



# An American *Opportunity*

TOM LEPPERT'S BOLD PLAN  
to Shrink Government and Create Jobs

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## EXECUTIVE SUMMARY

Texans are fed up. Our economy has been in a recession for three years. Washington promised us a recovery. We were told a spending binge of taxpayer money and rampant debt would keep our unemployment rate below 8%. It didn't. We've now reached a post-World War II record of 29 straight months with unemployment above 8%. Perhaps even worse than the 9.1% unemployment rate, is the fact that only 58.2% of the entire American adult population is employed. Many out-of-work Americans have given up looking for a job. This is no recovery.

Our economy and government are in need of a fundamental transformation. This requires decisive action by our leaders. We must elect someone with a vision for the path ahead and a plan to get there.

I'm running for Senate because Texas needs a Senator who understands how to create jobs. For too long we've been sending lawyers and career politicians to represent us in Washington. They've only delivered broken promises. Of course, there never seems to be a shortage of these folks ready to run for Senate. If elected, they will arrive in Washington unprepared and likely unwilling to confront the crisis of our time.

I'm neither a lawyer nor career politician. In fact, I pledge to not run for more than two terms in the Senate. I'm a businessman. I spent my career in the private sector, and I've created thousands of jobs.

I believe we can restore the American Dream and give our children and grandchildren the promise of a brighter future, but this will require the federal government take a new direction – one focused on empowering businesses and individuals, not the federal government.

To accomplish this, Texans must elect a leader with the courage to put forth a bold plan of action, and that's exactly what I have done.

No doubt, detractors will attack and criticize my proposals. I welcome it. Instead of offering a sweeping vision for reform, I could have put forth dyed-in-the-wool, run-of-the-mill proposals that my opponents are talking about on the campaign trail. But I know their plans will not lead us out of this recession or end the overreach of government. I say go big or go home.

My plan, "An America Opportunity," will restore the American Dream and reduce the role of government in our lives. The first part of this plan is centered on boosting self-sustaining private sector job growth, which will turn our economy around and put Americans back to work. This is not a plan for more government. It's a plan to get government out of the way so small businesses can do what they do best – create jobs. Historically, small businesses have created nearly 70% of new jobs. But Washington has created an environment nearly impossible for entrepreneurs to navigate. Our tax code has more words than the Holy Bible, and small businesses endlessly confront the threat of new tax hikes and burdensome regulation. That will end under my plan.

The second part of my plan offers solutions for limiting spending and reducing the size and scope of government. In the Senate, I will have one simple rule: If a piece of legislation or an idea reduces the role of government in the lives of employers or citizens, then I'll consider it. If it does not, I won't. This part of my plan is a starting point to slim down our government.

"I believe we can restore the American Dream and give our children and grandchildren the promise of a brighter future, but this will require the federal government take a new direction – one focused on empowering businesses and individuals, not the federal government."

– Tom Leppert



## HERE ARE A FEW OF THE KEY POINTS YOU'LL FIND AS YOU READ ON:

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**Institute Fundamental Tax Reform.** America must reform its tax code. We need to simplify, flatten and broaden our tax code by having one low tax rate for everyone rather than targeting America's job creators with new taxes. Under my plan, families will face a reduced tax burden and will no longer be confronted with double and triple taxation on what they earn. We must also reduce our corporate tax rate, which is one of the highest in the world. This has only served to push jobs overseas. And while big corporations find loopholes and lobby for favors, escaping taxes all together, small companies are hit hardest of all.

**Allow America's Small Businesses To Grow.** Helping small businesses jump-start our economy is about more than ending the economic uncertainty created by Washington's proposed tax hikes. There are well over 150,000 pages of government regulations that hit businesses, both small and large. Small businesses, however, face 36% greater compliance costs or an average of \$10,585 per employee. Congress should force government agencies to evaluate and roll back burdensome regulations that tie up businesses in compliance concerns rather than job creation. Agencies and government boards are changing the rules and working against the very people who are trying to get America moving. This must stop.

**Give All Americans The Right To Work.** Here in Texas, we give all workers the choice of whether they want to join in a union. In other states, that's not the case. They have forced unionization. Texas and 21 other states guarantee this right, and studies show these states have all seen stronger job growth, income growth and population growth than states that force workers to join unions as a prerequisite for employment. One economist found that 4.8 million people left their forced unionization states in favor of right-to-work states between 2000 and 2008. Further, we risk the continued loss of jobs overseas. Right-to-work states also have better-educated workforces, and even as healthcare coverage in other states dropped by 5.7% between 1999 and 2009, coverage in right-to-work states increased. We must pass this same right to work at the federal level, protect businesses and workers from the overreach of the NLRB, and repeal the Davis-Bacon Act to save taxpayer money.

**Put American Energy First.** Energy is one of the great strengths of Texas' economy, and this resource is vital for both our national security and national economy. We have some of the greatest energy resources in the world, but the federal government has held our country back from developing them, instead forcing us into dependency on foreign production. This must stop. We need to immediately open our domestic energy resources to production so we can bring down our energy costs and become energy independent. I believe we must expand the use of natural gas and end the drilling moratorium and restrictions that have held back production here at home.

I'm neither  
a lawyer  
nor career  
politician. In  
fact, I pledge  
to not run for  
more than two  
terms in the  
Senate. I'm a  
businessman.  
I spent my  
career in  
the private  
sector, and  
I've created  
thousands  
of jobs.

**Reduce The Role Of Government In Our Lives.** My plan will get our fiscal house in order, and it directly confronts Washington's ballooning bureaucracy. I believe we have fundamentally mortgaged our future, and we must take immediate steps to cut our debt. I began my campaign for U.S. Senate by calling for two important reforms. First, I believe we must pass a Balanced Budget Amendment combined with a spending cap of 18% of GDP to prevent tax hikes. Second, we must institute zero-based budgeting for all federal departments. This would force agencies to justify why they need funding rather than sending them money every year, regardless of whether they need it, which is what Congress does now. We must repeal Obamacare, and I offer my proposals for reducing the costs of healthcare. My plan will also rein in the Federal Reserve, privatize Fannie Mae and Freddie Mac, reform our welfare system, reduce the federal workforce, bring its outlandish taxpayer-funded benefits in line with those of the private sector, and institute term limits to replace career politicians with fresh faces.

**Save Our Entitlement Programs.** I will never shy away from any issue, even the so-called "third rail" of entitlement reform. Talk to any young person today, and they will tell you Social Security and Medicare won't be there for their generation. To preserve these vital programs, we first and foremost must not change anything for those ages 55 and older. These folks rely on their benefits and we've made a promise to them. But for younger workers, we need to provide Medicare subsidies for the purchase of certified private plans, raise the retirement age, encourage greater retirement savings, and launch an initiative of Personal Retirement Accounts to allow every American, not just the wealthy, to save and invest toward their retirement. Make no mistake—if we don't act now, these programs will go bankrupt. The simple fact in this debate is that people who oppose reform are the ones who want to destroy our entitlement system. The leaders calling for reform are the ones working to honor our commitment to seniors.

The common practice for Republican politicians today is to rail against President Obama's economy and call for rolling back his disastrous policies. The truth is that Obama has made our situation far worse, but our problems did not start with Obama and they won't stop by simply rolling back his policies. We are in a crisis that has been created by Washington and can only be fixed by outsiders, not more lawyers and career politicians. This plan is about creating new opportunities that aren't out there today. Make no mistake; these proposals will change the way our government works. And for those like me who have felt the pull of government holding our country back from its place in history as the "shining city upon a hill," this plan will restore the greatness that we know our country can achieve.



# STEP 1: PUTTING AMERICA BACK TO WORK

## FUNDAMENTAL TAX REFORM

Our tax system is a mess. There are more words in our tax code than are in the Holy Bible. If we're serious about growing our economy and creating new jobs, we must simplify the tax code.

For tax year 2010, it took the average taxpayer 23 hours to fill out their 1040 form. That is up two hours from just last year and nearly 10 hours higher from only five years ago.<sup>1</sup> Small businesses are feeling the burden as well. Companies with five or fewer employees will spend an average of \$4,500 per employee just to comply with our bloated tax code. That's a recipe for a permanently stagnant economy. For government, the cost of collecting taxes is approximately \$12 billion, or fifty-three cents for every \$100 collected.<sup>2</sup> Taken together, tax compliance has placed an unreasonable and unnecessary burden on taxpayers.

Our tax system needs to be flatter, fairer, simpler, and broader to eliminate loopholes that allow some to avoid paying taxes entirely. In fact, according to the Joint Committee on Taxation, 51% of Americans owed no federal income tax in 2009. This creates a lack of personal accountability to the spending and debt decisions made by Washington politicians.

I support a move to a flatter, simpler tax system that will drastically cut the complications of our current system. We need to eliminate credits, exemptions, loopholes and most

deductions. Rather than the hundreds of forms currently used to file tax returns, for most people the entire federal tax return could be reduced to a single page.

Unlike the current system, which differentiates based on the source, usage, and level of income, a flat tax treats all taxpayers equally. And unlike the current system, which punishes people for contributing to the nation's wealth, such a tax structure would lower marginal tax rates and eliminate the tax bias against saving and investment, thus ensuring better economic performance in a competitive global economy.<sup>3</sup> However, I believe there are three key deductions that must be part of a simpler, flatter system - deductions for individual and family filing status, charitable giving, and homeowners. Individual filers and families would be granted a significant standard deduction eliminating taxes all together on a portion of their income. My plan would also continue the existing allowance for homeowners deducting the interest on loans used to buy, build or improve a home, for mortgage principals and the deduction for charitable contributions.

A flatter, simpler tax structure would simplify the tax code and keep taxes low while offering equal tax treatment for families with equal incomes. It would simultaneously encourage economic growth, without sacrificing distributional equity.<sup>4</sup> According to Harvard economist Dale Jorgenson, tax reform would boost national wealth by trillions of dollars.<sup>5</sup>

Simplified Flat Tax Form for All Individuals		2013	
Your first name and initial (joint return also give spouse's name and initial) Last name		Your social security number	
Home address (number and street including apartment number or rural route)		Spouse's social security number	
City, town, or post office, state and ZIP code		Your occupation	
		Spouse's occupation	
1	Wages, Salary and Pensions	1	
2	Personal allowance	2(a)	
	(a) \$20,000 for married filing jointly	2(b)	
	(b) \$10,000 for single	2(c)	
	(c) \$13,000 for single head of household	3	
3	Number of dependents, not including spouse		
4	Personal allowances for dependents (line 3 multiplies by \$6,000) <sup>4</sup>		
5	Total personal allowance (line 2 plus line 4) <sup>5</sup>		
6	Taxable wages (line 1 less line 5, if positive; otherwise zero)	6	
7	Tax (17% of line 6)	7	
8	Tax already paid	8	
9	Tax due (line 7 less line 8, if positive)	9	
10	Refund due (line 8 line 7, if positive)	10	

1 <http://www.investors.com/NewsAndAnalysis/Article/569117/201104141804/The-High-Toll-Of-Tax-Complexity.aspx>

2 <http://www.irs.gov/taxstats/compliancstats/article/0,,id=132165,00.html>

3 [http://www.heritage.org/research/reports/2005/07/a-brief-guide-to-the-flat-tax#\\_ftn7](http://www.heritage.org/research/reports/2005/07/a-brief-guide-to-the-flat-tax#_ftn7)

4 Donald T. Regan, *Tax Reform for Fairness, Simplicity, and Economic Growth*. Office of the Secretary of Treasury, Washington, DC: United States Department of the Treasury, (1984)

5 <http://www.harvard-magazine.com/on-line/030388.html>



## LOWER TAXES FOR FAMILIES

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By reducing the marginal tax rate, we reduce the tax burden on families, but we can't stop there. Economists and common sense tell us that higher taxes yield lower economic growth and fewer jobs. Most people understand that the more you tax something, the less of it you will have. Politicians have long endorsed raising taxes on energy and tobacco as a means to reduce consumption, yet those same politicians somehow believe that raising taxes on capital and labor will not reduce the amount of available capital or contract the labor supply. Washington continues to be hamstrung by such duplicity along with a general lack of economic understanding. Taken together, such economic policies slow the growth we need to put our country back on track.

A key starting point is to prohibit double and triple taxation. Double taxation is un-American and is simply unfair. Taxes on dividends, gifts and estates are examples of such double taxation and should be eliminated. In the case of dividends, these monies have already been taxed at the corporate level. Eliminating this tax will ensure a more efficient use of capital to grow the economy and create jobs. Similarly, death and gift taxes have already been taxed as income or capital gains.



Our tax code has more words than the Holy Bible, and small businesses endlessly confront the threat of new tax hikes and burdensome regulation. That will end under my plan.

### **Reduce The Capital Gains Tax Rate**

We need a tax system that encourages longer-term investments and the free flow of capital in the marketplace. This creates jobs and opportunities for everyone, and it mandates a low rate on capital gains. I propose a rate of 15% on capital gains that is indexed to account for inflation. Currently, the lack of indexing distorts the real, after inflation gain and results in potential decisions that are not in the best interest of building a strong, vibrant economy. For example, if a person purchased a piece of land in the year 2000 for \$100,000 and sold it today for \$125,000, they would actually be losing money when adjusting for inflation as the current value of \$100,000 in today's dollars is approximately \$131,000. However, they would be responsible for paying a capital gains tax on the \$25,000 difference. Thus, a person who wants to sell their property under this scenario, rather than paying taxes on a loss, may likely hold onto it in hopes of a better price down the road, and in doing so, this prevents them from reinvesting the money elsewhere in the marketplace. Cutting the rate and indexing to account for inflation will increase investment, increase returns, increase productivity and create jobs.

### **Abolish The Death Tax And The Gift Tax**

The death tax and the gift tax account for less than 1% of federal revenues. However, the effects of the death tax on a family business can be extreme when a family must forfeit large amounts of capital to pay a tax as the business is passed to the next generation. Many businesses and farms can't survive as they are often asset heavy and cash poor. The tax causes them to sell assets simply to pay the money owed to the government following the death of a loved one. The former director of the Congressional Budget Office reports that permanent repeal of the death tax will create 1.5 million small business jobs in the United States.<sup>6</sup> While Benjamin Franklin once said, "...in this world nothing can be said to be certain, except death and taxes," I cannot support a system that taxes people for dying.

### **Repeal Limits On All Tax-Deferred Savings Plans**

This includes 401(k)s, IRAs, 529 college savings plans, and Health Savings Accounts. The current limits discourage Americans from the saving and investment that will grow the economy.

### **Make All Withdrawals From IRAs Penalty-Free**

Create a temporary exemption for two years or while the national unemployment rate, as defined by the Department of Labor, is over 6.5%, for those collecting unemployment who withdraw from their IRAs for general expenses so they would no longer be subject to the 10% penalty. Currently, there are multiple exemptions for disbursements from an IRA, including house down payments, college expenses, and paying health insurance premiums for those unemployed 12 weeks or longer. A slight modification would allow for the money to be used for other purposes, e.g. mortgage, car payment, food. People should be allowed to use their own money, especially if they are out of a job. As a general matter, the purpose of 401(k)s and IRAs is to incentivize retirement savings. However, individuals who are facing foreclosure or some other financial emergency during the current economic climate should have penalty-free access to all of their savings. Without any other alternative, some families facing hardship will have no choice but to take the penalty.

6 [http://estatetaxtruth.org/\\_documents/holtz-eakin\\_study.pdf](http://estatetaxtruth.org/_documents/holtz-eakin_study.pdf)



## LOWER TAXES FOR AMERICAN BUSINESSES

American companies pay one of the highest corporate tax rates in the world and high corporate tax regimes are most damaging to economic growth.<sup>7</sup> Encompassing all business income, no matter the size, under one tax rate, will not only simplify our tax code but make the United States more competitive globally. There would no longer be separate tax rules for partnerships, sole proprietorships, S corporations and regular corporations. All business operations in America, whether owned by a U.S. company or owned by a foreign company, would pay tax on the income that they earn in the United States.<sup>8</sup>

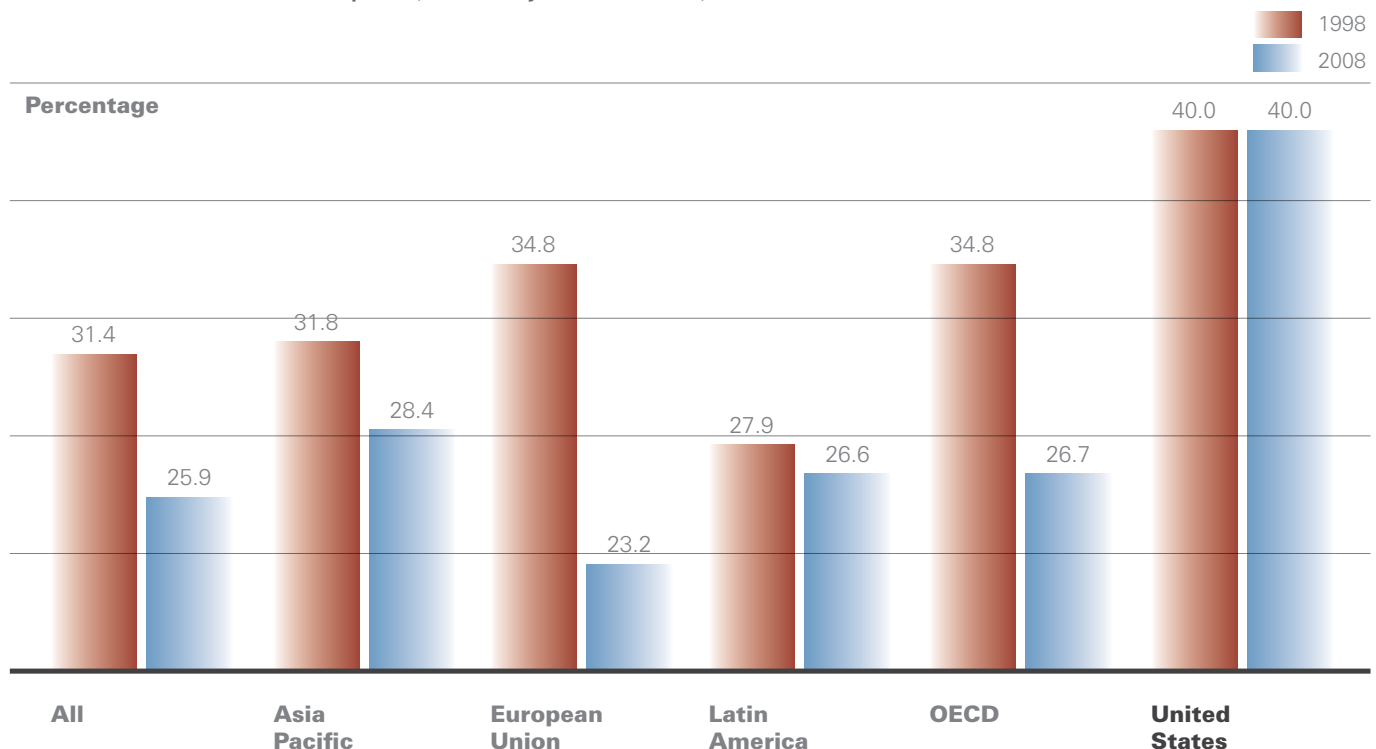
## Statutory Tax Rates Have Been Falling Worldwide, Except In The United States

Average statutory central, state, and local government taxes on corporations, 1999-2008

Source: <http://economix.blogs.nytimes.com/2011/04/08/the-logic-of-cutting-corporate-taxes/>

## KPMG CORPORATE AND INDIRECT TAX RATE SURVEY, 2008, PUBLISHED IN “GROWTH AND COMPETITIVENESS IN THE UNITED STATES:

The Role of Its Multinational Companies,” McKinsey Global Institute, June 2010.



<sup>7</sup> <http://economix.blogs.nytimes.com/2011/04/08/the-logic-of-cutting-corporate-taxes/>

<sup>8</sup> Daniel J. Mitchell, “A Brief Guide to the Flat Tax,” Backgrounder, 1866(July 2005).

By lowering the corporate tax rate, the United States could begin adding over half a million jobs each year, expand GDP by over \$130 billion per year, and increase a typical family of four's after-tax income by nearly \$2,500 per year.



## TAX REFORM THAT WILL HELP BUSINESSES GROW:

### Reduce The Business Income Tax Rate To 19%

The United States has one of the highest corporate income tax rates in the world, which is part of the reason companies have been forced to shift production overseas. We can encourage job growth here at home by creating a flat business tax rate of 19% and ending deductions, credits, exemptions and loopholes that have allowed politically-favored corporations to avoid paying the taxes they owe. Bringing the corporate tax rate down will also allow the thousands of small businesses in our state to see an immediate drop in their tax burden. Reducing taxes for these entrepreneurs will allow businesses to grow and create jobs.

### Benefits of Cutting The U.S. Business Tax Rate<sup>9</sup>

- Promotes higher long-term economic growth.
- Improves U.S. competitiveness.
- Leads to higher wages and living standards.
- Boosts entrepreneurship, investment and productivity.
- Lowers the tax burden on low-income taxpayers and seniors.
- Eliminates disparities and special deals by getting the government out of the economy
- Attracts foreign direct investment (FDI).
- Leads to lower corporate debt and reduces the incentives for income shifting.
- Reduces compliance costs.
- Allows states to compete globally.

According to The Heritage Foundation's Center for Data Analysis, by lowering the corporate tax rate, the United States could begin adding over half a million private sector jobs each year, expand GDP by over \$130 billion per year, and increase a typical family of four's after-tax income by nearly \$2,500 per year.<sup>10</sup>

<sup>9</sup> <http://www.taxfoundation.org/files/sr192.pdf>

<sup>10</sup> <http://www.heritage.org/research/reports/2010/12/the-economic-impact-of-a-25-percent-corporate-income-tax-rate>

## CUTTING AWAY RED TAPE FOR SMALL BUSINESSES

Government has made it nearly impossible for small businesses to grow and create jobs. Small businesses must take a leading role in any plan for economic recovery. Historically, nearly 70% of new jobs come from small businesses, but the taxes and regulations the government imposes on small firms only stall our economic recovery.

The annual cost of federal regulations in the United States is more than \$1.75 trillion.<sup>11</sup> This dollar figure was approximately 12% of GDP in 2010. There are well over 150,000 pages of government regulations. These hit all businesses, both large and small, but firms with fewer than 20 employees pay 36% more per employee than large companies. It costs small businesses \$10,585 per employee to comply with these regulations.<sup>12</sup> This makes small businesses less competitive and it costs jobs. It's truly remarkable any small businesses can survive this crushing burden.

### Strengthen The Congressional Review Act (CRA)

In order to cut down on these costly regulations, Congress should enhance the CRA section of the Small Business Regulatory and Enforcement Fairness Act (SBREFA) of 1996 to force all government agencies with regulatory power over small businesses to evaluate the burdens they place on small businesses.

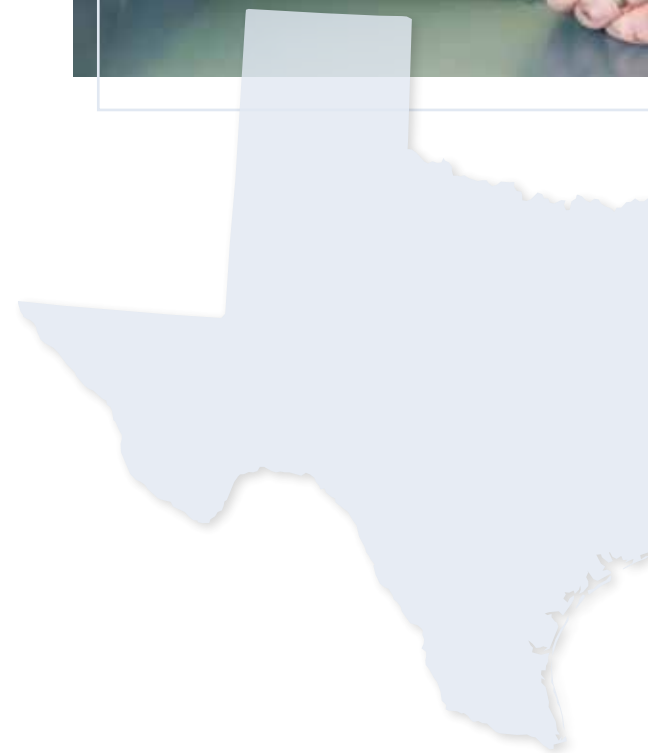
The Congressional Review Act<sup>13</sup> requires agency submission of regulations to Congress before they may go into effect, thereby permitting Congress the opportunity to review such regulations and to overturn problematic rules by a joint resolution of Congress. I would amend the CRA to require that any regulation with a cost to business in excess of \$50 million (adjusted for inflation in future years), would first require Congressional approval prior to enactment. This would prevent agencies and unelected bureaucrats from circumventing Congress.

### Eliminate Dodd-Frank Regulatory Requirements That Hinder Small And Community Banks

This legislation was designed to overhaul our financial system in an attempt to prevent another calamity like we saw in 2008. However, this law will have great consequences, intended or otherwise, for community banks, which are critical in supplying capital to local businesses. Conversations I have had with leaders of these banks clearly prove this to be true. The law of nearly 2,000 pages and the resulting implementation of the thousands of rules and regulations that will take years to even develop will place an enormous burden on small banks. The most critical of these regulations in relation to community banks will be those dealing with consumer lending and capital requirements. Repeatedly, my conversations point to the excessive cost of the regulation being a real threat to the survival of the banks. Given the smaller asset base, those banks will have a very difficult time mitigating the costs of the new requirements and remaining competitive.

### Repeal Section 404 Of The Sarbanes-Oxley Act

The Sarbanes-Oxley law was designed to rein in the illegal accounting practices that caused several scandals around the time the bill was passed in 2002, including Enron, Tyco, and WorldCom. However, the unintended consequences, especially as they relate to smaller public companies, must be rectified. Start-up firms have had to slow their timelines for initial public



11 <http://archive.sba.gov/advo/research/rs371tot.pdf>

12 [http://www.realclearpolitics.com/articles/2011/06/15/true\\_job\\_creators\\_need\\_a\\_voice\\_110204.html](http://www.realclearpolitics.com/articles/2011/06/15/true_job_creators_need_a_voice_110204.html)

13 Subtitle E ("Congressional Review") of the Small Business Regulatory Enforcement Fairness Act of 1996, Title II of the Contract with America Advancement Act of 1996, P.L. 104-121, 101 Stat. 847 at 868-874, codified at Title 5 U.S.C. Sections 801-808. The congressional disapproval procedure is contained in Section 802





offerings because of a \$4.36 million annual compliance tax. Additionally, many small public companies were left with little choice but to merge or return to private ownership. This section must be repealed in order to help small and growing firms create jobs.

### Pass Stalled Trade Agreements

Three already-negotiated trade agreements—with South Korea, Panama, and Colombia—await Senate approval, but President Obama has held them hostage to mollify his union supporters. Not passing the agreements hurt American companies most by maintaining barriers to export markets for goods and services. Passage of the trade agreements would help reduce costs for consumers and create thousands of jobs across the country, including Texas. These pending trade agreements are cost-free job creators. The independent, non-partisan International Trade Commission – which even the Obama Administration has agreed with - says these long-pending trade agreements will lead to the creation of 250,000 jobs here in the U.S.<sup>14</sup>

By strengthening business ties with these three markets, the United States can open new doors for increased export of American goods and services. For example, in Texas, exports to South Korea directly support 16,309 jobs.<sup>15</sup>

- **Texas Surpassed \$1 Billion In Exports To Panama In 2010**

With the United States ranking as Panama's largest trading partner, 88% of U.S. goods exported to Panama will be duty-free upon implementation of our agreement.<sup>16</sup> Panama is also a great market for U.S. small businesses. In 2008, more than 8,600 U.S. companies exported their products to Panama. Of this total, 7,275 or 85%, were small and medium-sized enterprises. These so-called SMEs exported \$1.65 billion worth of merchandise to Panama in 2008. This represented 36% of all U.S. merchandise export to Panama, well above the 30.2% share of U.S. exports that our smaller companies contribute globally.<sup>17</sup>

- **At \$5 Billion In 2009, Korea Is Texas' 5th Largest Export Market**

Upon implementation of the KORUS FTA, more than 80% of Texas' exports to Korea will be duty-free. This tariff elimination gives Texas exporters a \$50 million cost advantage over similar products exported by competitors who do not have an FTA with Korea.<sup>18</sup>

- **At \$4.4 Billion In 2009, Columbia Is Texas' 8th Largest Export Market**

Upon implementation of the CPTA, more than 41% of Texas' exports to Colombia will be duty-free. This tariff elimination gives Texas exporters a \$181 million cost advantage over similar products exported by competitors who do not have an FTA with Colombia. While Texas exporters typically face tariffs of 10-15%, 94% of Colombia's exports to the United States entered the country duty free. CTPA would level the playing field.<sup>19</sup>

14 <http://waysandmeans.house.gov/waysandmeanstraderesources/>

15 <http://www.reuters.com/article/2011/07/05/idUS137925+05-Jul-2011+BW20110705>

16 <http://www.reuters.com/article/2011/07/05/idUS137925+05-Jul-2011+BW20110705>

17 <http://shopfloor.org/wp-content/uploads/2011/03/Testimony-by-Caterpillar-on-Panama-FTA.pdf>

18 <http://businessroundtable.org/studies-and-reports/texas-and-korea-a-growing-partnership/>

19 <http://businessroundtable.org/studies-and-reports/texas-and-colombia-a-growing-partnership1/>

## Stop Threatening To Increase Regulations And Taxes On Domestic Energy

All attempts to raise taxes and fees on energy use must end; Texans are already suffering. Congress must stop the Environmental Protection Agency (EPA) from overstepping its authority to regulate greenhouse gas emissions, which will only increase energy costs.

## Strengthen Property Rights

Protection of property rights is one of the founding principles of our country and we must do all that we can to defend this fundamental privilege. The Fifth Amendment of the U.S. Constitution provides, “nor shall private property be taken for public use, without just compensation.” Nevertheless, the U.S. Supreme Court ruled in 2005 in *Keelo v. New London* that property can be taken away and transferred to another private owner. While President Bush did issue an Executive Order in 2006 to protect the property rights of the American people,<sup>20</sup> such an order can be rescinded. We must codify a Landowners Bill of Rights into federal law to protect citizens from any future government acts trying to take property from one person and give it to another.

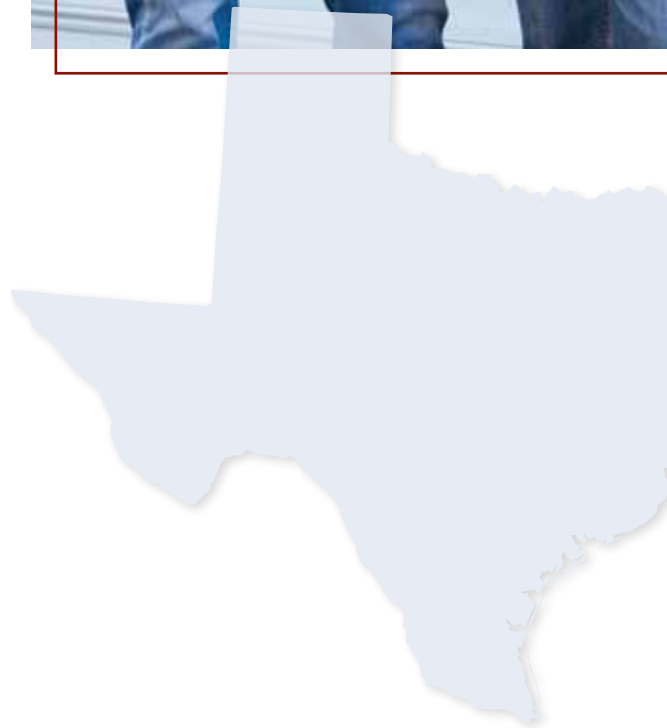
Importantly, landowners should have the right to file a meaningful protest before a federal court and have their day in court rather than simply be at the mercy of a judgment by an agency. In too many instances, landowners are subject to a “takings” action without the ability to have a meaningful appeal.

One federal law that is serving to restrict uses of land and leading to a decrease in property values is the Endangered Species Act. While well intentioned, this law has resulted in some unintended consequences and is moving further beyond the original mandate. I would support efforts to require the government to compensate landowners for these restrictions if their land is devalued by more than 25% as a result. But equally as important, any scientific measurement used to enact environmental regulation must be sound and settled, not speculative.

Additionally, the United Nations’ Agenda 21 represents a significant encroachment upon U.S. sovereignty and property rights. Through a joint resolution, Congress should revoke any presidential Executive Order based on the framework of Agenda 21, starting with Executive Order 13575, signed by President Obama on June 8, 2011 that created the White House Rural Council. I will never support a policy or program that attempts to export American independence or give control over U.S. citizens to an international body.

## Tort Reform

Our judicial system is the envy of the world, but we must be able to trust the system of justice. It was created as a response to a system that did not respect the rights of the common man. The U.S. tort system costs our economy billions of dollars each year. The growth of tort costs has exceeded the growth in GDP by 2-3% over the past 50 years. This is particularly important during an economic downturn when abusive litigation and attempts to regulate through litigation result in such high costs and liability that our economic recovery is diminished or even reversed. I would support tort reform within our federal court system to limit punitive damages and eliminate venue shopping. Our civil justice system can be protected, improved, and made more efficient, while bringing greater fairness and predictability to market participants and citizens.<sup>21</sup>



20 <http://edocket.access.gpo.gov/2006/pdf/06-5828.pdf>

21 <http://www.heritage.org/events/2009/09/tort-reform-in-the-states-protecting-consumers-and-enhancing-economic-growth>

## GIVE ALL AMERICANS THE “RIGHT TO WORK”

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Labor bosses have failed to represent the workers who pay their salaries. Unions once helped workers gain the benefits and wages they deserved, but today they have driven companies out of business or overseas even as union bosses enrich themselves. Union membership continues to shrink in the private sector. In 2010, the union membership rate for public sector workers (36.2%) was substantially higher than the rate for private sector workers (6.9%).<sup>22</sup> Workers across this country deserve a different choice and taxpayers should not have the government they finance held hostage by unions.

### Pass A National Right To Work Law

The passage of a National Right to Work law would eliminate compulsory unionism in every state in the United States. Employees would be free to choose whether or not to join a labor union. The National Right to Work Act would not add a single word to federal law. It would simply repeal five provisions in the National Labor Relations Act (NLRA) and one in the Railway Labor Act (RLA) that authorize the firing of workers for refusal to pay union dues or “fees” to union officials. Under the National Right to Work Act, workers would be free to choose union representation voluntarily. No worker would be forced to accept unwanted union “representation,” and no worker would be prevented from joining a labor union.<sup>23</sup>



<sup>22</sup> <http://www.bls.gov/news.release/union2.nr0.htm>

<sup>23</sup> <http://www.nrtwc.org/facts-issues/national-right-to-work-act/>





### Repeal The Davis-Bacon Act

The Davis-Bacon Act (DBA) requires the government to pay construction wages that average 22% above market rates. This shields unions from competition on federal construction projects. It will also add \$10.9 billion to the deficit in 2011.<sup>24</sup> The DBA essentially prevents small businesses and minority contractors from under-bidding large firms. The law requires that businesses contracting with the federal government pay the current “prevailing wage” in an area to workers on federal contracts. This prevailing wage is determined by surveys that give unionized contractors and union workers a high incentive to respond, and thus the prevailing wage is typically in line with union wages. This drives up costs for works projects funded by the federal government. Suspending the DBA would make each public construction dollar go 9.9% further, thereby saving the taxpayers money. This would create more bridges and buildings at the same cost to taxpayers and would also employ 155,000 more construction workers.<sup>25</sup>

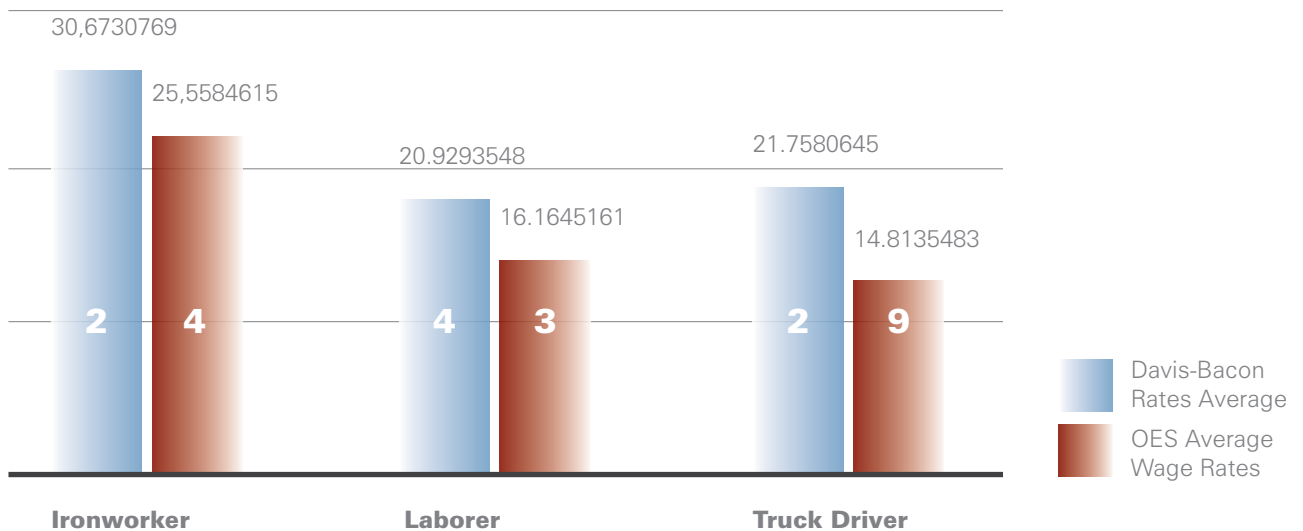
### Stop The NLRB’s Overreach

President Obama stacked the National Labor Relations Board with pro-union political appointees, and the board is stepping well beyond its authority in order to launch an attack on Right to Work states.

In May, the NLRB moved to stop America’s largest exporter, the Boeing Company, from building airplanes at a non-union plant in South Carolina, suggesting that a unionized American company cannot expand its operations into one of the 22 states with right-to-work laws, which protect a worker’s right to join or not to join a union.

### Davis-Bacon Rates Average Well Above OES Rates

(Common Highway Jobs, Rate per Hour, 2008)



Source: CRS, DOL, & BLS  
Note: Based on available data that was up-to-date in 2008

<sup>24</sup> [http://www.heritage.org/Research/Reports/2011/02/Repealing-the-Davis-Bacon-Act-Would-Save-Taxpayers-\\$10-9-Billion](http://www.heritage.org/Research/Reports/2011/02/Repealing-the-Davis-Bacon-Act-Would-Save-Taxpayers-$10-9-Billion).

<sup>25</sup> Calculations based on the finding that each \$1 billion of construction spending directly employs 14,300 workers. See Stephen Fuller, testimony before the Committee on Transportation and Infrastructure, U.S. House of Representatives, January 22, 2009, at <http://www.agc.org/galleries/advy/090122%20T-IF%20Hearing%20-%20AGC%20Statement.pdf> (July 19, 2011).

Historically, small businesses have created nearly 70% of new jobs. But Washington has created an environment nearly impossible for entrepreneurs to navigate.

Such intervention will cause companies to think twice about expanding in the United States as the NLRB's reach does not extend outside of our borders. If we do not roll back these government encroachments, American jobs will soon be shipped to China and India at an even faster pace.

It is Congress' fault that the NLRB has gone unchecked. The board should face broad congressional oversight and funding should be stripped before it puts American jobs in even greater peril. I support legislation similar to the Job Protection Act, which would preserve federal law's existing protections of state right-to-work laws, clarify that the NLRB would not be able to order an employer to relocate jobs from one location to another, and guarantee an employer the right to decide where to do business within the United States.

#### **Stop Card-Check Legislation**

This union-backed law would ban workers' basic right to secret-ballot elections, a central tenet of democracy. The new regulatory costs on businesses would also be vast. A conservative estimate is that if Congress passed card-check, the expanded unionization would reduce employment opportunities by 765,000 potential jobs in the economy within two years.<sup>26</sup> Currently, the NLRB is moving forward with administrative changes that would equal a de facto move towards card check. Congress needs to set limits on the ability of agencies to make such end runs.



<sup>26</sup> Heritage Foundation calculations based on the assumption of a 10.8% employment decline and the 7.1 million new workers the AFL-CIO estimates would organize under EFCA

## AMERICAN ENERGY FIRST

Energy is vital to our national security, our national economy, and it is also a leading sector in the Texas economy. In fact, more than 9.2 million American jobs are supported by the oil and natural gas industry including more than 1.7 million in Texas.<sup>27</sup> However, the Obama Administration continues to ignore the economic growth opportunities within the traditional energy sector, repeatedly blocks attempts by energy companies to put people to work, and attempts to blame these successful companies for some of the current budget problems our country faces. On average, the oil and natural gas industry provides the U.S. Treasury more than \$86 million a day. The Administration is failing on energy policy.

The United States' combined recoverable oil, natural gas and coal resources are the largest in the World – outranking Saudi Arabia, China, Russia and Iran.<sup>28</sup> U.S. natural gas proved reserves increased by 11% in 2009 to 284 trillion cubic feet (Tcf) – their highest level since 1971. U.S. crude oil plus lease condensate proved reserves rose 9% to 22.3 billion barrels (Bbo) in 2009. These increases demonstrate the possibility of an expanding role for domestic natural gas and crude oil in meeting both current and projected U.S. energy demands.<sup>29</sup> Restrictions on U.S. energy development could cost the country more than 500,000 potential jobs by 2025.<sup>30</sup> Expanding Marcellus Shale natural gas development could add 280,000 jobs over the next decade<sup>31</sup> and Greater Canadian oil sands production could create more than 340,000 new jobs in the United States alone.<sup>32</sup>

It is time to open our country to common sense energy exploration and development like no other time in our history – oil, natural gas, solar, wind, geothermal – tear down the barriers, lower the price of energy, make our country energy independent, and create hundreds of thousands of good-paying jobs in the private sector.

**Total Operational Impact of the Oil and Natural Gas Industry, 2007**  
**Top 15 States, Ranked by Total Employment Contribution**

STATE	EMPLOYMENT*		LABOR INCOME**		VALUE ADDED	
	Amount	Percent of State Total	Amount	Percent of State Total	Amount	Percent of State Total
Texas	1,772,335	13.1%	140,941	19.5%	293,760	24.2%
California	752,614	3.7%	54,122	4.6%	100,958	5.5%
Oklahoma	348,627	16.3%	22,550	24.7%	47,839	31.3%
Louisiana	330,053	13.4%	18,449	16.6%	35,986	20.6%
New York	281,267	2.6%	21,452	3.0%	36,347	3.3%
Pennsylvania	271,250	3.8%	14,494	4.1%	25,772	4.8%
Florida	267,277	2.6%	11,441	2.6%	19,946	2.8%
Illinois	260,001	3.5%	16,953	4.2%	31,323	5.0%
Ohio	229,438	3.4%	11,121	3.7%	20,201	4.5%
Colorado	190,408	6.0%	12,438	7.7%	24,099	9.3%
Michigan	179,495	3.3%	9,820	3.8%	17,711	4.4%
Georgia	145,806	2.7%	6,841	2.7%	12,032	3.0%
North Carolina	145,779	2.7%	6,007	2.6%	10,623	2.9%
Virginia	143,479	3.0%	6,923	2.7%	11,968	3.1%
New Jersey	143,342	2.8%	9,461	3.1%	16,853	3.5%

The **OIL AND NATURAL GAS INDUSTRY**

directly and indirectly supported

**4%**

or more of the total employment in

**15**  
states in  
**2007**

**Source:**  
PricewaterhouseCoopers calculations using IMPLAN modeling system (2007 database).

27 [http://www.api.org/Newsroom/upload/Industry\\_Economic\\_Contributions\\_Report.pdf](http://www.api.org/Newsroom/upload/Industry_Economic_Contributions_Report.pdf)

28 Congressional Research Service, U.S. Fossil Fuel Resources: Terminology, Reporting, and Summary, March 25, 2011

29 [http://www.eia.gov/pub/oil\\_gas/natural\\_gas/data\\_publications/crude\\_oil\\_natural\\_gas\\_reserves/current/pdf/arrsummary.pdf](http://www.eia.gov/pub/oil_gas/natural_gas/data_publications/crude_oil_natural_gas_reserves/current/pdf/arrsummary.pdf)

30 <http://consumerenergyalliance.org/2011/06/powering-americas-future/>

31 Timothy J. Considine, Ph.D., Natural Resource Economics, "The Economic Impacts of the Marcellus Shale: Implications for New York, Pennsylvania, and West Virginia," July 2010

32 Canadian Energy Research Institute, "The Impacts of Canadian Oil Sands Development on the United States' Economy," October 2009.





## THESE ARE THE FIRST STEPS TO MAKING AMERICA ENERGY INDEPENDENT:

### Stop The Obama Offshore Drilling Moratorium

President Obama's campaign against American energy has cost our country 375,000 barrels of oil per day.<sup>33</sup> The Obama Administration admits 12,000 jobs have been lost as a result of their drilling moratorium, and some experts believe, by 2015, job losses could reach 125,000 per year<sup>34</sup> and their continued opposition to offshore resources has stifled energy production. There are 86 Bbo and 420 Tcf of natural gas available of undiscovered technically recoverable resources (UTRR) to us offshore.<sup>35</sup> The federal government must open these areas for exploration.

### Drill For Our Onshore Oil And Natural Gas Resources

Onshore, we have UTRR of 38 Bbo and 756 Tcf, with a significant portion on federal lands.<sup>36</sup> We must increase access to the abundant domestic natural gas resources found throughout the country, and Congress should vote to allow production in the Arctic National Wildlife Refuge, where billions of barrels of oil can be extracted without disrupting wildlife. Production in the Bakken Shale Deposit of North Dakota, the Marcellus Shale in Pennsylvania and Eagle Ford in Texas are generating tremendous economic growth. For example, North Dakota's unemployment rate leads the nation at 3.2%,<sup>37</sup> while Eagle Ford creates close to \$1.3 billion of gross state product impact, supports 12,601 full-time jobs and adds \$2.9 billion in total economic output.<sup>38</sup> Another recent study found that drilling and production activity in the Barnett Shale in North Texas was supporting

33 <http://online.wsj.com/article/SB10001424052748703789104576273300797769750.html>

34 <http://www.cnsnews.com/news/article/19000-jobs-worth-11-billion-wages-lost-n>

35 <http://www.mms.gov/revaldiv/PDFs/2006NationalAssessmentBrochure.pdf>

36 Congressional Research Service, U.S. Fossil Fuel Resources: Terminology, Reporting, and Summary, March 25, 2011

37 <http://www.bls.gov/web/laus/laumstrk.htm>

38 Center for Community and Business Outreach, The University of Texas at San Antonio, "Economic Impact of the Eagle Ford Shale, February 2011, <http://ccbr.iedtexas.org/index.php/Newsflash/economic-impact-of-the-eagle-ford-shale.html>

“We are putting  
our national  
security at risk  
as we place our  
energy needs  
in the hands of  
other countries,  
including  
nations hostile  
to our interest.”

– Tom Leppert

more than 110,000 jobs across the region. And another study a few years ago calculated that Barnett wells and related equipment had added \$6 billion to the local property tax base. In South Texas, where new oil wells are being drilled in the Eagle Ford Shale, the unemployment rate has fallen to half the state average while sales tax receipts have jumped 70%.<sup>39</sup> We must use these models to expand exploration on federal lands and unleash the productivity of the American worker to develop our own resources.

### Promote The Use Of Natural Gas

We are putting our national security at risk as we place our energy needs in the hands of other countries, including nations hostile to our interests. We will spend \$10 trillion on foreign oil over the course of the next 10 years. \$10 trillion...the greatest transfer of wealth in the history of the world.<sup>40</sup> We can cut this dependence on foreign oil by expanding our infrastructure to support natural gas, a resource found in abundance here in America. I support the expanded use of abundant, low-cost natural gas for our energy needs.

### Stop Cap-and-Trade

President Obama has continued his crusade for a new cap-and-trade national energy tax. This tax on energy will hit Texas hard. The Waxman-Markey cap-and-trade bill that Democrats rammed through the House in 2009 would cost Texas 94,041 jobs by 2035. It would also raise electricity prices by nearly \$900 per household, hike the price of a gallon of gas by \$0.62 and reduce personal income in Texas by over \$9 billion.<sup>41</sup>

## The Waxman–Markey Effect

For the state of Texas, over the 2012-2035 timeframe, on average the Waxman–Markey bill would:

- Lower gross state product by **\$26,128 million**
- Reduce personal income by **\$9,187 million**
- Destroy **94,041 jobs**
- Raise electricity prices by **\$890.59 per household**
- Raise gasoline prices by **\$0.62 per gallon.**

**Source:** Heritage Foundation calculations based on the IHS/Global Insight U.S. Macroeconomic and Energy models.

Table I • WM 2585-TX  [heritage.org](http://heritage.org)



39 <http://www.post-gazette.com/pg/11180/1156796-109-0.stm>

40 <http://www.pickensplan.com/theplan>

41 <http://www.heritage.org/static/reportimages/25E4E4AF0AB0B1E1027561F863E90FB3.gif>

## STEP 2:

# SPENDING, BUDGET AND GOVERNMENTAL REFORMS

Today, we officially have a national debt of over \$14 trillion. But the reality of the situation is far worse. Once we begin looking at our liabilities and obligations (including entitlements like Social Security and Medicare), we find that each American household is responsible for over \$500,000 of debt. That is absolutely ludicrous.

We got to this point because politicians made a career of serving in Congress. They came up with every neat, little (or in actuality, BIG) program they could think of in order to get reelected, regardless of the impact on the nation today or tomorrow.

So what do we do? We need to rein in spending and pay down our debt...not in words but actions. That means putting discipline into the system through a Balanced Budget Amendment and putting caps on spending now and in the future. But it also means getting your hands dirty with tasks like setting priorities, eliminating duplication and overhead, and doing real zero-based budgeting. It also means having the courage to discuss entitlement reform somewhere other than a campaign attack ad.

### PASS A BALANCED BUDGET AMENDMENT

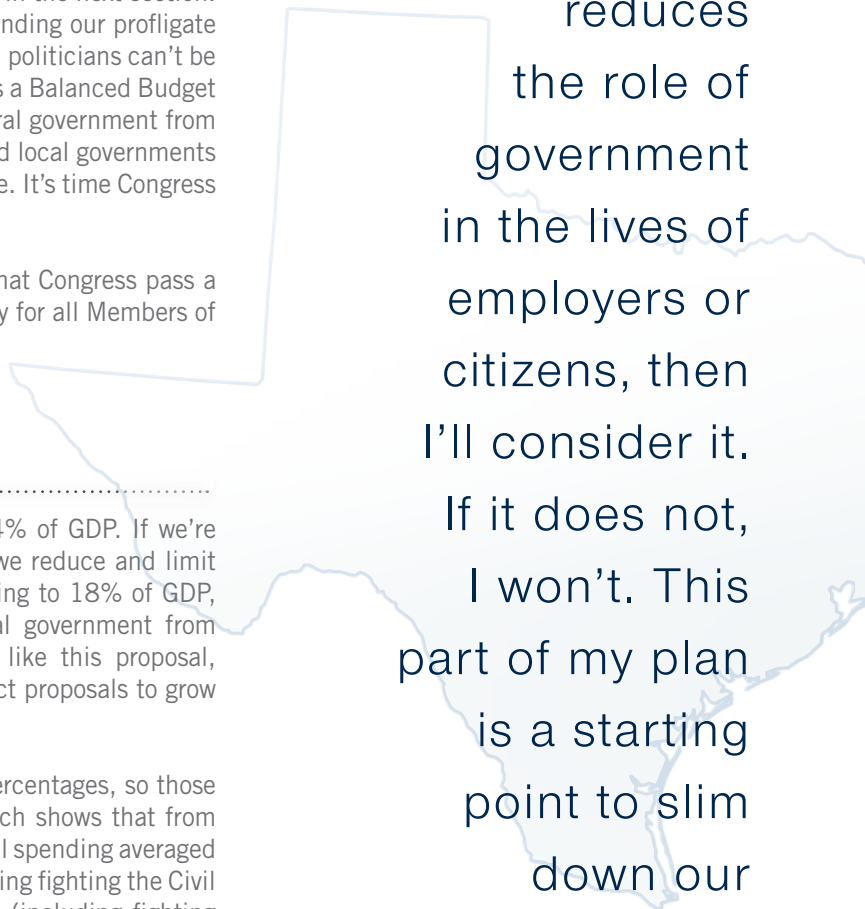
A Balanced Budget Amendment to the Constitution is the only way to guarantee real discipline and accountability in the federal budget. This must also be combined with a cap on spending, as discussed in the next section. Reducing the role of government in our lives starts by ending our profligate spending and shrinking our ballooning debt. Washington politicians can't be trusted to make tough budget decisions. We need to pass a Balanced Budget Amendment to the Constitution. This will stop the federal government from spending more than it takes in. Families, businesses and local governments across this country live by this basic accounting principle. It's time Congress learns how to make the hard calls, too.

Additionally, this amendment should not only require that Congress pass a balanced budget, but if they fail to pass one in time, pay for all Members of Congress should be returned to taxpayers.

### LIMIT SPENDING TO 18% OF GDP

Federal government spending is at an astronomical 24% of GDP. If we're going to get our country back on track, it is essential we reduce and limit spending over the long-term. I propose we limit spending to 18% of GDP, which is the average revenue taken in by the federal government from 1960-2009. Many free-spending politicians will not like this proposal, but if they desire to spend more, they only need to enact proposals to grow our economy.

The United States has operated under much smaller percentages, so those calling 18% draconian are sorely misinformed. Research shows that from the founding of our nation, 1787-1849 (63 years) federal spending averaged 1.7% of GDP. For the next 51 years, 1850-1900 (including fighting the Civil War) spending averaged only 3.1%. From 1901-1930 (including fighting WWI) it never reached 8%, and averaged approximately 3.2%.



In the Senate,  
I will have one  
simple rule:  
If a piece of  
legislation  
or an idea  
reduces  
the role of  
government  
in the lives of  
employers or  
citizens, then  
I'll consider it.  
If it does not,  
I won't. This  
part of my plan  
is a starting  
point to slim  
down our  
government.





At the height of the progressive movement (including FDR's New Deal) federal spending as a percentage of GDP never went above the 1934 level of 10.7%. Even after the historic 1944 (WWII) level of 43.6%, spending had fallen by 1948 to 11.6% of GDP.

In short, for the first 130 years of the U.S.'s 224-year existence, federal spending as a percentage of GDP averaged around 2.5%.<sup>42</sup>

Any attempt to pass a Balanced Budget Amendment must incorporate a clause limiting spending. If it does not, we are leaving the door wide open to an endless string of tax hikes to fund continued reckless spending.

## ELIMINATE EARMARKS

It is time to end the corrupting earmarking practice. We need a more accountable system that will properly set priorities, reduce out of control spending and allow us to live within our means. Government should not be interfering in business processes by picking winners and losers. If we're going to get back on track, we must set spending priorities. We need a process that is open and transparent to restore public trust. We also must ensure a project receives funding on merit alone and only if it is a priority worthy of taxpayer money. Congress must offer full transparency as it weighs the costs and benefits of expenditures. Instead of fighting for billions in earmark dollars, their time is better spent on oversight — making sure government isn't wasting taxpayer dollars elsewhere.

## INSTITUTE ZERO-BASED BUDGETING

The federal government must switch to zero-based budgeting. Rather than using prior spending levels as a base, government departments will be forced to justify all expenditures, which will prevent government waste. Additionally, if Congress creates a new program, it must be designed to eliminate itself, expiring after a short term. As things stand in Washington now, Congress creates programs that live on forever, regardless of whether they're necessary or not. This will ensure a review of each program and eliminate redundant, overlapping and outdated ones.

To strengthen zero-based budgeting and highlight programs that are ineffective, newly proposed programs should be required to identify basic objectives and metrics for evaluation at the time they are enacted. This will hold spending programs, and those that propose them, more accountable. Proposers will need to specifically identify the benefits and this will provide a measuring stick to evaluate those programs over time. In business, new spending has to be justified and programs and individuals are held accountable for performance. This mentality, especially at a time when we must be much more discerning with each dollar we spend is needed in the federal government.

In the Senate, I will ask the same question before I vote on any bill: "Does this reduce the impact of Washington on our families and businesses?" The answer must be "yes" to get my vote.

<sup>42</sup> [http://www.realclearmarkets.com/articles/2011/06/09/government\\_spending\\_and\\_the\\_18\\_of\\_gdp\\_myth\\_99063.html](http://www.realclearmarkets.com/articles/2011/06/09/government_spending_and_the_18_of_gdp_myth_99063.html)

## ESTABLISH BIENNIAL BUDGETING

As recently proposed by Senators Isakson and Shaheen, a biennial budget system is an idea that has been endorsed by each successive president since Ronald Reagan, as well as numerous federal budget experts. It has also been fundamental to efficient budgeting in many states. This legislation would convert the federal budget process from an annual, chaotic spending event to a two-year, thoughtful process that would require Congress to conduct oversight. This legislation would dedicate the first year of a Congress to appropriating federal dollars while devoting the second year to scrutinizing federal programs to determine if they are working and deserve to continue to be funded. This common-sense reform would force Congress to become better stewards of the taxpayers' money, thereby reducing reckless and wasteful spending.<sup>43</sup>

## REVIEW DEFENSE SPENDING TO ENSURE MILITARY PRIORITIES ARE MET

National defense is clearly the priority of our national government. I am committed to a strong national defense, which is prepared to address any threat to our national security. In today's fiscal environment, we need to ensure every dollar spent is aimed at that objective rather than programs designed to get politicians elected. For too long, we have allowed politics to influence our national defense spending, yielding inefficiencies and less than needed programs. I believe we need to work with our military leaders to clearly define their needs rather than Congress thinking up programs to boost spending in districts back home.

## END OFF-BUDGET EXPENDITURES

If you listen to the news, you probably have heard we have a national debt over \$14 trillion. But that actually doesn't even begin to scratch the surface of our country's debt because of what are called "off-budget expenditures," including Social Security, which are left out of Congress' annual budget.

I'm a businessman, so I understand that businesses must include liabilities and obligations on their balance sheets. It reflects the future health and prosperity of a company. Congress does not do that.

If you include liabilities and obligations of the U.S. government, total U.S. debt actually exceeds 400% of GDP, which is somewhere in the range of \$61.6 trillion.<sup>44</sup> That adds up to a debt of over \$500,000 for every American household.

If a CEO followed the same accounting practices as the federal government, they would be tossed out by the board and likely face charges. American taxpayers are going to be responsible for all debts and obligations, so they must be included in the federal budget, along with the change in costs of long-term obligations. No one else in our nation would accept for their home or business the sort of things they've come to accept in Washington. Congress needs to start using some basic business sense and honestly tell the American people what they owe.

<sup>43</sup> [http://www.rollcall.com/issues/56\\_94/-203992-1.html](http://www.rollcall.com/issues/56_94/-203992-1.html)

<sup>44</sup> [http://www.usatoday.com/news/washington/2011-06-06-us-owes-62-trillion-in-debt\\_n.htm?loc=interstitialskip](http://www.usatoday.com/news/washington/2011-06-06-us-owes-62-trillion-in-debt_n.htm?loc=interstitialskip)





## **PASS A CONGRESSIONAL TERM LIMIT AMENDMENT TO THE CONSTITUTION**

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One of the greatest obstacles to change in Washington are the career politicians who cling to their offices and support programs and spending with the aim of getting themselves reelected. They're unwilling to make the hard calls, endlessly kicking them down the road. We must get the career politicians out of Washington if we ever want to fix our broken system.

I'm not a career politician. And I will never become one. I have pledged to serve no more than two terms in the Senate, and then I look forward to retiring here in Texas.

But one man taking a pledge is not enough. I support a Constitutional amendment limiting Senators to a maximum of two terms and House members to a maximum of three terms. This will get the career politicians out of Washington and send fresh faces ready to tackle our greatest challenges.

## **INDEX CONGRESSIONAL AND STAFF SALARIES AND BENEFITS TO MEDIAN U.S. INCOME**

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The salaries and benefits of our representatives in Congress, as well as their senior staffs, have grown to unreasonable proportions. I believe we must index salaries for Congress, senior Congressional staffers and executive branch employees to the changes in private sector salaries and wages. If Congress institutes policies that allow American families to increase their wealth, then that rise can be reflected in the public sector.

Further, benefits (such as pensions, healthcare, etc.) for Congress and their staffs should be indexed to the midpoint of the private sector. It is hypocritical for Congress to have benefits that exceed those of the people they work for. Individuals and companies across this country have had to modify benefit programs and those of Congress must reflect and be competitive with the private sector.

I would also act to implement new ethics rules in Congress. Among my first calls for reform would be that any member leaving Congress would be barred from directly lobbying on Capitol Hill for ten years. We must end the revolving door of members using their influence and connections to benefit themselves and their friends.

## **REDUCE THE FEDERAL WORKFORCE AND TAXPAYER-FUNDED BENEFITS**

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The federal workforce has ballooned out of control under the Obama Administration with over 2 million civilians receiving their paychecks from taxpayers. While states like Texas have had to fight to boost private sector job growth through this recession, the Washington, D.C. area has seen some of the country's lowest unemployment rates as a result of the federal government continuing to hire and spend outlandish amounts of money.

I support a bill currently before Congress to reduce the size of the federal workforce through attrition.<sup>45</sup> Government workers are vital to our country and are often guided by their patriotism. Current federal employees who

<sup>45</sup> <http://www.opencongress.org/bill/112-h2114/text>



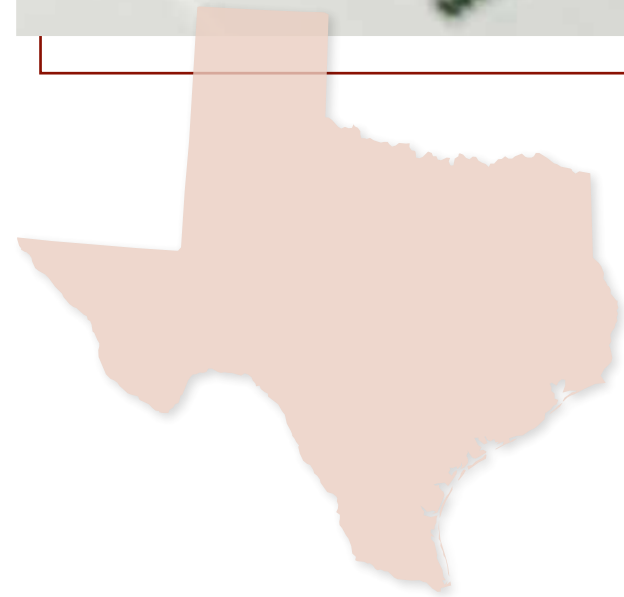
are productive should remain on the payroll. Yet, we need to cut new hiring and encourage greater efficiency by not replacing most retiring workers.

Benefits and wages of federal workers far surpass the market rates of the private sector according to an investigation by USA Today based on 2009 data. It showed average total compensation for federal employees was \$123,049 with \$81,258 in salary and \$41,791 in benefits. Average total compensation for private workers is more than 50% less, sitting at \$61,051 with \$50,462 in pay and \$10,589 in benefits. Additionally, U.S. Bureau of Economic Analysis data show that average federal salaries rose 58% between 2000 and 2009, which was nearly double the 30% increase in the private sector. These discrepancies are unbelievable. As we reduce the size of the federal workforce through attrition, any necessary new hires must be paid on par with private sector rates.

I believe we must index the salaries and benefits of federal employees to those of equivalent jobs in the private sector. Many federal workers have been given vastly distorted salaries and benefits well above what is paid for similar work outside government. This is an example of a fundamental lack of oversight. We need to elect leaders who can follow these metrics and spot problems before they grow out of control.

Americans are grateful to civilian government workers for their dedication to our country, and those who have been promised defined retirement benefits deserve to receive them. In the long run, however, we must scale back government retirement plans, which have far out-paced the private sector. Not only do government workers have access to Social Security, they benefit from the Thrift Saving Plan, in which the government offers limited matching funds, and the Federal Employees Retirement System (FERS) Annuity.

Social Security and 401(k) programs for Federal employees alone would constitute a competitive retirement program as compared to the private sector. The FERS Annuity is a perk secured for government employees that, in sum with these other components, leaves a lop-sided benefit to public sector retirement plans at taxpayer expense. The FERS Annuity must be eliminated, plain and simple.







## OVERHAUL OUR HEALTHCARE SYSTEM

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Repeal of Obamacare is a critical first step. We must also recognize that the healthcare system in this country must be overhauled. The negative effects of Obamacare are only beginning to be realized. Just recently, a McKinsey survey found that 30% of employers overall will definitely or probably stop offering health insurance to their workers, which will raise costs far above projections.<sup>46</sup> We must make substantive proposals to address our healthcare issues.

I am proposing the following elements of an overhaul that, when taken in total, will provide a more cost efficient system, one that ensures individuals are actively engaged with their doctors and healthcare providers and one that utilizes competition to improve access, availability, and cost.

- **Encourage and reward preventive care:** Premiums need to be placed on prevention and costs for behaviors that drive up the cost for the individual and the system.
- **Ensure more involvement in the decision making process:** Expanded use of Health Savings Accounts, with deductibility for either the employer or employee would provide better portability and provide monetary incentives for cost effective decision making.
- **Instill more competition in the system:** By allowing the purchase of products across state lines and the creation of co-ops for small and medium size businesses to purchase healthcare insurance products, the additional competition would reduce costs and increase availability of programs.
- **Pass meaningful lawsuit reform:** Today, many healthcare providers have one eye on the patient and one eye on possible lawsuits. Fair lawsuit reform would reduce costs and still protect consumers.
- **Foster revisions in billing and reimbursement system to reflect outcomes rather than simply procedures:** The current system lacks the transparency to highlight quality and outcomes. Billing rewarding outcomes rather than simply procedures would increase value in the system substantially.
- **Refocus “safety net” provisions on catastrophic coverage rather than “first dollar out” coverage.**
- **Eliminate governmental mandates for specialized coverages:** Currently, special interests have lobbied governments at both the local and national level to include specific coverages. These should be the decision of the consumer and the insurance provider to reduce costs.

<sup>46</sup> <http://www.nationalreview.com/critical-condition/270214/losing-your-coverage-under-obamacare-grace-marie-turner>

## ENTITLEMENT REFORM

We have made a promise to our retirees and those nearing retirement, and my top priority is to make sure these folks receive exactly what was promised.

The simple fact in this debate is that people who oppose reform are those who want to destroy our entitlement system. The people calling for reform are those working to honor our commitment to seniors.

The trouble down the line is that Social Security and Medicare will not be around for future generations without reform.<sup>47</sup> Young people know this, and that is a shame. Government has failed again and again to reform these programs to sustain them for the long term. We must strengthen entitlement programs and ensure that no one currently over the age of 55 is affected by any proposed changes.

### Social Security

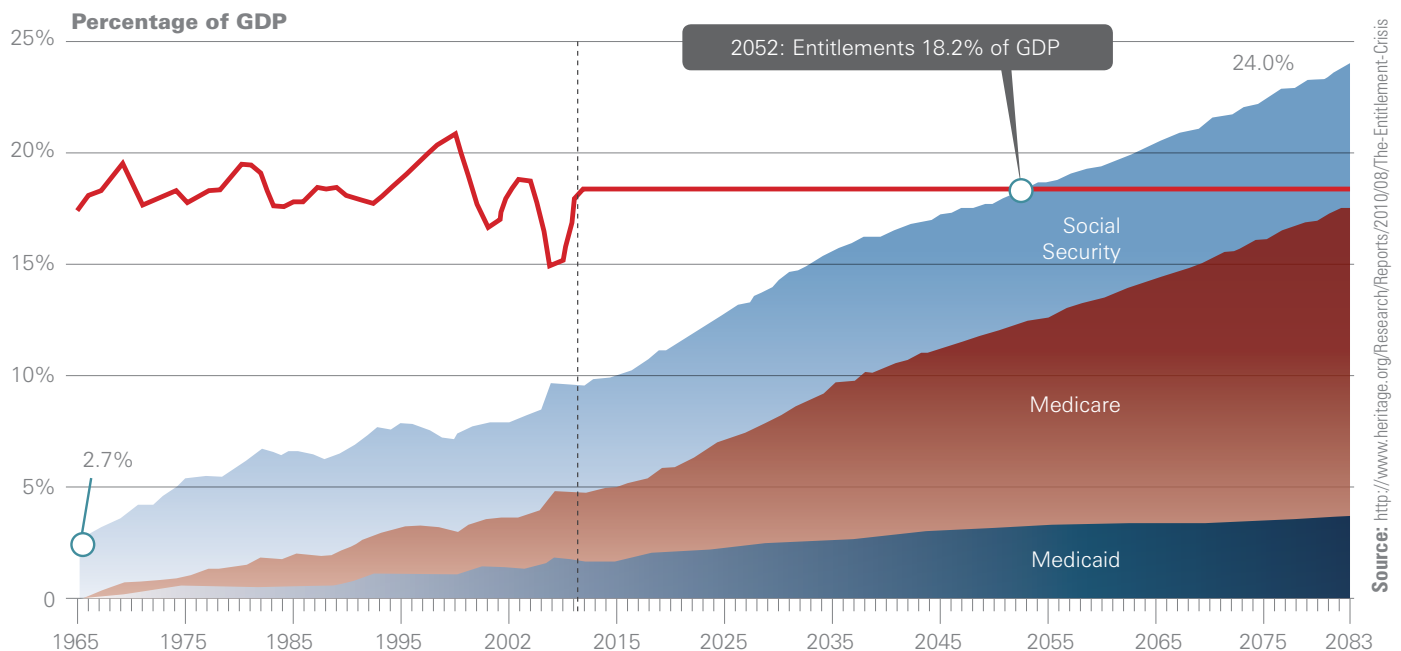
When Social Security began, there were over 40 workers paying into the program for every retiree receiving benefits. Today, that number is less than 3 to 1. The fact is that Social Security was designed when life expectancy was much lower and the birth rate was higher. This leaves Social Security facing ever-increasing annual deficits. Congress has compounded this problem as it has raided the Social Security Trust Fund to pay for more wasteful spending. The money that should be saved to continue paying benefits isn't even there. If we don't fix Social Security now, taxes will have to be increased by \$12,072 per household by 2050 to pay for this program.<sup>48</sup> We cannot afford that.

One reason it is so difficult to address this problem is that entitlement reform is considered the “third rail” of politics. Addressing these issues requires tough choices that many in Washington are unwilling to make because they are too concerned about their next election.

Well, I'm not running for Senate to become a career politician. I would much rather be home with my family in Texas. I'm running because I know Washington needs a Senator with experience making hard calls.

## Entitlements Will Consume All Tax Revenues by 2052

If future taxes are held at the historical average, spending on Medicare, Medicaid, and Social Security will consume all revenues by 2052. Because entitlement spending is funding on autopilot, no revenue will be left to pay for other government spending, including constitutional functions such as defense.



47 <http://www.heritage.org/Research/Reports/2010/08/The-Entitlement-Crisis>

48 <http://www.heritage.org/research/reports/2008/03/a-guide-to-fixing-social-security-medicare-and-medicaid>

IN THE SHORT TERM, TO GET SOCIAL SECURITY ON THE RIGHT TRACK,  
I SUPPORT THE FOLLOWING POLICY CHANGES:



**1. Raise The Retirement Age** – With the exception of those with physically demanding jobs, most Americans are able to work beyond the official Social Security retirement age. We should not raise the retirement age for those nearing retirement, but for younger workers, we need to gradually increase the age they can begin receiving benefits to keep pace with our growing life spans. When this social insurance program was created in 1935, life expectancy was 64 years and the earliest retirement age in Social Security was 65.<sup>49</sup> Today, Americans on average live 14 years longer, retire 3 years earlier and spend 20 years in retirement.<sup>50</sup> To better reflect life expectancy, I support a proposal that would make changes related to longevity gains. The proposal would index the Normal Retirement Age (NRA) to life expectancy after the NRA increases to 67 as scheduled under current law. Under this proposal, the NRA would gradually increase by just one month every two years. This means individuals who turn age 62 in 2046 will have a NRA of 68, and those who turn age 62 in 2070 will have an NRA of 69.<sup>51</sup> Additionally, the Earliest Eligibility Age would increase in tandem with the NRA, reaching ages 63 and 64. This change is consistent with the principle of adjusting for increases in longevity. It is commonsensical to me that we should index this safety net for age.<sup>52</sup>

**2. Incentivize Later Retirement** – With people able to work well beyond the current retirement age, we should encourage them to continue to do so. For example, if an individual works for five years past the NRA, we should exempt them from paying taxes on their social security income once they retire for the same period, five years in this case. This is a win-win for the worker and the government.

**3. Encourage Private Retirement Savings** – Individuals need to take personal responsibility to save for their own retirement. Government, sadly, has made this difficult with a tax system that places limits on the amount individuals can save tax deferred for their retirement. 401(k)s, IRAs and other plans should have no limits placed on them, and workers should be able to contribute as much to these as they need to in order to save for retirement.

**4. Cost Of Living Adjustment (COLA) Overstates Inflation** – The COLA program has been on autopilot for over 35 years and needs an adjustment. Currently, COLAs are calculated based the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). An easy cost savings to the program would be to base the COLA on the Chained Consumer Price Index for All Urban Consumers (C-CPI-U). Such a change would be more representative of the actual costs of living changes and would, according to the CBO, save \$217 billion over 10 years.

49 National Commission on Fiscal Responsibility and Reform, "The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform," December 1, 2010, pg.49 <http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform>, accessed July 11, 2011.

50 [http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File\\_id=c6590d01-017a-47b0-a15c-1336220ea7bf](http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=c6590d01-017a-47b0-a15c-1336220ea7bf)

51 [http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File\\_id=ac3f0d39-1cc2-4bac-b170-42fc20111974](http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=ac3f0d39-1cc2-4bac-b170-42fc20111974)

52 *Ibid.*

## Saving Social Security With Personal Retirement Accounts (PRAs)

In the long term, a solution to save Social Security for future generations is to create Personal Retirement Accounts that will set aside a portion of payroll taxes for each individual worker. Such a program would be gradually introduced, allowing younger workers to maintain more control over their retirement savings. Yearly contribution limits would be raised over time, eventually permitting all workers to set aside 4% of their payroll taxes in their accounts. PRAs would be voluntary. Those who do not opt for a personal retirement account would continue to draw benefits from the traditional Social Security system, reformed to be permanently sustainable.<sup>53</sup> Because each individual has a personal account, Congress could no longer raid that money to spend on other programs. This also gives younger workers an opportunity to grow a much larger nest egg by investing that savings in safe, reliable securities.

Introducing a system of Personal Retirement Accounts is vital to building wealth in America. While the wealthy already have savings plans designed to provide for their needs in retirement, those of lesser means don't have the same opportunity to save and invest. Personal Retirement Accounts give everyone the chance to save for retirement.

## Medicare

Medicare faces problems similar to Social Security, with the number of retirees growing and healthcare costs skyrocketing. According to Congressional Budget Office estimates, Medicare spending will grow from 3.6% of GDP today to 12% by 2080.<sup>54</sup> If we don't fix our Medicare system, seniors will face massive cuts to the benefits they rely on and have earned.

I understand how important Medicare is for our seniors. My mother was 91 when she passed away a few years ago. She relied on Medicare for the care she received. My wife's mother still counts on Medicare to help her confront health problems as she ages. Medicare is an essential program, and one of my foremost goals in the Senate will be to protect it.

In order to save Medicare, I believe we must move to a system like that provided to Members of Congress. This premium support model would give seniors greater choice and independence. They can choose the plan that is right for them, with subsidies provided by Medicare. This would be gradually phased-in over time and would not affect anyone currently over the age of 55. For younger individuals, when they reach retirement, they will receive a subsidy from the federal government that will allow them to purchase certified coverage plans. Those with the lowest incomes would receive more funds from vouchers and would be eligible for additional Medicaid coverage.

These Medicare reforms fall in line with those of House Budget Committee Chairman Paul Ryan. You've probably already heard the attacks against his plan. The fact is they are simply not true. Democrats claim these reforms will destroy Medicare. In fact, they save Medicare. I would never support any plan that detrimentally affected seniors' Medicare coverage or one that would allow Medicare to go bankrupt, which is exactly what will happen if we do nothing to reform it.

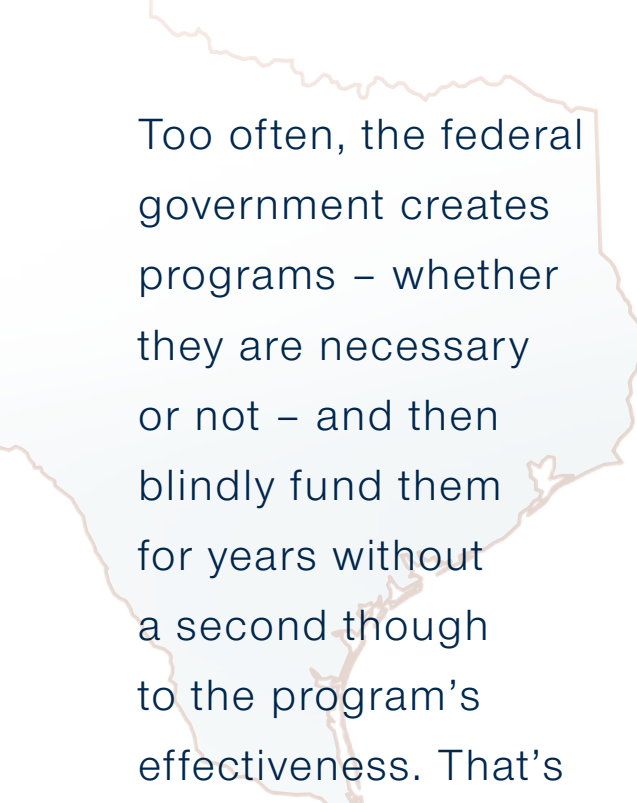
For younger workers, this proposal personalizes it—making sure Medicare is still around for them with guaranteed coverage options. And those who need the most help receive more coverage.



<sup>53</sup> <http://www.uschamber.com/issues/retirement/pension/socialsecurity/personal-retirement-accounts>

<sup>54</sup> <http://cbo.gov/ftpdocs/115xx/doc11579/06-30-LTB0.pdf>





Too often, the federal government creates programs – whether they are necessary or not – and then blindly fund them for years without a second thought to the program’s effectiveness. That’s why government continues to get bigger and bigger while our hardworking families’ paychecks get smaller and smaller. Texas’ Sunset Laws prevent our state’s government from getting any more bloated. And it’s time Washington instituted a similar system to protect our families and businesses.

### **Medicaid**

Medicaid also creates a long-term challenge because of the way Congress has structured the system. Over the past 20 years, the Centers for Medicare and Medicaid Services estimates a six-fold increase in spending, going from \$73.7 billion in 1990 to \$427.3 billion in 2010. As it currently stands, states are actually incentivized to add more recipients to the Medicaid rolls. What we end up with is states lowering requirements for Medicaid so they can receive more federal money. This led us to three Medicaid bailouts over the past decade.<sup>55</sup> I support proposals similar to those of Congressman Paul Ryan, which would move to a block grant system for states. This would offer new options to patients and allow for greater access to the care they need while reducing costs.

### **REIN IN THE FEDERAL RESERVE**

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The Federal Reserve is out of control. Unelected officials within the Federal Reserve (Fed) have dramatically increased the size and scope of government in the last few years with bailouts and loans, not just to US corporations, but to foreign entities, as well.<sup>56</sup> This is in part due to the Fed’s dual mandate of full employment and dollar stability. The employment mandate must end. The Fed should also be consistently audited by Congress with reports made available to the American people. However, any reform to the auditing system must ensure that the independence of the Federal Reserve is not compromised. Lastly, the Fed must end its practice of “quantitative easing,” which is to print money we don’t have.

### **INSTITUTE SUNSET LAWS**

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All too often, politicians create new agencies and programs to appease some constituency. These agencies then continue to be funded for years to come without ever having to account for whether they have fulfilled a particular mandate. This must end.

Here in Texas, we have the Sunset Advisory Commission to routinely monitor state agencies and determine whether they are still necessary. Since 1978 when the commission launched, 58 state agencies have been abolished and another 12 consolidated.<sup>57</sup> We need the same kind of commission in Washington to institute greater transparency and accountability. I applaud Senator Cornyn for introducing such a measure on multiple occasions at the federal level.

With the exception of earned benefits for veterans and programs like Social Security and Medicare, a sunset commission would put all federal agencies to the test. If the commission does not believe the program is still worthwhile, or if the services are duplicated by other agencies, then it will recommend to Congress that the agency be eliminated or consolidated with another program. One recent GAO report estimates this could save taxpayers billions of dollars every year.<sup>58</sup>

55 <http://blog.heritage.org/2011/04/07/new-york-times-highlights-medicaid%E2%80%99s-problems/>

56 <http://www.washingtonpost.com/wp-dyn/content/article/2010/12/01/AR2010120106870.html>

57 <http://www.sunset.state.tx.us/faq.htm>

58 <http://www.gao.gov/new.items/d11318sp.pdf>

## TRUTH IN LEGISLATING

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Legislation should have a single purpose. For example, a healthcare bill should not also include provisions related to student loans. Having only a single purpose will allow for a simple, 400-word maximum summary to be attached describing the focus, the intent, the Constitutional authority, and all of the costs associated with the bill. Every bill should be available on the Internet for a minimum of 72 hours before coming to a vote. The American people should have the chance to see what their representatives are voting on. If a piece of legislation has any single beneficiary, this should also be disclosed.

We should also increase the transparency of the legislative system by strengthening the disclosure requirements for congressional members, staff and candidates. The current financial disclosure is meaningless. We must have real disclosure.

## PRIVATIZE FANNIE MAE AND FREDDIE MAC

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Fannie Mae and Freddie Mac are currently both run by the federal government. The Congressional Budget Office (CBO) says the real cost of the federal government guaranteeing the business of failed mortgage giants Fannie Mae and Freddie Mac is \$317 billion – not the \$130 billion normally claimed by the Obama administration.<sup>59</sup> That number continues to grow because the U.S. Treasury has absorbed both companies and guarantees all of their debt, which increases as the housing market remains stagnant.

Fannie and Freddie were two of the main propellants to the housing bubble. In 2009, the Fannie and Freddie owned or guaranteed roughly half of all outstanding mortgages in the United States (including a significant share of subprime mortgages), and they financed three-quarters of new mortgages originated that year. Including the 20% of home loans insured by federal agencies, such as the Federal Housing Administration (FHA), more than 90% of new mortgages made in 2009 carried a federal guarantee.<sup>60</sup> While the housing boom made fortunes for many, the risk fell on taxpayers, and we are still paying the consequences.

The government has no business in the housing market. I would support a plan to privatize Fannie and Freddie so that their risk never again leaves taxpayers on the hook.

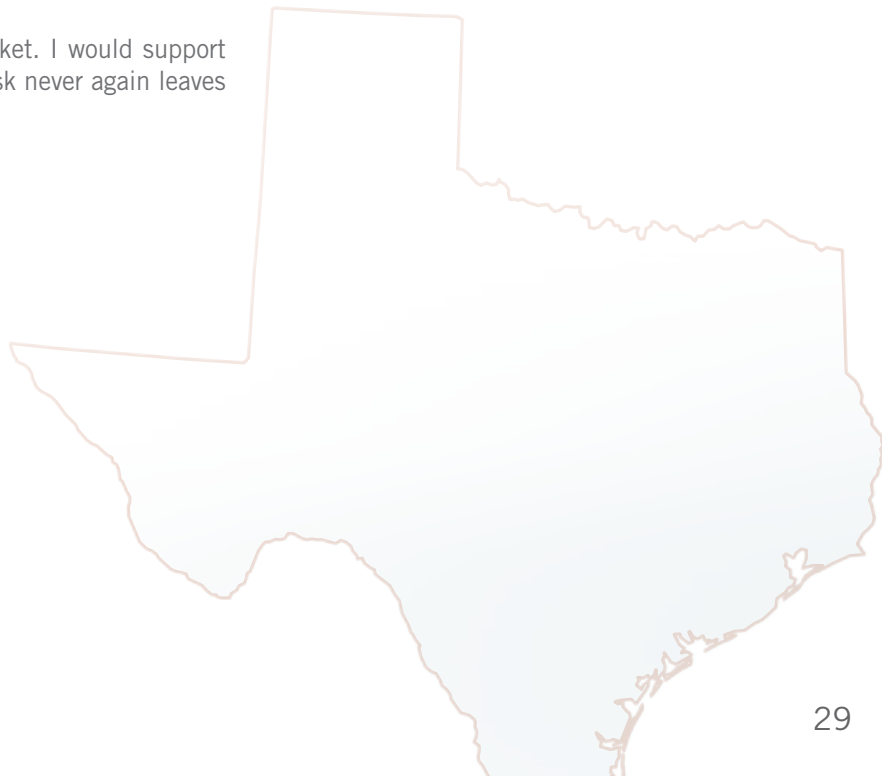
“Every bill should be available on the Internet for a minimum of 72 hours before coming to a vote. The American people should have the chance to see what their representatives are voting on.”

– Tom Leppert

## REFORM WELFARE

<sup>59</sup> [http://www.cbo.gov/ftpdocs/122xx/doc12213/06-02-GSEs\\_Testimony.pdf](http://www.cbo.gov/ftpdocs/122xx/doc12213/06-02-GSEs_Testimony.pdf)

<sup>60</sup> <http://www.cbo.gov/ftpdocs/120xx/doc12032/12-23-FannieFreddie.pdf>



The Personal Responsibility and Work Opportunity Act championed by Republicans in 1996 represented a meaningful achievement in welfare reform both in process and in outcome. The Temporary Assistance for Needy Families (TANF) mechanism that was created was far superior to its predecessor. It emphasized work requirements, finite assistance limits and greater state control.

President Obama's Stimulus bill largely disassembled the successful mechanism within TANF that reduced welfare payrolls.<sup>61</sup> The result has been an explosion in welfare-related costs, with total welfare-related outlays increasing roughly 70%.<sup>62</sup> While the pre-1996 process, AFDC, encouraged welfare dependence by increasing funding to states that increased their welfare payrolls, TANF provided a flat funding level and instead encouraged limiting demand, rather than supply, through welfare to work initiatives. Obama's stimulus bill returned to this perverse incentive by paying 80% of cost for each new family enrolled rather than a flat amount tied to a metric like the unemployment rate.

### **SOME SIMPLE BUT BOLD STEPS MUST BE TAKEN TO ROLL BACK THE DAMAGE DONE TO OUR WELFARE PROCESSES BY THE OBAMA AGENDA:**

#### **Eliminate all "such sums" language in welfare funding:**

These open-ended obligations are a Trojan horse to create additional unfunded future liabilities that we certainly cannot afford.<sup>63</sup>

**Revise perverse incentives:** Tie funding amounts to objective measures rather than an incremental funding of each new case that a state has sign up for welfare.

Welfare must be a safety net when you need it, not a permanent benefit program.



61 [http://www.heritage.org/research/reports/2009/02/stimulus-bill-abolishes-welfare-reform-and-adds-new-welfare-spending#\\_ftn5](http://www.heritage.org/research/reports/2009/02/stimulus-bill-abolishes-welfare-reform-and-adds-new-welfare-spending#_ftn5)

62 [http://www.usgovernmentspending.com/us\\_welfare\\_spending\\_40.html#usgs302](http://www.usgovernmentspending.com/us_welfare_spending_40.html#usgs302)

63 <http://online.wsj.com/article/SB123422835499665849.html>

# CONCLUSION

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For too long, the federal government has pursued an agenda of burdensome regulations, inequitable tax policies, and unchecked spending.

The results have been disastrous.

Sky-high corporate tax rates and regulation compliance costs are incentivizing companies to move overseas and punishing small businesses to the point of bankruptcy. Congress has stalled in reforming entitlement programs, and now the government will soon be unable to make good on its promises to millions of Americans. The current federal income tax system places an unfair burden on half of the population. The refusal of the President to sign vital free trade agreements that would put American exporters on a level playing field with our trading partners is costing Americans jobs.

Ronald Reagan once said, “The nine most terrifying words in the English language are, I’m from the government and I’m here to help.” It doesn’t have to be this way. As Americans, we want a limited, efficient government that allows us to thrive. As a Senator, I will work tirelessly to accomplish this goal.

We must do that by halting the crushing influence of government and reversing the business-toxic climate it has created.

My plan will transform our economic prospects, resulting in a dramatic infusion of cash into the economy to spur never-before-seen job growth. By making the tax system fairer and flatter, and slashing corporate taxes and regulations, much-needed relief will be provided to both individuals and businesses and encourage record-breaking personal investment.

The courage of an elected official to put their country before their reelection is what separates a public servant from a politician. We need to be willing to make the hard calls.

I’m putting my U.S. Senate campaign on the line by standing firmly behind this plan. I believe these are the sweeping solutions that can move this country forward. These are not easy choices, and they require some sacrifice. But bold action is the only way we can turn this economy around.

Empty rhetoric and false promises are unacceptable in these dire times. We need to be willing to make the hard calls.

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