

AMERICANS FOR PROSPERITY®

February 10, 2012

Dear Senator Paul and Representative Pompeo,

On behalf of more than 1.9 million Americans for Prosperity activists in all 50 states, I applaud your introduction of bills to help stop budget bloat in Washington by providing better incentives for federal agencies and grant recipients to return unused taxpayer dollars for deficit reduction.

There are currently a number of barriers preventing federal grant recipients and federal agencies from being responsible stewards of taxpayer dollars. For example, federal agencies must spend every penny they are given by Congress, *by law*. This leaves them with no incentive to find ways to cut costs and save taxpayer money – surplus funds at the end of the year must either be spent (often unwisely) or the money languishes in an account only to be spent later. They cannot return unused funds for deficit reduction.

Recipients of federal grants – states, local governments, or non-profit organizations – also have unhelpful incentives. If they don't use all of the money they were granted, they can return it to the federal agency that gave them the funds, but they know that that money will only be redistributed to some other grant recipient (and not used for deficit reduction). Recipients often find it better to use all of the funds than to see it end up in someone else's hands.

The money at play is not just a penny here and a penny there; real money is involved. During 2011, nearly \$3.7 billion in grants were returned to the federal government from states and localities, only to be redistributed by federal bureaucrats to other grant recipients. It's likely that much more would be returned if budget-conscious grant recipients knew that the money would go to deficit reduction. Similarly, the White House expected there to be more than \$700 billion in unobligated balances (unspent funds) just sitting in accounts at federal agencies at the end of fiscal year 2011. We could make a dent in Washington's annual deficits if only a fraction of that money could be returned.

Your two bills would help break down these barriers and backward incentives. Senator Paul's Cost Savings Enhancements Act would help control federal agencies' budgets by creating an employee suggestion program. If employees spot waste or come forward with an idea on how to spend taxpayer dollars more wisely, they will get to keep as much as \$10,000 of the budgetary savings if their suggestions are adopted. The head of the federal agency would then be given authority to return the money to the Treasury for deficit reduction.

Representative Pompeo's legislation focuses on federal grants to state and local governments. If states or localities determine that they will not use all of the money they have been granted by the federal government they can send the funds back and instead direct the Treasury to use it for deficit reduction.

If we're going to fundamentally change the way Washington does business, we need to include these important small steps. Americans for Prosperity is proud to support both of these pieces of legislation. I urge your colleagues to support them as well, and I look forward to working with you in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Valvo', with a stylized flourish at the end.

James Valvo
Director of Government Affairs
Americans for Prosperity

Americans for Prosperity® (AFP) is a nationwide organization of citizen leaders committed to advancing every individual's right to economic freedom and opportunity. AFP believes reducing the size and scope of government is the best safeguard to ensuring individual productivity and prosperity for all Americans. AFP educates and engages citizens in support of restraining state and federal government growth and returning government to its constitutional limits. AFP has more than 1.9 million members, including members in all 50 states, and 34 state chapters and affiliates. More than 90,000 Americans in all 50 states have made a financial investment in AFP or AFP Foundation. For more information, visit www.americansforprosperity.org. Americans for Prosperity does not support or oppose candidates for public office.

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