13,200	\$79,200	\$129,280
Eliminate miscellaneous tax subsidies for higher education	<u>\$2,320</u>	<u>\$2,430</u>	<u>\$2,500</u>	<u>\$2,590</u>	<u>\$15,540</u>	<u>\$25,380</u>
Subtotal	\$113,670	\$112,760	\$110,204	\$111,148	\$666,798	\$1,114,580
<u>Tax expenditures for individuals</u>						
Phase out (2 years) tax expenditures relating to foreign income of U.S. citizens	\$3,615	\$7,590	\$7,970	\$8,370	\$50,220	\$77,765
Phase out (2 years) tax subsidies for R&D in science, space, and technology	\$165	\$360	\$380	\$400	\$2,400	\$3,705
Eliminate tax subsidies for energy R&D and energy conservation	\$1,250	\$1,270	\$1,200	\$1,160	\$6,960	\$11,840
Eliminate tax subsidies for forestry and mining operations	\$660	\$710	\$750	\$800	\$4,800	\$7,720
Eliminate tax subsidies for agriculture	\$830	\$990	\$1,130	\$1,300	\$7,800	\$12,050
Phase out (10 years) mortgage interest deduction	\$11,662	\$25,568	\$41,700	\$59,824	\$673,020	\$811,774
Phase out (5 years) capital gains exclusion on principal residence	\$7,902	\$17,456	\$28,920	\$44,880	\$336,600	\$435,758
Phase out (10 years) property tax deduction on principal residence	\$2,973	\$6,268	\$9,810	\$13,476	\$151,605	\$184,132
Phase out (5 years) exclusion of net imputed rental income	\$8,162	\$16,408	\$28,998	\$44,880	\$252,450	\$350,898
Phase out (5 years) other miscellaneous tax subsidies for housing investments	\$3,154	\$7,564	\$13,104	\$19,848	\$148,860	\$192,530
Eliminate tax preferences for financial institutions and insurance and annuity contracts	\$24,000	\$25,720	\$27,500	\$29,120	\$174,720	\$281,060
Eliminate deduction for "US production activities"	\$3,510	\$3,720	\$3,950	\$4,170	\$25,020	\$40,370
Eliminate exclusion of employer-paid transportation costs	\$3,820	\$3,970	\$4,150	\$4,310	\$25,860	\$42,110
Eliminate tax subsidies for development projects	\$1,620	\$1,760	\$1,860	\$1,920	\$11,520	\$18,680
Eliminate exclusion for employer-provided health insurance premiums	\$191,540	\$208,650	\$228,040	\$248,600	\$1,491,600	\$2,368,430
Eliminate exclusion for self-employed health insurance premiums	\$6,150	\$6,580	\$7,120	\$7,780	\$46,680	\$74,310
Eliminate exclusion of interest on hospital bonds	\$2,690	\$2,890	\$3,070	\$3,240	\$19,440	\$31,330
Eliminate special ESOP rules	\$490	\$520	\$550	\$580	\$3,480	\$5,620
Phase out (4 years) exclusion of interest on public purpose state and local government bonds	\$5,748	\$12,365	\$19,658	\$27,710	\$166,260	\$231,740

Tax Expenditures Eliminated

Phase out (4 years) deduction for state and local taxes	\$14,525	\$30,945	\$48,990	\$68,250	\$409,500	\$572,210
Phase out (4 years) miscellaneous tax subsidies for higher education	<u>\$6,083</u>	<u>\$12,800</u>	<u>\$20,010</u>	<u>\$27,720</u>	<u>\$166,320</u>	<u>\$232,933</u>
Subtotal	\$300,548	\$394,104	\$498,860	\$618,338	\$4,175,115	\$5,986,965
Total	\$414,218	\$506,864	\$609,064	\$729,486	\$4,841,913	\$7,101,545