

Identifying Innovative Mechanisms to Terminate Inefficient Federal Government Programs

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Executive Summary

Research Project Objective: Identify mechanisms to terminate federal government programs that have been deemed inefficient.

This report is an examination of 19 case studies, including programs, commissions and legislative acts, spanning various government agencies. From this survey, we outlined programs' characteristics and identified various signals of inefficiency and their relationship to program termination. The signals include: cost benefit analysis, fulfilled purpose, unfulfilled purpose, outdated purpose, no federal oversight needed and overlapping purposes. Then we identified mechanisms for termination used in each case studied. These include: creation of a commission, consolidation, graduation, immediate elimination, mission transfer, phase out, political clout, reform and sunset legislation. We compiled all of this information into a single matrix and noticed that many programs have multiple signals of inefficiency and may be terminated by a combination of mechanisms. In our research we also identified obstacles that often stand in the way of ending a program. Multiple mechanisms for termination may be needed to overcome these challenges.

Since our study revealed inefficiency in federal government programs and the mechanisms used to terminate them, we recommend a standard evaluation process for all government programs. This evaluation will include a means of measuring the signals of inefficiency we have outlined in our paper. Upon evaluation, the body will recommend termination for programs that display substantial inefficiency. Termination, as recommended by commissions, may take the form of any mechanisms identified in our research. For example, a commission can recommend termination through phase out of funding, immediate elimination, reform, etc. Unlike the case of the Government Accountability Office, there is no need for a request for a program's evaluation, because all programs will be systematically evaluated. Furthermore, unlike the Office of Management and Budget, the evaluating body will be non-partisan enhancing the validity of recommendations for termination. We recommend that this evaluation body take the form of a commission that reports directly to Congress. Additionally, we recommend the use of sunset legislation in order to ensure that every program be evaluated at an appropriate point. In this way, it is more likely that there will be the factual analysis and information about programs and the political will (because of the existence of non-partisan commissions) to terminate highly inefficient federal government programs.

Background

The purpose of this report is to identify mechanisms to determine how to best terminate inefficient federal government programs. Furthermore, the report designates inefficient programs by determining whether there is misallocation of resources and whether a program's outcome are appropriate given our nation's interests and today's technology. An important question to ask prior to identifying these mechanisms is why is it important to terminate certain government programs, particularly when much effort is expended to pass legislation to start a program. While programs may be serving a need in society, it is important that they provide their services efficiently. The termination process is necessary for programs that are not displaying efficiency. After termination, a program may be brought back in a reformed state that is more efficient. It is important to keep in mind that the government should strive for efficiency in delivering services, because inefficient programs use money that could be used elsewhere more efficiently. A balance must exist between providing services to fulfill a need and providing that service efficiently. Therefore, a reallocation of funds away from inefficient programs to efficient programs must occur. This reallocation of funds is necessary to bring an optimal level of services to the public given the level of limited resources. Reaching this optimal level, however, can only occur through the evaluation of programs to make sure that government funds are being appropriately allocated.

After understanding the need to terminate government programs that are operating inefficiently, we explore three questions: 1) how can inefficient programs be stopped; 2) are there reoccurring mechanisms used by government officials or interested citizens; and 3) are there overarching trends in the programs that have been terminated in the past. We use these questions to guide our research and formulation of theory so that this paper will serve as a useful guide for ending future inefficient programs.

Methodology

When selecting case studies to reveal an answer to a given question, it is necessary to carefully choose the cases so that no part of the story is left out. The question directing our research is as follows: what are the mechanisms that can be used to end inefficient government programs? Therefore, when selecting programs to examine, the focus was on ones that have been deemed inefficient. Considering the broad array of inefficient programs, we wanted to make sure that two important dimensions were explored so as to learn the most from this array of programs. The first dimension is the historical spectrum of inefficient programs, meaning past times in United States government history in which inefficient programs were ended. If the research concentrated only on programs ended in the current administration, it would be impossible to see how methods contrasted in different political times. By reaching back in history, we are able to see how methods of eliminating inefficient programs have changed over time. This information will allow us to predict future methods to end programs by revealing trends in ending programs over time. For example, throughout the course of U.S. history, the political environment has altered dramatically. By analyzing the variables present in the political environment at a

given time, we are able to consider how those variables affected the course taken to terminate the inefficient program. From this analysis, we attribute these characteristics to methods used and then apply these lessons to possible future termination of government programs.

The second dimension spans the breadth of government, meaning programs across the various agencies of the federal government. By examining programs over time and across agencies, this project attempts to display in complete detail the methods used in ending government programs. Determining the method to use to end a program will vary according to the characteristics within a program and the characteristics of the political environment. By comparing the ended programs' characteristics with current inefficient programs, one can identify potential termination mechanisms for similar programs.

While we apply the term "program" broadly throughout this project, several of the case studies we examine are not strictly government programs. Limiting our focus to only programs would exclude other inefficient government functions. All types of inefficiency should be ended in order to secure the optimal allocation of resources. For instance, the government might pass an act that encompasses a lot of programs; however the act itself is the source of inefficiency. In this case, it would be more useful to make the act obsolete instead of focusing on a specific program under the act. Another use of the word program takes the form of a government operation, such as a military base or a commission. If a government operation is functioning inefficiently it is useful to be aware of a means to end it. Therefore, more than just government programs can benefit from this study, including government acts and commissions.

Next, our research determines what the term "inefficient" means when applied to government programs. There are several organizations that evaluate the efficiency of programs. Both the Office of Management and Budget and the Government Accountability Office implement a method of evaluation, so naturally these are the first places to look for definitions of inefficiency and programs that fit those definitions. These organizations use uniform standards to determine the efficiency of a program. (For more information regarding how this project uses the term "efficiency" please see the subsequent "Defining Inefficiency" section).

Once inefficiency is defined, we are able to select the case studies. Given the vast quantity of potential case studies, we recognize that our research could not be comprehensive. Therefore, we choose 19 cases to represent the majority of types of government programs that have been terminated due to inefficiency (please see the Appendix). Each case has been deemed inefficient and has been terminated. We emphasize the reason for inefficiency for each program, because it is an important variable in determining how the program should be ended.

Research for case studies began with interviewing experts on inefficiency in government. Our first interview was with John Kamensky, Associate Partner and Senior Fellow at the IBM Center for the Business of Government. He has participated in many attempts at ending government programs that were deemed to be inefficient through his involvement

in Vice President Al Gore's National Partnership for Reinventing Government during the administration of President Bill Clinton. He was able to recommend several cases that could be used in our study of identifying trends. Not all of the programs he noted had been successfully terminated, but lessons can also be learned from the programs that withstood the process of termination. Another authority that suggested additional inefficient government programs for our research was Dr. John Gilmour, Graduate Coordinator of the Thomas Jefferson Program in Public Policy and Professor of Government and Public Policy at The College of William and Mary. He has extensively researched mechanisms employed by the government to determine program efficiency and currently teaches a class on efficiency in government. By interviewing these people, the research was directed toward notable inefficient programs across U.S. history. This method of research did not limit the cases to any specific department of the government or any time in history. By not limiting our research, we collected a sample of cases reflecting the diversity, across agencies and over time, in government programs.

After compiling all the information gathered from the case studies that were selected in the above-mentioned fashion, we began to compare their characteristics in an effort to find trends and assemble them into a matrix. The matrix includes characteristics of terminated programs such as their time span, budget, services and beneficiaries. While exploring the variables that are to be part of the matrix, it became obvious that characteristics of programs within agencies are similar. However, once we began to develop the matrix, it did not seem that the programs we had selected were spanning the broad array of government agencies as desired; so, we decided to begin selecting case studies in agencies not yet covered. By including case studies in different agencies, we were able to identify patterns across government agencies.

During preliminary compilation of the matrix, another issue arose concerning selection of cases. In exploring the reason behind the inefficiency displayed in each program, the most prevalent cause for inefficiency appeared to be outdated program purpose. We wanted to make sure that our research covered all types of inefficiency in programs in order to be as useful as possible. However, if the majority of cases presented were deemed inefficient because they are outdated, the research would not lend itself to the creation of a generalized theory in guiding the termination of programs with varying signals of inefficiency. Therefore, we decided to include case studies that demonstrated a variety of reasons. By expanding our causes of inefficiency, the research allows us to develop a theory linking the inefficiency of a program and the method used to terminate the program. The cases included in this analysis exhibit various signals of inefficiency, including: cost-benefit analysis, outdated, overlap, unfulfilled purpose and issues of federal oversight.

Furthermore, in our research of inefficient programs, we examined programs that have been determined to be inefficient but have yet to be terminated. These programs were useful in determining hurdles that must be overcome. Since the purpose of this project was to develop a working theory behind terminating programs deemed inefficient, it was useful to identify aspects of programs (or the political environment in which they

operate) that could disrupt termination. Therefore, we included a section on programs that have yet to be terminated (see the “Termination Obstacles” section).

Finally, we focused on federal programs, but it is likely that our lessons learned can be applied to programs overseen at the state-level as well. By focusing on federal programs, we could cover a broader range of programs within the federal government given our time limitations. Opening up the research to state programs would introduce a whole new array of variables that would be difficult to cover, especially since each state’s legislative practices vary greatly. However, our paper’s conclusions would be useful at the state level as long as the variances in state law are kept in mind. Furthermore, there may be more useful mechanisms to ending programs at the state level that are not discussed in this paper and should not be ruled out. We have included a section suggesting further research in this area (see “Continuation”).

Defining Inefficiency

The term “inefficient” is broadly defined as a reason for failing to achieve intended or desired outcomes. When applied to federal government programs, inefficiency can appear in two situations. First, it can appear when there is a better means of accomplishing the program’s mission or maximizing benefits from services provided by the program. Inefficiency may also appear when the program fails to accomplish its mission and no alternative means exist.¹ Furthermore, the term “inefficient” should not be confused with “ineffective”. To be effective means to produce excellent results. To be efficient means to produce results with little wasted resources. One does not ensure the other. Thus, for this project we combine the two. We define “efficient” as being conscious of how resources are being allocated, especially how taxpayer dollars are being spent, and the appropriateness of the ends that are being produced. We also note that there are varying degrees of efficiency. If one was to imagine a continuum, efficient would lie at one end and inefficient would lie at the other end. Thinking of efficiency as a spectrum recognizes the difficulty of determining a program’s exact degree of efficiency. Additionally, it is reasonable to assume that the government may never reach perfect efficiency in its allocations of resources and/or in its provision of services.

Because the exact value society assigns to services is hard to calculate, policymakers find it difficult to quantify the efficiency of a program. A popular tool used to determine whether inefficiency exists is cost-benefit analysis. This analysis determines the net benefit, benefits minus the costs, of a program. However, complications in quantifying benefits and determining the exact degree of inefficiency creep into this type of analysis. Society’s values play a part in the determination of the value of a program’s benefits. Benefits may be inflated if society places higher values on the benefits than the actual monetary value. Additionally, societal values may lead to maintaining a program that has benefits (including social benefits) that exceed the costs. For example, public education is costly, but society places a high value on the equal opportunity to education. Public education may not be considered effective due to the fact that not everyone obtains a high

¹ “Inefficient.” Merriam-Webster Dictionary. 12 Nov. 2007. <<http://www.merriam-webster.com>>

school diploma, and it may not be considered efficient if funds are being wasted. However, it is impossible to consider the discontinuation of a publicly provided education system. If society's values mandate a certain program, the appropriate level of inputs may be difficult to determine. Because of this, policymakers struggle with identifying the optimal level of services, such as education, workforce training and public assistance. Due to the difficulty in calculating inputs and placing a value on outputs, we find it appropriate to use the efficiency continuum as the means to designate levels of efficiency.

Influencing Factors: The Environment and Its Actors

Inefficiency seems to be inherent in government programs due to two prevalent factors. Many government programs are established to correct the market failure of denial of universal access to a good that should be available to all. Some market failures, however, are costly to correct and do not even guarantee universal access to public goods. Therefore, it is possible that government intervention does not address markets failures in an efficient manner.

Secondly, the environment of a representative democracy and its actors (legislators, citizens and interest groups) heavily influence the level of inefficiency. Our government's operations rely on public opinion. While citizens request government programs through voting, voting does not always produce the most efficient policies.² Voting usually asks a person to cast a "yes" or "no" vote, but fails to measure the value of the item being voted upon. Citizens may act in their self-interest and vote for a service which, in reality, has minimal benefits for all. Thus, policymakers may interpret the vote by placing a higher need for the benefit than the existing need. Because resource allocation is based on the policymakers' decision for need, that allocation may be inefficient. To complicate the determination of the value of services further, people often must make their decisions based on bundles. Thus, one legislative act may pass programs of differing needs together. Therefore, the political process does not lend itself to safeguarding against inefficiency.

Representatives play an important role in creating and managing government programs. Their decisions are often driven either by the good of the society or by self-promotion. Making decisions based on self-interest promotes inefficiency. In winning votes, legislators will often push for programs with short-run results rather than long-run results. Selection of programs with short-run results will produce evidence that the legislator is listening to his constituency; however, the legislator may ignore comprehensively³ planned programs that would produce results in a more efficient manner.

Citizens also play an important role in contributing to inefficiency. An individual is unlikely to protest policies that spread the cost of benefits across many people. We also find individuals exercising the endowment effect, where a good's value increases to an individual when he or she actually possesses it. In this case, the person will demand

² Weimer, David L. and Aidan R. Vining. *Policy Analysis: Concepts and Practice*. 2 ed. New Jersey: Prentice Hall, 1992..

³ Weimer.

more to give up the good than she or he would be willing to pay to acquire it.⁴ This contributes to the fact that it is often more easy to start government programs than it is to terminate them. A similar economic theory is loss aversion. The disutility of giving up an object is greater than the utility associated with acquiring it. Therefore, individuals view changes in a program as making things worse for them by giving up their benefits. Therefore, loss aversion and the endowment effect reinforce the continuation of inefficient government programs.

Citizens may unite in order to create interest groups which will fund the cost of promoting or ending government programs. Interest groups promoting new benefits will attract new members, while interest groups trying to end inefficient programs may not be able to form a large membership. Therefore, interest groups are more likely to contribute to the establishment of new programs rather the terminating inefficient programs.

Need for Monitoring

We have established that the government is composed of elements that lead to inefficiency. Legislators are unlikely to cut government programs, and citizens are unlikely to welcome benefit cuts. Furthermore, inefficiency goes easily unchecked. Therefore, it is important to have someone monitor government programs. There are several watchdogs both inside and outside of the government who monitor the government's performance.

Inside the government there are two agencies that evaluate government programs' performance. The Government Accountability Office (GAO) reports on how the government spends taxpayers' dollars. The agency's two primary functions are evaluating government policies and programs and auditing agency operations for efficiency. The GAO offers recommendations to promote efficiency, but does not recommend terminations. Since the agency falls under the legislative branch, the GAO's recommendations rely on legislative action. Furthermore, the legislature tends to shy away from terminating programs, but they welcome recommendations to taut their efforts in improving programs.

The Office of Management and Budget (OMB) purports that a program should defend its purpose by providing evidence that it is achieving the desired results. When examining performance budgeting, one needs to know where to allocate resources in order to achieve efficiency and how to hold program's managers accountable.⁵ In 2003, under the Bush Administration, OMB was tasked with assessing performance information, specifically performance budgeting. OMB established the Program Assessment Rating Tool (PART) to build upon the Government Performance and Results Act of 1993 (GPRA) which required agencies to adopt mission statements, strategic plans, and measure program outputs and outcomes. PART determines whether a program is effective, moderately effective, adequate, ineffective, or results have not been

⁴ Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler. "The Endowment Effect, Loss Aversion, and Status Quo Bias." *Journal of Economic Perspectives* Vol. 5, Number 1. (Winter 2001): 193 -206.

⁵ Gilmour, John B. "Implementing OMB's Program Assessment Rating Tool (PART): Meeting the Challenges of Integrating Budget and Performance." IBM Center for the Business of Government, 2006.

demonstrated. While PART determines effectiveness, it also identifies inefficient programs. OMB then proposes a budget according to the PART results for the following fiscal year. This effort may help encourage efficiency across the board.

Additional governmental watchdogs are commissions and personal endeavors. Formerly known as the National Performance Review, the Partnership for Reinventing Government was the 11th federal reform effort in the 20th century. This taskforce was formed from multiple agencies and recommended that: 1) agencies should be given authority to reduce the size of their workforce, 2) the government's procurement system should be simplified, and 3) agencies should be required to have audited financial statements. President Clinton stated, "Our goal is to make the entire federal government less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment."⁶ Personal endeavors and administrations have also led to the identification of inefficiency. In 1982, the Grace Commission was directed to "work like tireless bloodhounds to root out government inefficiency and waste of tax dollars."⁷ The Johnson Administration introduced the Planning, Programming, and Budgeting System, Management by Objective was touted under the Nixon Administration, and the Carter Administration promoted zero-based budgeting.

Outside of government, individuals, media and interest groups may draw attention to inefficient programs. Interest groups play a large role since individuals may not feel empowered to make a difference by themselves. Interest groups provide a way to inform voters of inefficient government programs. Additionally, they may place pressure on legislators to improve the inefficiency of current government programs. Citizens Against Government Waste was created to publicize wasteful practices in the federal government. Likewise, the Heritage Foundation advertises inefficient government spending. The Foundation produces reports on programs it deems inefficient. Report on the status of such programs then follows.

We have defined inefficiency and why it exists. While we may not be able to completely eliminate inefficiency, it is clear that there are ways to monitor and manage inefficiency. Watchdogs, whether inside or outside of the government, provide a vital role in assessing whether inefficiency exists and to what degree it appears in government programs. The next step is to determine what mechanisms exist for terminating inefficient government programs, and whether there are any characteristics which would signal the existence of inefficiency.

⁶ "A Brief History of Vice President Al Gore's National Partnership for Reinventing the Government During the Administration of President Bill Clinton, 1993-2001." Accessed 1 Nov 2007. <<http://govinfo.library.unt.edu/npr/whoweare/historyofnpr.html>>.

⁷ Citizens Against Government Waste. "Mission/History." Accessed 21 Oct 2007. <http://www.cagw.org/site/PageServer?pagename=about_Mission_History>.

Signals of Inefficiency

Below are six signals of inefficiency as found from our case studies. Please note that some case studies are referenced more than once as programs may be inefficient for multiple reasons.

Cost Benefit Analysis

Cost benefit analysis is a tool that can be used to determine if a program is operating at an efficient level. The analysis focuses on monetary values gained or lost in the operation of the program. The program's benefits or outcomes are assigned a value, as well as all the inputs necessary to run the program. A successful program's benefits outweigh the costs.

Accurate cost benefit analysis is a time intensive, expensive process and usually commissioned by a government official or an interested non-profit organization. It is in the government's interest to have the results of this type of study to verify whether the program is costing more than it is worth. For example, the federal government established the Base Realignment and Closure (BRAC) commission to seek out military bases that should be closed or realigned due to their cost inefficiency. BRAC used their own formula, named COBRA, to calculate the costs and benefits of each institution. Each cost benefit analysis must determine what will be included in the calculation and the worth of the input or output. This can be a difficult process, especially when outputs do not have a direct monetary value. For the BRAC commission, it was necessary to calculate the cost of the impact to the local economy if a base was closed. Assumptions must be made about how much it would cost a community to lose a military base. Not every program can place accurate values on its outputs, especially since many outputs have benefits or costs not directly related.

The Office of Management and Budget and the Government Accountability Office often use cost benefit analysis to determine the efficiency of a program. For example, the GAO studied the Exceptional Performer Program and the results revealed that the federal government was expending more money on the program than it was getting back in the decrease of defaulted loans. As a result, Congress decided to cut funding for the program in the subsequent fiscal year (Case Study 7).

Other organizations also perform cost benefit analysis on government programs in order to call attention to the wastefulness or benefits of the program. For example, when the State Children's Health Insurance Program was due for reauthorization in 2007, the Kaiser Foundation performed several cost-benefit analyses to lobby for continued and increased funding of the program. Therefore, a cost-benefit analysis can be used to promote the continuation of a program as well as encourage the termination of a program. Once constituents are made aware of the results, politicians feel pressure to act accordingly. Cost benefit analysis is an effective tool to evaluate the efficiency of a program, because the results draw the public eye and urge action to be taken.

Unfulfilled Purpose

Often inefficiency emerges when government programs are unable to fulfill their mission, purpose and/or goals. This reason for inefficiency often results from the daily operations

of the program (the process of accomplishing a goal). There are three potential sources that may cause a program not to fulfill its purpose. First, failure to meet goals may be a result of misallocation of government resources. Second, if program's purpose lacks clarity, it becomes difficult to measure the efficiency of the program. Clear missions, purposes and goals allow for policymakers to determine what instruments of measurements can be used in order to provide evidence of whether the program is fulfilling its purpose. Therefore, the program is unable to fulfill its purpose because the purpose was never clearly defined. Third, strategic planning may not produce the intended results. In this case, the program's operations do not contribute to the expected outcomes. Government accountability reports often contribute inefficiency to improper monitoring of program activities, lack of substantial guidelines or lack of tasks specific to a goal. All three of these signals of inefficiency are operations in the program's planning.

The Exceptional Performer Program has not met its purpose of reducing the number of loan defaults or improving the servicing of Federal Family Education Loan Program (FFELP) loans. With the majority of lenders qualifying as "exceptional performers," the number of defaults continued to increase. From 2004 to 2006, default claims increased from 2.8 percent to 3.7 percent of loans. The program has not resulted in the desired outcome, especially when lenders have stated they have not made substantial changes in their activities.⁸ The incentives given to an "exceptional performer" have become an award for lenders performing as they normally would.⁹ The program has not aligned its services and tasks to its mission of reducing the number of loan defaults or improving the servicing of FFELP loans (Case Study 7).

Fulfilled Purpose

Consequently, programs may fulfill their purpose and be considered inefficient. Programs that have successfully accomplished their mission no longer need continued funding. For example, the Pennsylvania Avenue Development Corporation began in 1972. By 1996, the one-mile stretch between the U.S. Capitol and the White House was considered a "lively, vital area."¹⁰ Congress ended up moving the program's scheduled termination in 1997 to 1996 because the program had fulfilled its mission and continuation of funds would have been inefficient (Case Study 13).

Overlap

Another reason for inefficiency is overlapping purposes. Programs may share similar purposes, missions and/or goals with another program. We have found overlapping programs in the same department and across different departments. Inefficiency emerges because multiple sets of resources are being used to achieve the same or similar goals. The Commission on National and Community Service provided, "grants to states and other entities to create service opportunities for students and out-of-school youth."¹¹ The

⁸ U.S. Government Accountability Office. GAO-07-1087. 26 Jul 2007.

⁹ Leher, David and Paul Scharf. Personal Interview. 3 Nov 2007.

¹⁰ U.S. General Services Administration. "Notes to Consolidating Financial Statements: For the Fiscal Years Ended September 30, 1996 and 1995." *1996 Annual Report*. 30 Sept 1996. Accessed 29 November 2007. <<http://permanent.access.gpo.gov/lps23/finstat.htm>>.

¹¹ Utt, Ronald D. "A Progress Report on Closing Unneeded and Obsolete Federal Agencies." *Heritage Foundation*: March 13, 1996.

Commission shared a similar mission with other programs that encouraged citizens to engage in community service. For example, the Corporation for National and Community Service also encourages community service. Furthermore, the Commission's efforts overlap with individual efforts. Non-profits, private organizations and individuals are meeting the purpose of the program, to create community service opportunities (Case Study 4).

Another example of a program with an overlapping mission is the Office of the Nuclear Waste Negotiator. The Office was established in 1987 with the Negotiator being appointed to office in 1990. The Office's mission was to find and negotiate with a State or Native American Tribe willing to host a repository or Monitored Retrievable Storage (MRS) facility. The overarching purpose of the Office was to safely store nuclear waste. Similar independent agencies share responsibilities related to nuclear safety and regulation. Such agencies include the Nuclear Regulatory Commission, the Defense Nuclear Facilities Board, the Nuclear Waste Technical Review Board, and the Presidential Commission on Catastrophic Nuclear Disasters. Additionally, the Office of the Nuclear Waste Negotiator overlaps with departmental agencies. The Department of Energy's Office of Nuclear Performance Assessment, Office of Nuclear Safety Enforcement, Office of Nuclear Safety Policy and Standards, Office of Radiological Oversight, and Division of Transportation and Packaging Safety all perform similar functions. Termination of the Office of Nuclear Waste Negotiator is expected to save \$1 million per year (Case Study 12).

These two case studies demonstrate how overlapping missions produce inefficiency. Concurrent programs with similar missions waste time and resources. Furthermore, program overlap has a tendency to promote consolidation as a mechanism for ending the program.

Outdated

The most prevalent reason for inefficiency among terminated programs is that they are outdated. Such programs reflect that something fundamental in society has changed while the program has not. Some changes that may occur over time, resulting in an outdated program, are changes in technology, societal values, and/or the political climate. An example where societal values changed is Aid for Families with Dependent Children. President Clinton's platform for welfare reform reflected society's increased value for work and self-sufficiency over welfare (Case Study 2).

A change in political climate can be seen in the termination of the National Wool Act of 1954. When the Pentagon took wool off of the list of critical materials for the military, subsidies to wool farmers, as established in the Act, were no longer necessary (Case Study 10).

Technological improvements within the government tend to provide a more efficient means to deliver services to the public. Change in government, however, does not occur easily as discussed in our "Defining Inefficiency" section. Government's bureaucratic nature prevents programs from keeping up with the pace of technological advancement.

If government programs could easily incorporate technology, efficiency would improve, allowing programs to maintain the same service level with fewer resources. For example, the Payroll Consolidation Project corrected overlapping efforts by using technology. The old system for payroll was found to be inefficient when new technology, an e-payroll system, became available. This initiative was introduced as a way to streamline the payroll and other administrative tasks of government agencies under standard management, rules and regulations.

Another example of an outdated program is the Naval Academy Dairy Farm. The Naval Academy initially started its own dairy farm to provide safe milk for the midshipmen after an outbreak of typhoid fever in Annapolis in 1908 was found to be the result of milk from a commercial supplier in the area. To avoid a repeat of this outbreak, the Naval Academy relied on its own dairy farm. Self-reliance could ensure the quality of the milk and provide the good at lower rates compared to outside vendors. Times changed. It became more efficient and less expensive to buy milk commercially. The Academy saved \$.25 a gallon (estimated at around \$36,000 a year) when they decided to close the farm in 1998. Sanitation and food standards ensured that the Naval Academy could rely on the quality of milk delivered for their consumption (Case Study 11).

No Federal Oversight Needed

Some programs may exist at the federal level, but do not necessarily belong there. Because the program can be better administered at a different level of government, we find inefficiency based on oversight. Therefore, the federal system contains programs that are not only inefficient, but may not necessarily need to exist at the federal level.¹² Among our cases, we have found that improper oversight can occur because either the state or local level of government is better equipped to provide the service. For example, lower levels of government can exercise more flexibility to tailor a program to suit their needs.

A case that exemplifies this is the Delaware River Basin Commission. This intergovernmental commission with local, state, and federally appointed officials was created in 1961 with the intent to provide federal oversight for planning, conservation, utilization, development, management, and control of Delaware's River Basin's water resources. The commission was terminated on the basis that the services and oversight should be state-sponsored and supported. Since the commission serves the interests of the surrounding region, oversight and funding are best executed at the state and local level. In 2007, the last payment was made to facilitate the transition of the commission to self-sufficiency (Case Study 6).

For the Commission on National and Community Service, which was intended to encourage citizens, particularly youth, to engage in community service, inefficiency was found because the program did not need federal government oversight. Since Americans were already volunteering, supporting the grants for volunteer opportunities was unnecessary (Case Study 4).

¹² Hider, Donald H. "Intergovernmental Redirection." *Annals of the American Academy of Political and Social Science*. Sage Publications, Inc.: 1983.

Mechanisms for Termination

Below are eight termination mechanisms as seen in our case studies. Please note that multiple mechanisms could be used to terminate one program.

Political Clout

A discussion of program termination would be incomplete if it did not address the political influences that create, perpetuate or terminate government programs. Within our research, we find that one should never underestimate the influence of political clout when trying to terminate government programs. These forces can be used to work either for or against the termination of a program. Political clout can be political pressure from an influential elected official or pressure from a strong lobbying group.

Particularly, senators and representatives may have an interest in the continuation of a program. A program may be continued in order to serve their constituency, to increase their support for re-election, or the program may merely continue because the legislator has seniority. In these circumstances, an elected official can apply political pressure to keep the program running and prevent termination. For example, a legislator who sits as a committee chair can tie-up a bill in mark-up, preventing the termination of a program that they want to see continue. Thus, legislation that would end a program may never make it to the floor for consideration.

Additionally, the beneficiaries of a program may serve to keep a program alive. This may occur through lobbying and involving the media. One example is the Railroad Retirement System, an independent government agency under the Railroad Retirement Board. Congress proposed that the benefits given to retired railroad workers and their families be made through the Social Security Administration, rather than operating as a separate government entity. This proposal fell short after a phone campaign was started against the efforts to terminate the program (Case Study 14).

Political clout, however, can also be used as a mechanism to support the termination of an inefficient government program. A particular individual, whether an elected official, a representative of a lobbying organization or an interested citizen, may use his or her influence to draw attention to the inefficiency of a program and call for its removal. The executive branch can raise awareness about inefficiency by using their political clout. In the Clinton administration, Vice President Al Gore's National Partnership for Reinventing Government (NPR) led the charge for encouraging efficiency in the federal government. With political pressure from the Vice President, implementation of the NPR's recommendations led to a savings of more than \$136 billion.¹³

An example where a congressman used his political influence to call for termination is the Advisory Commission on Intergovernmental Relations (ACIR). The commission was originally formed to study and make recommendations on problems affecting the various

¹³ Kamensky, John. History of the National Partnership for Reinventing Government: Accomplishments, 1993 – 2000. Archive, January 12, 2001. <<http://govinfo.library.unt.edu/npr/whoweare/appendixf.html>>.

levels of government. However, their mission became irrelevant as they received fewer requests for research. U.S. Representative Ernest Istook, a Republican from Oklahoma, took the lead in terminating ACIR along with many other small government agencies in 1993. The termination of the program succeeded even against the obstacle of political clout; the Clinton Administration favored continuing funding the ACIR (Case Study 1).

The political climate in which a program operates helps to determine its fate. In 1996, the “budget-cutting climate in the federal government dictat[ed] that only the strongest will survive, and the ‘strongest’ agencies are those having overt political support.”¹⁴ The political climate in 1996 encouraged program termination of inefficient programs. Subsequently. As we have seen with the Railroad Retirement System and the ACIR, political clout can be used both as a mechanism for termination and as an obstacle against termination. Other cases in our study where political clout influenced termination are the Comprehensive Employment and Training Act (Case Study 5) and the Office of Nuclear Waste Negotiator (Case Study 12).

Reform

The mechanism of reform involves Congress terminating an inefficient program and passing legislation for a new program to deliver a similar service. When the program resurfaces under a new name however, it can have a more focused mission, such as the Job Training Partnership Act, which replaced the Comprehensive Employment and Training Act. A replacement program may also reallocate funds to better serve the mission of the former program. This occurred during the welfare reform in 1996 when Temporary Assistance for Needy Families replaced Aid for Families with Dependent Children. In both of these circumstances, Congress used reforms to improve efficiency. Critics may argue that reform is not termination since the program is reborn under a new name. This is not the case. While the program may re-emerge in new legislation, the old program still had to be terminated.

One example where reform was used to end a program is The Comprehensive Employment and Training Act, commonly referred to as CETA. Established in 1973 to provide federal grants to lower governments to train workers and provide them with jobs in the public service, the program ended in 1982. During the same year, a new job training program enacted by the Job Training Partnership Act (JTPA), assumed CETA’s mission to reduce unemployment through grants to states for worker training. This new program had a more focused mission which did not include the provision to offer public service jobs to participants of the program (Case Study 5).

Another example where reform ended an inefficient program is the termination of Aid to Families with Dependent Children (AFDC). Established as a grant program to enable states to provide cash welfare payments for needy children who had been deprived of parental support or care because their father or mother was absent from the home, incapacitated, deceased, or unemployed, the program was found not to be fulfilling its purpose. Studies found inefficient distribution of funds through AFDC. Additionally,

¹⁴ McDowell, Bruce D. “Advisory Commission on Intergovernmental Relations in 1996: The End of an Era.” *Publius: The Journal of Federalism* 27:2 (Spring 1997).

impact studies found that the cash payments had no effect on child welfare, but rather served to provide incentives for unemployment. A family had their welfare check cut by one dollar for every dollar they earned. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) replaced AFDC with a new cash welfare grant program, Temporary Assistance for Needy Families (TANF). The new program reformed the welfare system and included a lifetime eligibility to receive benefits and increased states' flexibility in designing the program. States' flexibility offered more reform by increasing work incentives in the program (Case Study 2).

Consolidation

The mechanism of consolidation is most readily used to remedy the inefficiency of overlapping efforts, discussed earlier in this report. This mechanism serves to simplify the process of delivering services by gathering similar activities performed in separate programs under one agency. Additionally, consolidation promotes efficiency by better utilizing resources and minimizing replication of efforts. Improved organization of government provides a better platform from which to deliver services, at the same quality level of service using fewer resources. It is important to understand the end goal of this mechanism is to bring several programs under one administrative umbrella. These programs may be inefficient on their own or inefficient because they repeat the efforts of others. Consolidation provides a means for government to improve its efficiency by streamlining its efforts.¹⁵

An example of a consolidation effort is the Payroll Consolidation Project. Under the direction of the OMB, this project will meet one of the five goals of the President's Management Agenda. It will make government more efficient by consolidating the federal payroll system down from 22 agencies to 4. This streamlining effort will save approximately \$1 billion over the next 10 years.¹⁶

An additional case is the Commission on National and Community Service which was consolidated into the Corporation for National and Community Service (Case Study 4).

Mission Transfer

Slightly different than consolidation, the mission of one program is assigned to another program under mission transfer. Missions are composed of specific tasks. When transferring a mission, a task or a selection of tasks can be spread across different agencies and different programs. This mechanism helps to end programs with a specific task(s) being deemed inefficient. Individual tasks may be inefficient for multiple reasons or may be efficient, but this mechanism concentrates on ending the entire program rather than a task(s) as efficient tasks can be transferred. Furthermore, this mechanism helps overcome arguments stating that a program is serving a vital national need and should not be terminated, by allowing efficient and necessary tasks to be reassigned to other

¹⁵ Watson, Jack. "Making the Government Work Better." *Publius*. Oxford University Press: 1978.

¹⁶ Gruber, Amelia. "Administration unveils payroll consolidation project Administration unveils payroll consolidation project." *Government Executive*: January 15, 2003.
<<http://www.govexec.com/dailyfed/0103/011503a1.htm>>.

programs. Thus, the mechanism is capable of keeping efficient program elements while terminating inefficient program elements.

The following two case studies help to describe mission transfer. In both cases, the program slowly lost authority and the need to exist. However, some program elements still are viewed as necessary. First, the Bureau of Mines helped to enhance the safety, health, and environmental impacts of mining and the processing of minerals and other materials. The Bureau also managed research on mining processes and minerals; assessed mineral-related policies; and monitored the conservation, sale, and distribution of helium. Over the years, the Bureau saw many successes, especially in improving mining safety. For example, mining fatalities due to mine disasters were decreased by 97 percent. Improvements in mining eventually left the Bureau with little authority. Many of the Bureau's functions were terminated primarily due to the advancements in mine safety and the lessening of the perceived need for a "strategic stockpile" of minerals has decreased. In 1995, 66% of its programs had ceased. Subsequently, Congress voted to close the Bureau.¹⁷ The remaining programs were transfer to other agencies. The Bureau's department Fuels Research's mission was transferred to the Department of Energy (DOE). Certain specific health, safety, and materials programs were transferred to the DOE as well. Mineral information activities were moved to the U.S. Geological Survey and the Bureau of Land Management (Case Study 3).

The initial purpose of the Interstate Commerce Commission (ICC) was to regulate railroads. Over the years, the Commission's regulation extended to other forms of transportation, such as interstate trucking. The Commission's authority slowly diminished as pressure mounted for deregulation of transportation. In 1995, the ICC's remaining functions were absorbed under the Federal Highway Administration and the Surface Transportation Board, both under the U.S. Department of Transportation. Consolidation was effective because while the majority of ICC's tasks were no longer needed, those tasks which were still important could be transferred and them ICC could be ended (Case Study 9). A third case in our research that used mission transfer as a mechanism is the Rural Electrification Administration (Case Study 15).

Mission transfer allows for programs that are partially efficient to be terminated, while allowing the efficient functions to carry on. The examples above show that when a program's authority is significantly diminished it can be easily terminated when policymakers are willing to redistribute the remaining tasks. One should expect that the larger the portion of efficiency that exists, the harder it will be to implement this mechanism. We still believe that this mechanism offers a viable way to manage inefficient programs. It allows for policymakers to remove inefficient elements while keeping efficient program elements.

¹⁷ Thompson, Duane A. "The U.S. Bureau of Mines Funding--FY1996." CRS Report for Congress. 30 Aug. 1995. Environment and Natural Resources Policy Division. 8 Oct 2007
<<http://www.ncseonline.org/nle/crsreports/mining/mine-2.cfm>>

Graduation

Just as a person receives a diploma upon finishing high school or college in recognition of meeting course requirements, programs may also graduate. Successful programs may continue to be funded beyond meeting their mission. The graduation mechanism ensures that programs will be ended once they have met their purpose. This mechanism is similar to the termination mechanism of sunset legislation. The difference is that termination is based on the completion of tasks rather than a time limit. This mechanism also incorporates the concept of eligibility requirements and graduation levels. Many welfare programs will define eligibility based upon particular incomes. When the income level is attained the person is no longer eligible for the subsidy. The Environmental Quality Incentives Program and Conservation Security Program, under the U.S. Department of Agriculture, provide assistance to offset farmers' costs of conservation practices. The Department recognizes that beginning farmers have more difficulty in obtaining the funds to practice conservation. Thus, to ensure the program's efficient allocation of funds; beginning farmers typically receive a greater subsidy than established farmers.¹⁸

Below are two case studies that show how programs can fulfill their mission. Upon demonstrating success, the program can then be terminated. The Rural Electrification Administration began in 1935 to offer loans for electrification to rural communities when power companies were unwilling to provide service. Within a decade, 40 percent of rural communities had electricity compared to the previous 10 percent. As electrification became more financially reasonable and more houses gained electricity the Rural Electrification Administration was deemed a success and was terminated (Case Study 15). As another example, Congress established the Thomas Jefferson Commemoration Commission to honor the 250th anniversary of Jefferson's birth. The anniversary occurred in 1993, however funding continued until 1996. After the birthday celebration and the post-anniversary events there is little need to keep funding the program. Therefore, the program fulfilled its purpose and could be terminated (Case Study 18).

Since successful programs may continue past their "graduation," we recommend establishing specific graduation requirements in order to automatically terminate the program upon fulfillment. In order to implement this mechanism the design of the program will have to facilitate concrete requirements. For example, a program would have to provide a service which eliminates a particular problem or accomplishes the dispersion of a one-time good such as an immunization.

Commission

A commission is a useful mechanism to seek out inefficient programs and terminate them. It is established by a government agency and acts as an independent body evaluating programs under its control. The recommendations from the commission's analysis may then be used to make decisions regarding future funding for programs. Ideally, if a commission determines that a program is wasteful, Congress will stop appropriating funds to the inefficient program.

¹⁸ United State Government Accountability Office. GAO-07-1130. Sept 2007.

The best example from our research of a successful governmental commission is the 2005 Base Closure and Realignment Act. The BRAC Commission's self-stated purpose is as follows:

“to ensure the integrity of the base closure and realignment process. As directed by law, the Commission will provide an objective, non-partisan, and independent review and analysis of the list of military installation recommendations issued by the Department of Defense (DoD) on May 13, 2005. The recommendations provided by DoD are extremely complex and interrelated and will require in-depth analysis and careful attention to detail. The Commission will follow a fair, open, and equitable process, as set forth by statute. The Commission's mission is to assess whether the DoD recommendations substantially deviated from the Congressional criteria used to evaluate each military base. While giving priority to the criteria of military value, the Commission will also take into account the human impact of the base closures and will consider the possible economic, environmental, and other effects on the surrounding communities.”¹⁹

Since the commission received its criteria for evaluation from Congress, Congress carefully reviewed its recommendations on which installations to close. It is important to note that the commission is non-partisan and followed a uniform method in its analyses, because it legitimizes the decisions of the commission. All of these characteristics affected the validity of the commission's decisions. The more non-biased and methodical a commission is, the more trustworthy their results. In order for commissions to be the most effective, it is important for all interested parties to trust the commission, so that no force will stand to oppose it.

Sunset Legislation

Another method used to terminate inefficient programs is sunset legislation. This method is incorporated into the language of the legislation. It establishes a lifetime for the program to operate with funds ending at the sunset date. This is a useful method in terminating programs because termination automatically occurs at a designated deadline. At this time, debate over whether to reauthorize the program and continue funding it for another designated time period usually begins. An appropriate time to evaluate the success of a program is at reauthorization. This means that if the program evaluation proves that the program is efficient, it can continue to receive funds. Conversely, if the program is found to be inefficient, funding can be cut. Therefore, sunset legislation serves as a built-in safety net for the discontinuation of inefficient programs. In this way, programs will not be allowed to continue for too long without proving their efficiency.

The current debate over the reauthorization of the State Children's Health Insurance Program (SCHIP) provides a good example of the results of sunset legislation. The program operated for ten years until its termination in 2007. Currently the program is undergoing the reauthorization process. Analyses done by state governments and non-profit organizations, such as the Kaiser Foundation, suggest that the program should not continue at its current funding rate, because states are falling short in the implementation of the program. Therefore, Congress has taken this opportunity to increase the level of funding for the program to increase its effectiveness. The sunset of SCHIP allowed for

¹⁹ United States Department of Defense. “BRAC Realignment and Closure 2005.” Accessed 12 Nov 2007. <<http://www.defenselink.mil/brac/>>.

the flaws of the program to be brought to the forefront of congressional debate (Case Study 16).

On the other hand, there is a pitfall when using sunset legislation and it can be seen in the SCHIP example also. President Bush vetoed the additional funding that Congress included in the reauthorization of SCHIP. President Bush wants to keep SCHIP at its current funding levels in order to sustain the taxes that he signed into legislation. This is the only political force standing in the way of increasing the funding needed to make SCHIP increasingly successful. Therefore, even though program evaluations may suggest changes needed to make a program more efficient, when reauthorization is due, there may be political forces that will stand in the way of correcting the problem. Other cases in our research that are sunset legislation are the Comprehensive Employment and Training Act (Case Study 5) Youth Opportunity Grant (Case Study 19).

Phase Out

If a program is deemed to be inefficient, it can be phased out through the budgetary process. In order to phase out a program, the funding for the program must be incrementally decreased over time. This process can be used in cases where an immediate end to a program would negatively shock the program's environment or delivery of services. When ending a program, the welfare of the beneficiaries of the program and the employees that run the program must be kept in mind. By gradually decreasing the funding to a program, it will decrease in size slowly and allow for all parties to acclimate appropriately. Therefore, phase out is an appropriate mechanism for ending programs that require time to reallocate the services provided by the program.

It may also be appropriate to phase out a program that is slowly passing on its remaining responsibilities to other government agencies or programs. The Interstate Commerce Commission (ICC) was terminated after its purpose became obsolete. Due to deregulation of the Interstate Commerce Act, the ICC's primary purpose no longer existed. Because regulations were lifted, due to deregulation pressures, the commission's authority began to decrease, and its funding also continued to decrease on a yearly basis. Finally, the ICC was disbanded and its remaining responsibilities, mainly safety regulations, were transferred to the Department of Transportation. Therefore, it was appropriate to slowly phase out the budget and transferred the remaining objectives as the responsibilities of the program became obsolete (Case Study 9).

Another example of phase out can be seen in the termination of the National Wool Act of 1954. In this case, it no longer became necessary to subsidize wool producers due to synthetic replacements. Therefore the program was deemed inefficient. A law was passed in 1993 to decrease budgeting for the program, and subsequent funding decreases occurred in the following years until its termination in 1995. In this way the producers of wool and mohair would not incur a shock through a sudden loss of subsidies and would have time to adjust; therefore, making the termination a success (Case Study 10). Other phased out programs in our research include Thomas Jefferson Commemoration Commission (Case Study 18).

Immediate Elimination

Similar to phase out, elimination takes place when a legislative act stops funding for a government program. Congress, however, cuts the entire program's budget rather than phasing it out over time. The benefit of immediate elimination is that inefficient spending instantly ceases, freeing up government resources for more efficient programs.

In 1996 Congress used immediate elimination to terminate the Tea Importation Act. After the private industry was willing to monitor tea standards, the Board of Tea Tasters was no longer needed. Additionally, since the program was so small, it was impractical to phase out a budget of approximately \$250,000 over several years. Therefore, a direct budget cut was the appropriate mechanism for program termination (Case Study 17). Some other examples include the termination of the Delaware River Basin Commission (Case Study 6), the Naval Academy Dairy Farm (Case Study 11) and the Pennsylvania Avenue Development Corporation (Case Study 13).

Termination Obstacles

In our research, we came across two main obstacles, political clout and size of program, which prevented or complicated the termination process of inefficient programs. While political clout serves as a termination mechanism, some case studies showed that political clout can be an obstacle during the termination process. For example, the Railroad Retirement System continues today because its termination could not be achieved. Upon announcement that the program was to be ended, phones across Congress began to ring and continued to ring. The successful phone campaign flooded the phone lines. Legislators kept the program when they began to understand that the program's termination would be a significant loss in votes (Case Study 14). Additionally, the Home Mortgage Interest Deduction continues to provide tax deductions even though the program has failed to encourage homeownership for lower-incomes. However, current homeowners, realtors and interest groups related to real estate have pressured Congress to continue supporting this program (Case Study 8).

The size of the program, measured by budget or amount of beneficiaries, can also be an obstacle. The smaller the program's budget, the less likely it will be targeted for termination. Policymakers determine whether the cost of ending the program is higher or lower than the cost of keeping the program in terms of inefficiency. When the costs of ending a program are higher than the cost of keeping the program, we are likely to see the continuation of a program. Additionally, if one determines the size of the program based on beneficiaries, the more beneficiaries a program has, the less likely it will be ended. Beneficiaries are likely to call for the program's continuation and legislators are likely to overlook the inefficiency in order to keep votes, such is the case for the Railroad Retirement System (Case Study 14).

Additionally, our case studies lead us to believe that our mechanisms do not ensure permanent termination. The termination mechanisms of sunset legislation and reform allow for a program's services to be continued under another program. Additionally, political clout can force legislators to continue a program's benefits even though the program was terminated. The Wool and Mohair Act was ended, but producers continue to receive subsidies. The Farm Security and Rural Investment Act of 2002 authorized marketing assistance loans and loan deficiency payments to revive benefits ended with the termination of the Wool and Mohair Act (Case Study 10).

Finally, we recognize that our mechanisms for terminating inefficient federal programs may be used to terminate efficient programs. This is particularly true with our mechanisms of political clout and sunset legislation. However, we believe that efficient programs will come back because they will gather support either from individuals, interest groups and legislation.

Recommendations

In the course of our research, it became clear that the most important step toward terminating a program is at its evaluation. It must be clear to all political and other interested parties that the continuation of the program would be a waste of government resources. In many cases, programs were overlooked for years, for various reasons, before their inefficiency was addressed. The continuation of inefficient programs leads to more government waste. For this reason, we recommend that all government programs undergo a standard evaluation at designated points throughout the program's life.

In order to make sure all evaluations are effective in identifying inefficiency, there should be an established uniform process. In our research, we came across reoccurring signals of inefficiency which should be included in our proposed standard program evaluation. First, a program should undergo a benefit-cost analysis in order to establish if the program's benefits outweigh the costs. Second, it should be determined whether the political atmosphere supports the mission of the program. After a turnover of power, Congress will evaluate programs to align with new priorities. Third, the mission of the program should be tested for necessity. The program's goals must still be a public need in order for government money to be spent efficiently on that program. Fourth, after the program's mission has been validated, the services of the program must be analyzed to make sure that they are furthering the program's cause. If the daily operations do not contribute to the program's goals, then termination should be considered. Lastly, the program should not have services that overlap with another program. If this is the case, eliminating duplicative services would cut excess spending. By enduring these points of evaluation, a program should be able to prove its efficiency in order to retain its funding. This will make sure that funding will be appropriated to the programs that are maximizing social utility. The evaluation will provide a useful management tool for preserving efficient programs and eliminating inefficient programs.

Salience of evaluation results is also important. By making the public and political parties aware of the inefficiencies in a program, any opposition to the termination of the program should subside. It would be difficult for a party to recommend continuation of funding for something that everyone knows is a waste of resources. If that person feels that a social need is not being met by eliminating the program, it will be his responsibility to propose a way to meet that need through a more efficient means. In this way, the continuation or rebirth of inefficient programs will be eliminated.

Therefore, there needs to be a non-partisan, transparent body to implement a uniform evaluation for all government operations. In our opinion, a commission would be an appropriate oversight body to ensure that all programs are held to the standards set forth in the evaluation process. The government would have to mandate a commission or several commissions, as done with BRAC, to serve as the authority in evaluating and recommending termination of inefficient programs. It seems appropriate to have several commissions mandated by the government, first, because the sheer size of government operations would cause difficulty for one commission. Second, commissions will exist for different agencies of the government to account for differences across departments. Third, in order to prove the commissions' legitimacy, we suggest that experts in the specific fields related to programs serve on the commission. In this way, programs will be held accountable to independent bodies that possess the breadth of knowledge to make the necessary decisions regarding efficiency. It is true that the GAO and OMB currently implement evaluations across many government programs, but the proposed commissions would be different. Unlike PART, the commissions will not have a party affiliation; thereby make their decisions not subject to partisan scrutiny. Second, unlike the GAO, all government programs will be subject to evaluations, not just the ones put forth by congressional requests or at the request of the Comptroller General. Thus, nothing should be overlooked. Fourth, the commission will embody the authority needed to take action against the inefficiency.

In order to have a process that is as close to uniform as possible, it would be appropriate to designate a specific date for evaluation of each program. However, this is a difficult thing to decide. Some programs may be eligible for evaluation after one year, if that is the expected date for completion of the missions. Others may take several years to notice the societal impact that the program has made. Therefore we recommend that each program, upon proposal, include a tailored timetable of evaluations. In this way, each piece of legislation will have a sunset date which requires an evaluation before continuation of funding. Adding a sunset date to each piece of legislation will act as a "catch-all," insuring that no inefficient program continues to receive government resources.

Continuation of Research

We anticipate that our research and report will be built upon in the future, as we recognize that this may be the tip of the iceberg, so to speak, of what can possibly be done in this area of research. As stated before in our methodology, we understand that

time constraints prevent us from gathering an all-encompassing survey of government programs, whether inefficient, efficient, terminated, or continuing. Future research should include a more comprehensive survey of the all programs. Through a more comprehensive study of programs, it is reasonable to expect a greater number of mechanisms at the federal level. For example, such mechanisms as privatization or the use of pilot programs to sunset the end of an experimental government program may be observed. Each of these mechanisms has the potential to, when used, draw attention to inefficiency, correct for inefficiency, or spur an evaluation for inefficiency.

In particular, an expansion of our research could include implications for state and local government programs. As inefficiency tends to be inherent in government, it can be reasonably expected that lower levels of government encounter similar difficulties in reaching an efficient distribution of services and experience the same difficulties in terminating wasteful programs. While similar signals of inefficiency are expected at the state and local levels, they may use different mechanisms for termination. For example, privatization at the state and local level is more readily used to remedy the inefficient distribution of services.

A continuation of study could encompass federal, state, and local government programs, comparing and contrasting signals of inefficiency and the mechanisms used for termination. The lessons learned from this comparative analysis could uncover mechanisms used at one level which could translate to another level. For example, it is recognized that state and local policy is a breeding ground for innovative processes and reforms, mainly because it can be implemented on a smaller scale. Further research could dive deeper into this argument. We suggest examining the frequency of terminated programs between levels of government, identifying whether lower levels of government use different means of termination, and whether such alternative mechanisms could be applied to federal programs.

Appendix

Case Study 1

Program Title U.S. Advisory Commission on Intergovernmental Relations (ACIR)

Departmental Oversight

United States Congress

Program History

Established: 1959

Terminated: 1996

Mission: To establish a bipartisan body to examine federal-state relationships and to recommend improvements²⁰

Services: Research and reports

Beneficiaries: n/a

Budget: \$784,000 (FY 1996)

Reforms: n/a

Signals of Inefficiency

Overlap: Other agencies provide research and studies on federal government such as the CBO, GAO, and CRS. Thus, ACIR's research was deemed "nonessential."²¹

Outdated: Research became irrelevant as ACIR received fewer requests for research.

Obstacles

n/a

Termination Mechanism

Political Clout: U.S. Representative Robert Istook, on the House appropriations subcommittee, took the lead to end ACIR. He recommended termination of funding.²²

²⁰ Colman, William G., and Goldberg, Delphis C. "The Eisenhower Years and the Creation of ACIR," *Intergovernmental Perspective*. Vol. 16 (Summer 1990): 19-23.

²¹ McDowell, Bruce D. "Advisory Commission on Intergovernmental Relations in 1996: The End of an Era." *Publius: The Journal of Federalism*. Vol. 27:2 (Spring 1997).

²² Ibid.

Case Study 2

Program Title Aid to Families with Dependent Children (AFDC)

Department Oversight

Department of Health and Human Services

Program History

Established: 1935

Terminated: 1996

Mission: A grant program to provide welfare for needy children who had been deprived of parental support or care because their father or mother was absent from the home, incapacitated, deceased, or unemployed.²³

Services: monthly cash payments to eligible recipients

Beneficiaries: 4,553,000 households (FY 1996)²⁴

Budget: peaked at \$16.7 billion (FY 1996)²⁵

Reforms: n/a

Signals of Inefficiency

Not Fulfilling Purpose: Inefficient distribution of funds, no effect on child welfare, and poor incentives to encourage recipient to gain employment; family had their welfare check cut by one dollar for every dollar earned.²⁶

Outdated: Societal values changed -- emphasis on work and self-sufficiency over welfare.²⁷

Obstacles

n/a

Termination Mechanism

Reform: Reformed into two programs. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) replaced AFDC with a new cash welfare grant program, Temporary Assistance for Needy Families (TANF) program, included a lifetime limit to receive benefits and increased state flexibility for program design.²⁸ The new legislation, TANF, was implemented with a cap of \$16.5 billion annually for 6 years.²⁹

Political Clout: President Clinton's campaign platform included welfare reform.

²³ "Aid to Families with Dependent Children (AFDC) and Temporary Assistance for Needy Families (TANF)." *U.S. Department of Health and Human Services*. (accessed November 25, 2007). <<http://aspe.hhs.gov/HSP/abbrev/afdc-tanf.htm>>.

²⁴ FY2006. Administration for Children and Families. "Characteristics and Financial Circumstances of AFDC Recipients." October 1995 – September 1996. (accessed November 29, 2007). <http://www.acf.dhhs.gov/programs/ofa/cfc_fy96.htm>.

²⁵ "Poverty in the United States: 1996." *U.S. Department of Health and Human Services*. Administration for Children and Families, Office of Planning, Research, and Evaluation; U.S. Bureau of the Census: *Current Population Reports*. Series P60-198 and earlier years.

²⁶ Brus, Michael. "Book Review: Home Safe." Rev. of *The Invisible Safety Net: Protecting the Nation's Poor Children and Families* by Janet M. Currie. *Real Change News*. 21 July 2006.

²⁷ Larner, Mary B., Terman, Donna L., & Behrman., Richard E. "Welfare to Work: Analysis and Recommendations." *The Future of Children: Welfare to Work*, Vol. 7 No. 1, Spring 1997.

²⁸ "Aid to Families with Dependent Children (AFDC) and Temporary Assistance for Needy Families (TANF)." *Department of Health and Human Services*. <<http://aspe.hhs.gov/HSP/abbrev/afdc-tanf.htm>>.

²⁹ Drazen, Allan & Limão, Nuno. "Government Gains from Self Restraint: A Bargaining Theory of Inefficient Redistribution." *CEPR Discussion Paper No. 4007*. 5 August 2003.

Case Study 3

Program Title United States Bureau of Mines

Departmental Oversight

Department of the Interior

Program History

Established: 1910

Terminated: 1996

Mission: To enhance the safety, health, and environmental impact of mining and processing of minerals and materials.³⁰

Services: "Collects and disseminates data on the worldwide production, consumption, and availability of various mineral commodities and it funds materials research partnership projects."³¹

Beneficiaries: n/a

Budget: \$152.4 million (FY 1995)³²

Reforms: n/a

Signals of Inefficiency

Outdated: The Bureau and other technological firms made advancements in mine safety. The nation's perceived need for a "strategic stockpile" of minerals lessened over the years.

Fulfilled Purpose: The Bureau's advancements in technology eventually decreased the nation's need for the Bureau's services.

Obstacles

n/a

Termination Mechanism

Mission Transfer: Health and Safety Research Program and the Materials Research Program transferred to the U.S. Department of Energy, Land and Mineral Resources Program transferred to the Bureau of Land Management, Part of the Information and Analysis Program transferred to the U.S. Geological Survey, Helium Program transferred to the Bureau of Land Management³³

³⁰ U.S. Codes. Title 42, Chapter 108, Subchapter IV, Sec. 10242.

³¹ U.S. General Services Administration. "Notes to Consolidating Financial Statements: For the Fiscal Years Ended September 30, 1996 and 1995." Access 19 Nov 2007.
<<http://permanent.access.gpo.gov/lps23/finstat.htm>>

³² Thompson, Duane A. "The U.S. Bureau of Mines Funding--FY1996." CRS Report for Congress. 30 Aug 1995. Environment and Natural Resources Policy Division. Accessed 8 Oct 2007
<<http://www.ncseonline.org/nle/crsreports/mining/mine-2.cfm>>.

³³ Thompson, Duane A. "'Orderly Closure' of the Bureau of Mines: FY 1996 Funding." 31 Jan. 1996. Accessed 5 Oct 2007. <<http://digital.library.unt.edu/govdocs/crs/permalink/meta-crs-323:1>>.

Case Study 4

Program Title Commission on National and Community Service

Department Oversight

Independent Commission

Program History

Established: 1990

Terminated: 1993

Mission: To encourage citizens to engage in community service

Services: Provided grants to create community service opportunities for youth

Beneficiaries: n/a

Budget: n/a

Reforms: n/a

Signals of Inefficiency

Overlap: Other government programs exist which encourage community service.

No Federal Oversight Needed: Individuals, not-for-profits and the private sector may also encourage community services.³⁴

Obstacles

n/a

Termination Mechanism

Consolidation: The National and Community Service Trust Act of 1993 consolidated the Commission's with the Corporation for National and Community Service.³⁵

³⁴ Utt, Ronald D. "A Progress Report on Closing Unneeded and Obsolete Federal Agencies." *Heritage Foundation*: March 13, 1996.

³⁵ Guide to Federal Records. "Records of the Corporation for National and Community Service." The National Archives.

Case Study 5

Program Title Comprehensive Employment and Training Act (CETA)

Department Oversight

Department of Labor

Program History

Established: 1973

Terminated: 1982

Mission: To encourage employment and train under-qualified workers.

Services: Train workers through classroom training, on-the-job training, work experience and provide them with jobs in the public service.

Budget: \$4.4 billion (FY 1982)³⁶

Beneficiaries: 757,000 low-income workers (FY 1980)³⁷

Reforms: Reauthorized for an additional four more years in 1978 under Carter administration.³⁸

Signals of Inefficiency

Unfulfilled Purpose: The Congressional Budget Office found that CETA training had no effect on overall earnings of male participants.³⁹

Obstacles

n/a

Termination Mechanism

Reform: Replaced by the Job Training Partnership Act in 1982. This program included a similar mission to train workers, but without the provision of public sector jobs.

Sunset Legislation: Reauthorized in 1978, up for reauthorization in 1982, but terminated.

Political Clout: President Reagan proposed termination of CETA program and Congress complied with his request.⁴⁰

³⁶ Congressional Budget Office and National Commission for Employment Policy. "CETA Training Programs: Do They Work for Adults?" CBO: July 1982.

³⁷ Ibid.

³⁸ Woolley, John T. and Peters, Gerhard. *The American Presidency Project* [online]. University of California, Santa Barbara, CA: Gerhard Peters (database). <<http://www.presidency.ucsb.edu/ws/?pid=30397>>.

³⁹ CBO

⁴⁰ Gist, John R. "The Reagan Budget: A Significant Departure from the Past." *American Political Science Association*: 1981.

Case Study 6

Program Title Delaware River Basin

Department Oversight

Environmental Protection Agency

Program History

Established: 1961

Terminated: 1996

Mission: An intergovernmental compact for planning, conservation, utilization, development, management, and control of the water resources of the Delaware River Basin.⁴¹

Services: Oversight and funding

Beneficiaries: n/a

Budget: \$860,000 (FY 1996)⁴²

Reforms: n/a

Signals of Inefficiency

No Federal Oversight Needed: States benefiting from this program (Delaware, New Jersey, New York, and Pennsylvania) should oversee and fund this program rather than the federal government.

Benefit-Cost: “The benefits of the Commission's activities accrue mostly to the contiguous states in the Delaware River Basin. Therefore, these states should fund the program in its entirety. There is no reason for federal taxpayers to fund costly programs of strictly regional interest and benefit.”⁴³

Obstacles

Political Clout: Senator Arlen Specter continued to take the lead to restore federal funding in 2004 and 2005.⁴⁴

Termination Mechanism

Immediate Elimination: Congress ended federal support for the Commission and provided final payment of \$343,000 to facilitate the transition to self-sufficiency.⁴⁵

⁴¹ State of Delaware. “Agency Histories: Delaware River Basin Commission.” March 22, 1989. (accessed on November 18, 2007). <<http://archives.delaware.gov/collections/aghist/0901.shtml>>.

⁴² Utt.

⁴³ Ibid.

⁴⁴ Delaware River Basin Commission. “DRBC Financial Struggles Continue Due to Lack of Funding.” News release: February 17, 2005.

⁴⁵ Utt.

Case Study 7

Program Title Exceptional Performer Program

Department Oversight

United States Department of Education

Program History

Established: 1992

Termination: n/a

Mission: To decrease the amount of federal money being spent on defaulted loans by providing an incentive to private lenders to improve loan servicing and decrease the number of defaults.

Services: Assigns “exceptional performer” designation to private lenders that participate in the Federal Family Education Loan Program (FFELP). The lenders that show due diligence in collecting defaulted loans are granted 99% reimbursement on the principle of the defaulted loan. All other lenders receive 97%.

Beneficiaries: FFELP lenders

Budget: \$4.6 M (FY 2006)⁴⁶

Reforms: n/a

Signals of Inefficiency

Not Fulfilling Purpose: Default claims did not decline due to the program, and banks did not change their methods in servicing loans. In fact, both the number and dollar amount of defaulted loans increased from 2004 to 2006.⁴⁷

Cost Benefit Analysis: GAO studied the Exceptional Performer Program and the results revealed that the federal government was expending more money on the program than it was getting back in the decrease of defaulted loans.⁴⁸

Obstacles

n/a

Termination Mechanism

Pending⁴⁹

⁴⁶ Field, Kelly. “Program for ‘Exceptional Performers’ on Student Loans Should Be Eliminated, Government Report Concludes.” *The Chronicle of Higher Education*, 27 July 2007.

⁴⁷ U.S. Government Accountability Office. GAO-07-1087. 26 July 2007.

⁴⁸ Ibid.

⁴⁹ Due to the GAO report, the House passed HR 4 to repeal the Exceptional Performer Program and eliminate all funding for fiscal year 2008. Final appropriations have not yet been passed.

Case Study 8

Program Title Home Mortgage Interest Deduction

Department Oversight

United States Department Housing and Urban Development

Program History

Established: 1918 – present

Terminated: n/a

Mission: Provide a tax deduction to encourage home-ownership.

Services: The federal government allows for the tax deduction of mortgage interest on owner-occupied residences in order to entice citizens to purchase homes. By influencing more people to become homeowners, the government hopes to increase the number of law-abiding citizens who are invested in their communities and who preserve their wealth through appreciating assets. The interest that a person pays yearly on his mortgage is deducted from his gross annual income, so that the final tax bill does not reflect dollars paid toward the interest on a home mortgage.

Beneficiaries: n/a

Budget: \$83.3 billion (FY 2006)

Reforms: n/a

Measures of Inefficiency

Unfulfilled Purpose: In 2003, 21.7% of tax expenditure benefited people with incomes between \$50,000 and \$74,999, and 53.8% of the expenditure benefited people with incomes greater than \$75,000.⁵⁰ This leaves only 24.5% of the expenditure benefiting families of modest means. The current structure of this tax expenditure does not meet the intended goal of increasing homeownership. The deduction acts as a tax break for those who can already afford to buy home.

Obstacles

Political Clout: Due to large interest groups, such as realtors' associations, and wealthy campaign contributors, all of who benefit from the deduction, political clout prevents the termination of this program.

Mechanism

n/a

⁵⁰ Prant, Gerald. "Who Benefits from the Home Mortgage Interest Deduction?" *Tax Foundation*. 6 Feb 2006. < <http://taxfoundation.org/news/show/1341.html>>.

Case Study 9

Program Title Interstate Commerce Commission (ICC)

Department Oversight

Independent Agency

Program History

Established: 1887

Terminated: 1995

Mission: Regulates carriers engaged in transportation in interstate commerce and in foreign commerce within the United States.

Services: Commission acted as an oversight board, setting minimum and maximum rates for railroad use, so that the railroads could not use its services to discriminate against certain communities or persons. This was eventually expanded to other forms of transportation, such as buses and trucking.

Beneficiaries: n/a

Budget: \$113,000 (FY 1888); \$45 million (FY 1994); 1960's 2,400 employees, height of employment. In 1994, right before termination, there were 300 employees.⁵¹

Reforms: n/a

Measures of Inefficiency

No Federal Oversight Needed: Lost power under the deregulation movement in the 1970s and 1980s. More efficient to transfer remaining responsibilities to a different agency and terminate.⁵²

Obstacles

n/a

Mechanism

Phase Out: In the 1970s and 1980s legislation was passed to deregulate transportation. Since most of its power was lost through deregulation, in 1995 Congress eliminated the agency.

Mission transfer: Remaining functions, such as safety regulations, transferred to the Surface Transportation Board and the Department of Transportation.

Mission Transfer: Remaining functions transferred to the Surface Transportation Board and the Department of Transportation.

⁵¹ Sharfman, I.L. "The Interstate Commerce Commission: A Study in Administrative Law and Procedure." *The American Economic Review*, Vol. 25, No. 4 (Dec. 1935), pp. 754-756.

⁵² "Interstate Commerce Commission Comes Under Siege in Congress." *American Press*. 31 July 1994. <<http://query.nytimes.com/gst/fullpage.html?res=9C04E4DC1439F932A05754C0A962958260>>.

Case Study 10

Program Title National Wool Act of 1954

Department Oversight

Department of Agriculture

Program History

Established: 1954

Terminated: 1995

Mission: To encourage the production of wool as an “essential and strategic commodity.”⁵³

Services: Provide cash payment to wool and mohair producers.

Beneficiaries: Wool and Mohair producers.

Budget: \$122 million per year⁵⁴

Reforms: n/a

Signals of Inefficiency

Outdated: Synthetic replaces wool; wool removed from military’s list of strategic materials in 1960⁵⁵

Obstacles

Political Clout: Wool and Mohair producers continued to place pressure on legislators after the program was terminated. Producers successfully gained assistance on an ad hoc basis in 1999 and 2002.

Termination Mechanism

Phase Out: In 1993, Public Law 103-130 mandated the program’s phase out. Budget decreases took place in 1994 to 1995.

⁵³ “Economic Impact if the Elimination of the Wool Act.” *U.S. Department of Agriculture: Economic Research Service*. < <http://www.ers.usda.gov/Briefing/Sheep/WoolActStudy.pdf>>.

⁵⁴ Budget is calculated on the average annual payments to wool producers between 1990-93.

⁵⁵ Stroup, Richard L. “Political Behavior.” *The Concise Encyclopedia of Economics*, The Library of Economics and Liberty. Liberty Fund, Inc.: 2002. 29 Nov 2007.

Case Study 11

Program Title Naval Academy Dairy Farm

Department Oversight

Department of Defense

Program History

Established: 1908

Terminated: 1998

Mission: To provide safe milk for midshipmen after an outbreak of typhoid fever, in Annapolis, due to a commercial supplier in the area.

Services: 403 gallons of milk/day (FY 1998)

Budget: \$6 million; includes the cost of 14 employees and 115 cows (FY 1998)⁵⁶

Beneficiaries: 4,000 midshipmen

Reforms: n/a

Signals of Inefficiency

Outdated: The Academy needed to improve the technology of the equipment on the farm.

Cost-Benefit: The cost of updating the equipment outweighed the benefit of producing milk.

Found to be more efficient to buy milk commercially; savings of \$0.25 a gallon⁵⁷

Obstacles

Size of Program: Both the budget and operation of the dairy farm were relatively small compared to the size of the overall budget for the Naval Academy, which allowed for the program to be easily ignored.

Termination Mechanism

Immediate Elimination: Defense appropriation bill gave the Naval Academy permission to close the farm.⁵⁸

⁵⁶ Scott, David. "Naval Academy may shed its farm: House passes bill allowing shutdown." *The Washington Times*. June 1997.

⁵⁷ "A Brief History of the United States Naval Academy." Accessed 25 Oct 2007.
<<http://www.usna.edu/VirtualTour/150years/1990.htm>>

⁵⁸ Janofsky, Michael. "Midshipmen to Get Milk through Middleman." *New York Times*. 19 July 1998.

Case Study 12

Program Title Office of Nuclear Waste Negotiator

Department Oversight

Independent Office⁵⁹

Program History

Established: 1987

Terminated: 1994⁶⁰

Mission: To find a State or Indian tribe to host a repository or monitored retrievable storage facility (MRS).

Services: Same as above.

Beneficiaries: States willing to host a MRS facility.

Budget: n/a

Reforms: n/a

Signals of Inefficiency

Not Fulfilling Goals: Received only .01 percent response rate from states, 3.7% response rate from federally recognized Native American tribes

Overlap: Similar efforts exist, such as the Nuclear Regulatory Commission or under the Department of Energy or Environmental Protection Agency⁶¹

Obstacles

n/a

Termination Mechanism

Political Clout: States that did not want the MRS facility began pressure to terminate the Office; Nuclear power industry and its Congressional supporters placed pressure because program was not being successful; Grassroots efforts (Native American activists) placed pressure on Congress.

⁵⁹ U.S. Codes. Title 42, Chapter 108, Subchapter IV, Sec. 10242.

⁶⁰ State of Nevada Agency for Nuclear Projects. "Nuclear Waste Policy Dilemma – The First Fifty Years: A Chronology." Accessed Nov. 2007. <<http://www.state.nv.us/nucwaste/yucca/nwchron1.htm>>.

⁶¹ Ibid.

Case Study 13

Program Title Pennsylvania Avenue Development Corporation

Department Oversight

United States General Services Administration⁶²

Program History

Established: 1972

Terminated: 1996

Mission: To revitalize the one-mile stretch of Pennsylvania Avenue that lies between the U.S. Capitol and the White House

Services: Improved sidewalks, streetlights, landscaping, and park areas along the corridor

Beneficiaries: Local businesses along Pennsylvania Avenue

Budget: 6.8 million (FY 1995)⁶³

Reforms: n/a

Reasons of Inefficiency

Fulfilled Purpose: *Scenic America* labeled the corridor as one of its ten “Most Scenic Byways.” The Corporation’s mission completed, “Pennsylvania Avenue [was] once again a lively, vital area.”⁶⁴

Obstacles

n/a

Termination Mechanism

No Federal Oversight Needed: Program’s purpose was completed and no oversight was needed whether it was federal oversight or another authority’s oversight.

Graduation: The program’s purpose was completed, and continuation of funding would be inefficient.

⁶² U.S. General Services Administration. “Notes to Consolidating Financial Statements: For the Fiscal Years Ended September 30, 1996 and 1995.” Access 29 Nov 2007. <<http://permanent.access.gpo.gov/lps23/finstat.htm>>.

⁶³ Moore, Stephen and Dean Stansel. “How Corporate Welfare Won: Clinton and Congress Retreat from Cutting Business Subsidies.” Cato Institute: Cato Policy Analysis No. 254. May 15, 1996.

⁶⁴ U.S. Department of the Interior. “Pennsylvania Avenue National Historic Park.” National Park Service. Accessed 29 Nov 2007. <http://www.nps.gov/archive/paav/pa_visit.htm>.

Case Study 14

Program Title Railroad Retirement System

Department Oversight

Railroad Retirement Board

Program History

Established: 1935

Terminated: n/a

Mission: To administer comprehensive retirement-survivor and unemployment-sickness benefit programs for the nation's railroad workers and their families.

Services Provided: Monthly payments

Beneficiaries: 619,000 retired and disabled workers, their dependents and survivors of deceased workers (FY 1996)

Budget: \$9.4 billion (FY 1996)⁶⁵

Reforms: n/a

Signals of Inefficiency

Overlap: Found to be more efficient to allocate payments through the Social Security Administration

Obstacles

Political Clout: A phone campaign, spearheaded by railroad worker special interest groups, kept the programs separate.⁶⁶

Termination Mechanism

n/a

⁶⁵ United States Railroad Retirement Board. "An Agency Overview." January 2007. <http://www.rrb.gov/opa/agency_overview.asp>.

⁶⁶ Kamensky, John M. Personal Interview. 24 Sept 2007.

Case Study 15

Program Title Rural Electrification Administration (REA)

Department Oversight

United States Department of Agriculture

Program History

Established: 1935

Terminated: 1994

Mission: Subsidize the construction of electrical cooperatives in rural areas of the U.S. in order to bring power to rural farmers, thereby improving their economic sustainability.

Services: Granted loans to local governments and farmers' cooperatives to establish electric facilities and later telephone service facilities in rural areas.

Beneficiaries: n/a

Budget: \$410,000,000 (FY 1936); \$2,000,000,000 (FY 1994)⁶⁷

Reforms: Remaining functions transferred to the Rural Utilities Service.

Signals of Inefficiency

Fulfilled Purpose: 98% of all rural farms had electricity by 1970s.

Obstacles

n/a

Termination Mechanism

Mission Transfer: Remaining function transferred to the Rural Utilities Service.

⁶⁷ Baden, John A., Ph.D. and Tim O'Brien. "Rural electrification: time to end subsidies for skiers." *Seattle Times*. Foundation for Research on Economics & the Environment. 23 February 1994. Accessed 17 Nov 2007. <<http://www.free-eco.org/articleDisplay.php?id=292>>.

Case Study 16

Program Title State Children's Health Insurance Program (SCHIP)

Department Oversight

Department of Health and Human Services

Program History

Established: 1997

Terminated: 2007

Mission: Decrease the growing number of unemployed children in the U.S.

Services: The federal government provides funding to the states to provide health insurance to children whose families make too much money to enroll in Medicaid but too little to purchase private health insurance. Some states allow pregnant mothers and family members of the qualifying children to be covered by the program.

Beneficiaries: 6.9 million children (FY 2006)

Budget: Approximately \$5 billion yearly, over the past ten years

Reforms: Congress passed legislation to reauthorize SCHIP with an increase in funding to \$12 billion over the next five years. However, President Bush has vetoed this legislation and threatens to continue to veto unless funding is cut and states are made to be stricter in the enrollment of family members of children in the program.⁶⁸

Signals of Inefficiency

Unfulfilled Purpose: States are incurring shortages in funds to support the growing number of enrollees and cannot support the current levels without increased funding.

Obstacles

Political Clout: The executive and the congress disagree on reauthorization of SCHIP.

Termination Mechanism

Sunset Legislation: Authorized for ten years.

⁶⁸ "Children's Health Insurance Program Reauthorization Act of 2007 (CHIPRA): The Revised CHIPRA Bill (H.R. 3963) Compared to the Original Bill (H.R. 976)." *The Kaiser Commission on Medicaid and the Uninsured*. November 2007.

Case Study 17

Program Title Tea Importation Act

Department Oversight

Food and Drug Administration⁶⁹

Program History

Established: 1897

Terminated: 1996

Mission: To ensure quality of imported tea.

Services: Comparing every lot of tea against Board-selected standard teas.

Beneficiaries: Tea drinkers.

Budget: \$253,500 (FY 1995)⁷⁰

Reforms: n/a

Signals of Inefficiency

Outdated: Mass production of tea ensures higher quality standards.

Overlap: Food and Drug Administration also regulated tea standards.⁷¹

Obstacles

Size of Program: Small budget allowed for the program to go undetected; cost of termination was higher than the program's funding.⁷²

Oversight: The Board of Tea Tasters could not be terminated because the regulation of tea was written into law. It was not until the tea industry took on the responsibility of overseeing the tea standards and regulations could the Tea Importation Act, which established the Board of Tea Tasters, could be repealed.

Termination Mechanism

Immediate Elimination: The tea industry incurred the costs and responsibility of regulation, which allowed for the Federal Tea Tasters Repeal Act of 1996 to be passed.⁷³

⁶⁹ Dewitt, Patricia J. "A Brief History of Tea: The Rise and Fall of the Tea Importation Act." Harvard Law School. LEDA database. (2000 Third Year Paper).

⁷⁰ De Witt, Karen. "Tea, but No Sympathy, for the Tasters." *New York Times*: September 26, 1995.

⁷¹ Dewitt, Patricia.

⁷² Kamensky.

⁷³ Dewitt, Patricia.

Case Study 18

Program Title Thomas Jefferson Commemoration Commission

Department Oversight

United States Congress

Program History

Established: 1992⁷⁴

Terminated: 1996

Mission: To celebrate Thomas Jefferson's 250th birthday, occurring in 1993.⁷⁵

Services: Coordinate and encourage participation in anniversary activities throughout multiple states and honor historical sites related to Thomas Jefferson's life.

Beneficiaries: All who celebrate the birth of Thomas Jefferson.

Budget: \$250,000 (1993); \$62,500 (1994)

Reforms: n/a

Signals of Inefficiency

Fulfilled Purpose: Commission had succeeded at its mission and was no longer needed; final report was to be submitted in 1993.

Obstacles

n/a

Termination Mechanism

Graduation: The Thomas Jefferson Commemoration Act stated that the Commission would be terminated within 60 days of the final report's submission.

Phase Out: After the anniversary the Commission's budget decreased each year with \$31,000 in FY 1995 and \$25,000 in 1996.⁷⁶

⁷⁴ Woolley, John T. and Gerhard Peters. *The American Presidency Project* [online]. University of California, Santa Barbara, CA: Gerhard Peters (database). Accessed 28 Nov 2007. www.presidency.ucsb.edu

⁷⁵ Utt.

⁷⁶ Thomas. "Congressional Record: The Thomas Jefferson Commemoration Act Senate – July 30, 1992." Library of Congress: 30 July 1992. Accessed 29 Nov 2007. <<http://thomas.loc.gov/>>.

Case Study 19

Program Title Youth Opportunity Grant (YOG)

Department Oversight

United States Department of Labor

Program History

Established: 2000

Terminated: 2004

Mission: Increase educational attainment and long-term employment in youth from impoverished areas.

Services: Enrollment in program to aid in high school graduation, college enrollment and job attainment.

Beneficiaries: 91,000 youth (FY 2004)

Budget: \$200,000,000 (FY 2004)

Reforms: n/a

Signals of Inefficiency

Unfulfilled purpose: The grants were not actually increasing employment and education rates.⁷⁷

Obstacles

n/a

Termination Mechanism

Sunset Legislation: The program was authorized for five years.

⁷⁷ "Youth Opportunity Grants: Lessons Can Be Learned from Program, But Labor Needs to Make Data Available." *GAO Report to Congressional Requestor*. December 2005.