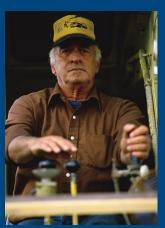
# BIUEPRINT

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# AMERICA'S COMEBACK









A Pro-Growth Plan of Action for Jobs, Competitiveness, Freedom & Opportunity for Virginia



### **EXECUTIVE SUMMARY**

Virginians' vision of achieving the American Dream has been badly shaken by our struggling economy, falling home values, and a government that borrows \$40 for every \$100 it spends. America needs to get back in control of its own destiny. We are vulnerable to outside forces due to our dangerous levels of debt, burdensome taxes on job creators, and counterproductive energy policies.

While pessimism about our current state of affairs is understandable in these challenging times, we can restore confidence and the promise of opportunity for the next generation by taking the necessary steps now. We can once again make America a country where young people graduating from college are limited only by their imagination, hard work and ingenuity.

The *Blueprint for America's Comeback* is a pro-growth plan of action to get our country back on course by focusing on jobs, competitiveness, freedom and opportunity.

- Making America Competitive for Job Creators. Key to America's growth is reducing the U.S. tax on job-creating businesses currently one of the highest in the world to a competitive 20 percent. With this one policy change, America can begin attracting new investment and expansion in the U.S. and allow U.S. businesses, large and small, to raise wages and create over 5 million more jobs over the next 10 years. The Blueprint further helps the economy grow and create jobs with a tax code that is more fair and simple, including a Flat Tax option for individual taxpayers; new tools to put a check on overzealous regulators; and a focus on educating and training Americans to compete for and succeed in the good-paying, high-skill, high-knowledge jobs of the 21<sup>st</sup> Century.
- Unleashing America's Plentiful Energy Resources and Creativity. America can and should do more to conserve energy and apply our ingenuity to bring affordable alternative or renewable sources of energy to market. At the same time, let's not forget that we have the most plentiful resources in the world right under our land and water. Reversing current counterproductive energy policies not only will put America on a path toward energy freedom, it has the potential to create over a million new jobs, add over two trillion dollars to the revenue side of the government's balance sheet without raising taxes, promote national security and help preserve our quality of life which is being threatened by skyrocketing gas prices.
- Reining in the Over-Reaching, Over-Spending Federal Government. With the national debt at \$14 trillion and growing at an alarming rate, America urgently needs to take control of our financial destiny. The *Blueprint* imposes the fiscal discipline of a Balanced Budget Constitutional Amendment on Washington, with Line-Item Veto authority, tax

limitation, and taxpayer protection that limits spending to 19 percent of GDP. Under the *Blueprint's* Paycheck Penalty Act, Members of Congress must complete work on appropriations bills on time in order to get paid. The *Blueprint* reverses the excesses of the Obama Administration, including repealing Obamacare and replacing it with personal, affordable health-care opportunities. The *Blueprint* further takes aim at wasteful Washington spending with • government management reforms modeled after recommendations of Virginia's Blue Ribbon Strike Force; • a hiring freeze to stop the expansion of bureaucracy and help roll back federal spending to FY 2008 levels; and • expansion of the successful welfare reform model to Medicaid and other welfare programs such as food stamps. Recognizing that Medicare taxes and premiums cover only a little more than half the program's actual cost, we must make needed improvements to preserve Medicare for current and future seniors and protect the program from going broke.

The path America is on today is dangerous and unsustainable; it will diminish our children's future and their ability to achieve the American Dream. This *Blueprint* will change that trajectory and spark an American comeback with a competitive economy that is growing and creating jobs in a country that has so long stood for freedom and opportunity.

### Blueprint for America's Comeback

## A Pro-Growth Plan of Action for Jobs, Competitiveness, Freedom and Opportunity for Virginia

### 1. Making America Competitive for Job Creators (America Is Open for Business!)

If America is going to make a comeback, we must reinvigorate our economy so that it is growing and creating jobs again. Yet, more than two years - and nearly a trillion dollars - after passage of Washington's jobless stimulus bill, the American economy is stuck in idle. GDP grew at an anemic 1.8 percent rate during the second quarter of 2011. Unemployment continues to hover around 9 percent, with more than 14 million Americans looking for jobs while millions of others have simply given up.

Clearly, Washington's big spending, high-tax, heavy-regulation policies are not working. The draconian regulations, threatened tax increases, costly health insurance mandates, and counterproductive energy policies have paralyzed America's businesses – our economy's job creators – leaving them unable to invest, hire or expand.

George Allen followed a different approach as Governor of Virginia. With competitive tax and regulatory policies, the message went out: *Virginia is Open for Business!* The Commonwealth of Virginia was able to attract a record \$14.2 billion in announced new investment and create over 310,000 net new private-sector jobs; and unemployment dropped from 5 percent to 2.9 percent during George Allen's service as Governor.

It's time to provide similar opportunities for America.

Reduce the federal tax on job-creating businesses – currently one of the highest in the world – to 20 percent. With this one policy change, America could begin adding over half a million private-sector jobs each year and expand our economy by \$132 billion (about 1 percentage point) a year.<sup>2</sup> At least 75 countries have cut their corporate tax rates over the last four years as a means of attracting jobs and investment from high-tax nations like ours,<sup>3</sup> and industrialized nations that reduced their rates generally found

<sup>&</sup>lt;sup>1</sup>Bureau of Labor Statistics, Local Area Unemployment Statistics Database, January 1994 and January 1998.

<sup>&</sup>lt;sup>2</sup> The Heritage Foundation's Center for Data Analysis estimate for reducing the corporate income tax to 25 percent; at 20 percent, the results will be even more dynamic. <u>The Economic Impact of a 25% Corporate Income Tax Rate</u>, Karen Campbell, Ph.D. and John Ligon, December 2, 2010.

<sup>&</sup>lt;sup>3</sup> Low Corporate Tax Rates: A Win-Win for Everyone, Scott Hodge, Tax Foundation, February 17, 2011.

investment increased, as did corporate tax revenues – even at lower rates!<sup>4</sup> Bringing our near "worst in the world" rate back in line makes America much more competitive, attracts new investment and expansion in the U.S., and allows U.S. businesses to raise wages and create over 5 million more jobs over the next 10 years.

- Allow small businesses to take advantage of the new, lower 20 percent tax rate.
- Make the tax code more simple and fair for businesses and individuals. Taxpayers and businesses spend about 7.6 billion hours a year complying with the filing requirements for their taxes at a cost of \$193 billion in addition to what they pay in taxes.<sup>5</sup>
  - In conjunction with corporate tax reform, remove distortions from the cumbersome, complicated tax code by eliminating or modifying credits, deductions, and special carve-outs that have Washington picking winners and losers.
  - End double taxation of business profits by adopting a territorial system of taxation.
  - Enact the "Freedom to Choose" Flat Tax for individuals. Let the American people decide for themselves whether to stay with the current code or go with a flat-tax alternative so simple that the entire federal tax return can be reduced to a single page.
- Make permanent tax changes affecting small businesses to provide them the certainty they need to reasonably plan, invest and create jobs. Small businesses cite uncertainty about the economy and the tax code itself as a major reason they are not expanding and creating jobs.<sup>6</sup> As recently as the late 1990s, there were typically fewer than a dozen tax provisions that needed to be renewed every year or so; today there are 141.<sup>7</sup>
  - Death penalty to the death tax. Eliminating this unfair tax will help family businesses and farms survive into the next generation and allow the owners to invest in jobs instead of tax planning. Moreover, it will restore an important part of the American Dream – the ability and freedom to pass along your hard-earned assets, including a small business or farm, to your children.
- Regulate the regulators. Washington's unelected, unaccountable regulators are out of control, and the regulatory onslaught is strangling our economy. Government regulations cost our economy over \$1.75 trillion in 2008, according to the Small Business

<sup>&</sup>lt;sup>4</sup>"<u>Fundamental Reform of Corporate Income Tax.</u>" Organization for Economic Cooperation and Development, OECD Tax Policy Studies No. 16.

<sup>&</sup>lt;sup>5</sup> National Taxpayer Advocate, <u>2008 Annual Report to Congress</u>.

<sup>&</sup>lt;sup>6</sup> "Temporary" Tax Code Puts Small Businesses in a Lasting Bind," Wall St. Journal, 12/14/2010.

<sup>&</sup>lt;sup>7</sup> "Temporary" Tax Code Puts Small Businesses in a Lasting Bind," Wall St. Journal, 12/14/2010.

Administration, <sup>8</sup> and the regulatory pace is accelerating. The *Federal Register*, where all regulations must be published, grew to 81,405 pages in 2010, an all-time high. <sup>9</sup> It's time to follow the Constitution and end the practice of regulation without representation.

- Deny authority for EPA to impose draconian CO2 regulations that would result in skyrocketing fuel, electricity and food costs; cause massive job losses; and make America less competitive for jobs.<sup>10</sup> The Clean Air Act was designed to regulate regional air pollutants, not global concentrations of carbon dioxide.
- Require a "jobs and family impact analysis" of all new proposed regulations before they go into effect. Require Congressional approval for any regulation with an economic impact greater than \$100 million (REINS Act).<sup>11</sup> The Obama Administration has 191 regulations above that threshold under consideration. To put that in perspective, Presidents of both parties in the past 25 years have averaged between 30 and 40 such rules.<sup>12</sup>
- Keep America the world capital of innovation by preparing Americans to compete for and succeed in the good-paying, high-skill, high-knowledge jobs of the 21<sup>st</sup> Century economy.
  - O Work with the States and private sector to encourage and promote science, math, engineering, and technology education. With our economic competitors such as China and India more determined than ever to be key players in the fields of science, technology and engineering, it is imperative to develop tangible methods to encourage more American students and teachers to become involved in these important fields.
  - Consolidate the dozens of overlapping, duplicative federal job-training and education programs and give States flexibility to innovate and manage to best train workers and educate school children.<sup>13, 14</sup>

<sup>&</sup>lt;sup>8</sup> The Impact of Regulatory Costs on Small Firms; Small Business Administration; 2010.

<sup>&</sup>lt;sup>9</sup> <u>Ten Thousand Commandments: A Snapshot of the Federal Regulatory State</u>, Competitive Enterprise Institute.

<sup>&</sup>lt;sup>10</sup> We Need a Permanent Fix to the EPA's CO2 Regulations, Nicolas Loris, Roe Institute for Economic Policy Studies, April 6, 2011.

<sup>&</sup>lt;sup>11</sup> <u>S. 299</u>, the Regulations from the Executive In Need of Scrutiny Act (REINS).

<sup>&</sup>lt;sup>12</sup> <u>The Congressional Accountability Act: A proposal to ban regulation without representation</u>. Wall Street Journal; January 14, 2011.

<sup>&</sup>lt;sup>13</sup> The <u>Government Accountability Office</u> in its March 2011 report, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, identified more than 82 programs monitoring teacher quality, and 47 different programs for job training programs.

<sup>&</sup>lt;sup>14</sup> The <u>National Governors Association</u> Policy "Governors Principles to Ensure Workforce Excellence" notes "Portions of the workforce system span across many agencies within the federal government...These myriad administrations, agencies, funding sources, regulations and responsibilities needlessly complicate, and in some cases prohibit, the kind of true alliances and collaborations that are necessary to streamline the workforce development system and to provide seamless services at the state and local levels.

- Lead in updating America's older schools with the School Modernization and Revitalization Tax Credit (SMART Credit). This bipartisan proposal will provide students a better learning environment; create jobs in building, construction, and supplies; save taxpayers money for school construction; and improve energy efficiency.<sup>15</sup>
- Promote public-private collaboration on university-based research for transformational improvements in our lives from nanotechnology and health sciences.

## 2. Unleashing America's Plentiful Energy Resources and Creativity (American Energy Freedom Act)

The good news is that America has the most plentiful energy resources of any country in the world. <sup>16</sup> U.S. reserves plus technically recoverable oil, gas, and coal amount to 1,320 billion barrels of oil equivalent (BOE) – ahead of Russia, Saudi Arabia, and China. And American ingenuity has traditionally led the way for new and expanded global energy resources.

Yet our dependence on foreign oil is greater today than it was in the days of the gas lines under President Jimmy Carter. Washington persists in holding America's energy resources "off limits," even as energy prices soar. Gasoline prices have more than doubled since President Obama came into office - creating real hardships for Virginia families and businesses as the price for transportation, food, and just about everything else rises.

It is time for America to take control of its energy destiny. Following the *Blueprint* to reverse current counterproductive energy policies and unleash our energy resources not only will put America on a path toward energy freedom, it has the potential to create two million or more new jobs, add over one trillion dollars to the revenue side of the Treasury's balance sheet without raising taxes, promote national security and help preserve our quality of life.

 Embrace conservation, innovation, teleworking, and more efficient equipment and building designs to save money and waste less energy. Apply American ingenuity to bring to market affordable alternative or renewable sources of energy. A good place to start conserving is the federal government. The nation's single largest user of energy

<sup>&</sup>lt;sup>15</sup> <u>Little Restored School House</u> by George Allen and Paul Goldman, New York Times, December 12, 2009. Legislation (<u>S. 2970</u>) was introduced by Virginia Senators Warner and Webb in 2010.

<sup>&</sup>lt;sup>16</sup> <u>U.S. Fossil Fuel Resources: Terminology, Reporting, and Summary</u>, Congressional Research Service Report R40872, Gene Whitney, Carl E. Behrens, Carol Glover, November 30, 2010, page 19.

 $<sup>^{17}</sup>$  U.S. Energy Information Administration data indicates the U.S. imported 51 percent of the petroleum we consumed in 2009; in 1976, the figure was 40.6%.

<sup>&</sup>lt;sup>18</sup> From \$1.83 per gallon of regular gasoline on January 19, 2009, to \$3.84 as of May 23, 2011, U.S. Energy Information Administration, <u>U.S. Retail Gas Prices</u>, accessed May 29, 2011.

spends over \$7 billion on energy just to operate federal buildings. <sup>19</sup> There is also great promise in emerging technologies. Nanotechnologies, for example has the potential to enhance energy efficiency across all branches of industry as well as to offer technological solutions to help economically leverage renewables and alternatives such as solar photovoltaics and batteries.

- Remove the self-imposed barriers to producing energy from American resources. Not only could America replace imports with more of our own energy, we could also be creating new jobs and adding revenues to our Treasury without raising taxes. As many as 1.2 million long-term and good-paying American jobs could be created by opening the offshore areas currently closed to energy exploration, with the potential to add \$2.1 trillion to the Treasury.<sup>20</sup>
  - o End the de facto moratorium on production permits in the Gulf of Mexico. 2011 marks the first year since 1958 that the federal government will not have held an offshore lease sale. By the Administration's own estimates, the moratorium in the Gulf cost the region 20,000 jobs through September 2010, and permitting remains slow. Rigs are leaving the Gulf for foreign shores, taking with them thousands of jobs. Salar is a september 2010, and permitting remains slow.
  - explore the energy resources off their coasts and incentivize them by sharing the revenue. Virginia has been trying for six years to move forward with exploration of its energy resources (the Obama Administration ended the process of lease sales for exploration off Virginia's coast in May 2010). Virginia's offshore resources could create up to 2,578 jobs on an annual basis, increase capital investments by \$7.84 billion, create \$644 million in direct and indirect payroll, and result in \$271 million in state and local revenue. <sup>25</sup>

<sup>&</sup>lt;sup>19</sup> <u>Statement of Richard Kidd</u>, Program Manager, Federal Energy Management Program, Office of Energy Efficiency and Renewable Energy, U.S. Department of Energy, before the Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security; Committee on Homeland Security and Government Affairs, U.S. Senate, January 27, 2010.

<sup>&</sup>lt;sup>20</sup> <u>Testimony by Dr. Joseph R. Mason</u>, Professor of Finance at Louisiana State University, before the House Subcommittee on Energy and Mineral Resources, April 6, 2011.

<sup>&</sup>lt;sup>21</sup> Bureau of Ocean Energy Management, Regulation, and Enforcement, <u>Federal Lease Offerings and Acreage</u> <u>Leased</u>. Table 1.

<sup>&</sup>lt;sup>22</sup> Obama's Energy Policies Are Crippling Economic Recovery; Washington Examiner; March 16, 2011.

<sup>&</sup>lt;sup>23</sup> <u>Testimony of James W. Noe</u>, Executive Director, Shallow Water Energy Security Coalition , U.S. House of Representatives Committee on Energy and Commerce, Subcommittee on Energy and Power, March 11, 2011.

<sup>&</sup>lt;sup>24</sup> Bureau of Ocean Energy Management, Regulation, and Enforcement, <u>Virginia Lease Sale 220 Information</u>, accessed May 3, 2011.

<sup>&</sup>lt;sup>25</sup> Dr. James Koch. "Analysis of Onshore Economic Impacts of Offshore Natural Gas Production in Virginia," Old Dominion University, 2005.

- Support onshore development, including shale natural gas and coal-bed methane. These unconventional gas sources are good examples of how new discoveries and technology are positively changing the energy map.
- o Take advantage of onshore natural gas, oil and coal reserves in Alaska and throughout America, from the Appalachians to the West. ANWR alone could bring in \$6 billion for lease payments in the first ten years<sup>26</sup>; over the next 30 years, at oil prices of \$100 a barrel, between \$84 billion and \$237 billion in royalties and tax revenue would be generated.<sup>27</sup> Instead, America has been going in reverse. Over the last two years (2008 to 2010) revenue from onshore federal royalties, rents, and bonuses declined from \$4.2 billion to \$2.8 billion, a 33% decrease.<sup>28</sup>
- Encourage technologies that will continue to advance the use of coal to generate clean, affordable electricity as well as the proven technology of coal-to-liquid fuels. Pilot projects in Indiana, North Dakota, Montana and West Virginia could put the U.S. at the forefront of this promising source of coal-based fuel.
- Remove outdated regulatory barriers to allow the next generation of safer, more
  efficient advanced nuclear power. The federal government should allow spent nuclear
  fuel reprocessing and recycling, and safe production methods of nuclear power.

### 3. Reining in the Over-Reaching, Over-Spending Federal Government

With the national debt at \$14 trillion and growing at an alarming rate, America urgently needs to take control of our financial destiny. By restoring American competitiveness and unleashing our energy resources, the *Blueprint for America's Comeback* will help by bringing in new revenues, but runaway spending must also be brought under control.

The federal government's exploding debt is a national crisis and action needs to be taken now. No one outside Washington believes that the federal government is spending our money as carefully as it should. The *Blueprint for America* takes aim at wasteful spending, duplicative programs, and the federal government's growing bureaucracy, including the President's unelected, unaccountable Czars. It reverses the excesses of the Obama Administration, rolling spending back to 2008 levels and repealing and replacing Obamacare. It starts the process of improving Medicare to save the program for current and future seniors, and it begins to transfer power from Washington back to the people in the States, respecting the proper constitutional balance of power.

<sup>&</sup>lt;sup>26</sup> <u>Federal Assets that Could Be Sold or Leased to Raise Revenue.</u>, Letter to Cong. Ron Kind from Congressional Budget Office Director Douglas W. Elmendorf, March 6, 2009.

<sup>&</sup>lt;sup>27</sup> <u>Possible Federal Revenue from Oil Development of ANWR and Nearby Areas</u>, Congressional Research Service Report RL34547, Salvatore Lazzari, June 23, 2008.

<sup>&</sup>lt;sup>28</sup> Western Energy Alliance Western Oil and Natural Gas Dashboard: Tax and Revenue. (accessed May 3, 2011).

Most important, the *Blueprint for America's Comeback* will change the way Washington does business. Only with a Balanced Budget Constitutional Amendment will the American people know that Congress can never again return to the free-spending ways that have put us on the current dangerous and unsustainable path that is threatening our nation's creditworthiness.

- Change the way Washington does business by imposing the discipline of a Balanced Budget Constitutional Amendment. A top priority needs to be sending to the States for ratification a Balanced Budget Amendment with taxpayer protection provisions on taxes and limiting spending to 19 percent of GDP, as well as line-item veto authority to give the President the same tool Governors use to cut wasteful spending out of larger bills. Binding Congress through the Constitution will finally and permanently get our country off its collision course with rapidly escalating debt.
- Enact the Paycheck Penalty Act so Congress can no longer hold taxpayers hostage with threats of shutdowns and pork-filled continuing resolutions. Just like a business if Congress fails to complete work on annual appropriations bills on time, they won't get paid until the job is done.
- **Ban earmarks** until the federal government has a Balanced Budget. Then, require a two-thirds vote for any earmark going forward.
- Pursue Government Management Reforms similar to those recommended by the Blue Ribbon Strike Force in Virginia. George Allen's Blue Ribbon Strike Force helped identify and cut waste and right-size State government. The Blueprint targets similarly wasteful practices in the federal government.
  - O Sell unneeded and unused surplus federal property, <sup>29</sup> recognize we are in the Internet age and eliminate wasteful printing and publications across the federal government, <sup>30</sup> cut back the federal government's fleet of vehicles and civilian aircraft and control to make certain those that remain in the fleet are used only for legitimate business purposes and when most cost-effective. <sup>31</sup>
- Stop the expansion of bureaucracy with a government-wide hiring freeze (except for combat troops). While the private sector has lost 6.7 million jobs since January 2008,

<sup>&</sup>lt;sup>29</sup> Federal agencies spend \$1.6 billion/year on unused and underutilized property, according to the <u>Government Accountability Office</u>. Excess properties also represent a lost opportunity to generate sales revenue for the federal government.

<sup>&</sup>lt;sup>30</sup> The Federal Government spends \$8 million for the Congressional record alone and another \$440 million/year for federal civilian employee publications.

<sup>&</sup>lt;sup>31</sup> <u>Citizens Against Government Waste</u> estimates savings of \$2.65 billion (1st year), \$13.25 billion (5 years) for the vehicle fleet; and \$2 billion (1st year), \$6 billion (5 years) for aircraft.

the federal government has added 116,000 net new employees.<sup>32</sup> Use attrition to reduce the federal workforce;<sup>33</sup> any freeze should be managed at a governmentwide rather than an agency level, leaving discretion to prioritize personnel decisions.

No automatic pay increases for Members of Congress or federal employees.
 Enlist federal workers as partners in cutting government spending -- as a financial incentive to save taxpayer money, they would be eligible to share savings if targets are exceeded through a one-time bonus.<sup>34</sup>

#### Reverse the excesses of the Obama Administration.

- Roll back discretionary spending to FY 2008 levels, before the bailouts, before the stimulus, and before Obamacare.<sup>35</sup>
- o Eliminate the unelected, unconfirmed, unaccountable "Czars" and new regulators. 36
- Suspend automatic spending for the Patient Protection and Affordable Care Act ("Obamacare") pending Supreme Court review of its constitutionality<sup>37</sup>; and eliminate any and all remaining unspent stimulus funding.<sup>38</sup>
- Repeal Obamacare<sup>39</sup> and replace it with portable, affordable health insurance, including options for personalized Health Savings Accounts. Americans do not want the federal government running their health care.

<sup>&</sup>lt;sup>32</sup> Bureau of Labor Statistics Current Employment Statistics, January 2008 – May 2011, accessed June 11, 2011.

<sup>&</sup>lt;sup>33</sup> Hiring one federal worker for every two who retire saves \$35 billion over the next 10 years.

 $<sup>^{34}</sup>$  Virginia <u>Governor Bob McDonnell</u> awarded state employees a 3 percent bonus in 2010 for helping the state go from deficit to surplus.

<sup>&</sup>lt;sup>35</sup> A \$207 billion cut, to \$1,135 billion, based on CBO FY 2012 Baseline. Cut would occur over three years.

<sup>&</sup>lt;sup>36</sup> The President's proposed FY 2012 budget adds \$46 million to implement greenhouse gas reporting and permit requirements (EPA's budget has grown 138% from 2008-2010); CFTC getting 45% spending hike and 534 new employees for regulatory demands of Dodd-Frank; IRS budget increases by more than \$1 billion over FY 2010, or 9.3%, adding more than 5,100 IRS agents.

<sup>&</sup>lt;sup>37</sup> \$105 billion in automatic spending under PPACA without any further appropriation: School Health Clinics, \$23 million in FY 2012; \$100 million, FYs 2012-14 (CBO, H.R. 2014); Health Center Training, Medical Residents (convert to annual appropriation), 0 in FY 2012, \$125 million, FYs 2013-16 (CBO, H.R. 1216); Personal Responsibility Health Education Program (convert to annual appropriation), \$15 million in FY 2012, \$199 million FY 2012-16 (CBO, H.R. 1214); Repeal Prevention & Public Health Fund, \$400 million, FY 2012, \$6.1 billion FYs 2012-16; \$16 Billion total (CBO, H.R. 1217)

<sup>38 \$45</sup> billion (RSC Spending Reduction Act)

<sup>&</sup>lt;sup>39</sup> <u>CBO March analysis</u> of the health care legislation shows its coverage provisions costing \$1.131 trillion between 2012 and 2021.

- Recognizing that Medicare taxes and premiums cover only a little more than half the program's actual cost,<sup>40</sup> make needed improvements to preserve Medicare for current and future seniors and protect the program from going broke.
  - As a first step, root out the \$50 billion a year Medicare wastes through improper and fraudulent payments<sup>41</sup> (half a trillion over a decade) and use Medicare savings for Medicare.
  - Ensure no disruption in benefits for those at or near retirement. More than 1.1 million Virginians depend on Medicare; they need to know that their health care is secure.
  - Provide seniors with personal control, not government control, over health care choices. Apply the tested principles of individual responsibility, competition and choice to improve quality and reduce costs for the Medicare program.
  - Adopt proper protocols with health care professionals and States to reduce costs associated with the practice of defensive medicine and medical liability.
- Free the States to be the laboratories of democracy our Founders intended. During George Allen's service as Governor, Virginia took over the federal government's bloated, initiative-sapping welfare program, transformed it to reflect Virginia values of work and individual responsibility, saved taxpayers money and put people on the path of leading independent, self-reliant lives. Other federal programs are ripe for similar transformation.
  - Medicaid is a shared program, but federal mandates frustrate State efforts to control costs, as in the case of Virginia being forced to undo \$460 million in planned savings.<sup>43</sup> Transforming Medicaid into a block grant run by the State could save approximately \$95 billion a year while delivering more effective care.<sup>44</sup>
  - Spending almost doubled between 2008 and 2010 for the food stamp program.
     Block granting food stamps to the States would allow integration with their welfare programs.

<sup>&</sup>lt;sup>40</sup> 2011 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplemental Medical Insurance Trust Funds.

<sup>&</sup>lt;sup>41</sup> The Centers for Medicare and Medicaid Services (CMS) has estimated improper payments for Medicare of almost \$48 billion for fiscal year 2010. [Source: <u>Government Accountability Office</u> testimony].

<sup>&</sup>lt;sup>42</sup> <u>Virginia: Medicare Enrollment</u>. StateHealthFacts.org.

<sup>&</sup>lt;sup>43</sup> <u>Letter from Governor Bob McDonnell</u> to President Barack Obama, Secretary of Health and Human Services Kathleen Sebelius, et al. on May 5, 2011.

<sup>&</sup>lt;sup>44</sup> Medicaid Reforms. Chris Edwards, The Cato Institute.