THE UNIVERSITY OF CHICAGO
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DIY DOGE

LEAN, NOT MEAN: CUTTING WASTE, REWARDING RESULTS

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Executive Summary:
We propose modifying the federal budget reallocation process to enhance and encourage efficient programs. In our proposal, departments would undergo budget cuts, with a portion of the savings created by these cuts being redirected into a department-specific "innovation" fund. This fund may be distributed ad hoc at the discretion of department heads, but only to existing programs. By creating this fund, we encourage innovation within existing federal programs and promote reinvestment in what works.

The Problem:
While government efficiency is often prioritized by Congressional members, it can be hard to truly ensure it. Throughout the federal government, many programs struggle to be truly efficient. Lacking institutional rewards for efficient work, projects, employees, and federal contractors often deliver products late and over budget. In fact, Congressional Budget Office (CBO) estimates show that cost overruns and delays in major federal programs are persistent with agencies rarely being rewarded for selecting cost-effective or high-performing programs. Further, there is no consistent system for evaluating outcomes across departments; with nearly 12 federal agencies operating without permanent Inspectors General (IGs). This limits internal oversight, reduces transparency, and leaves Congress without sufficient information to cut flailing programs.

Policy Mechanism:
Our policy mechanism comes in three parts:

I. The Budget Cuts
   A. We propose that, in FY 2026, Congress cut 4% of each federal department's budget, regardless of scope or mission.
   B. This would likely result in a $34 billion dollar reduction in federal spending, estimated by taking 4% of the FY 2025 discretionary budget of about $1.7 trillion.
   C. A reduction of that size would increase efficiency by cutting redundant and disorganized programs.
   D. This 4% cut is designed to occur once, in the FY 2026, and subsequent yearly cuts can be lower based on the discretion of future Congresses.

II. The "Innovation" Fund
   A. Of the 4% cut, Congress will place half (or 2%) into an ad hoc fund to be spent at the discretion of each department.
   B. Congressionally confirmed department heads may distribute funds as they please to programs within their department.
   C. Department heads may only distribute funds to programs which have already received Congressional approval.
   D. Department heads must also immediately report any use of fund money to Congressional Appropriators.
   E. This will enable department heads, who bring extensive experience in their fields and agencies, to boost efficiency and create incentives for strong performance.

III. The Inspector Generals
   A. Our proposal also requires that Congress appropriate a proportion of fund money to be allocated towards Inspectors General
   B. With these funds, Inspectors General will conduct a new "efficiency audit" which will determine the level of waste generated by each department.
   C. This efficiency audit will be attached to the Office of Budget and Management's (OMB) budget recommendations for the following fiscal year.
   D. The creation of an efficiency audit will allow Congressional appropriators to adequately identify wasteful expenditures and cut them from the federal budget

Why It Works:
The three parts of our proposal create a fiscal "carrot" which rewards efficient behavior rather than a "stick" which punishes departments. The budget cuts allow for an initial reduction in programs that are historically inefficient, allowing for an immediate increase in federal budget accountability. From there, the innovation fund enables department heads to both utilize their bureaucratic specialization in selecting programs to fund and encourage their strong performance. Additionally, the fund also creates incentives within the programs themselves. Program managers, eager for additional funding, may work to increase efficiency in order to 'earn' the right for

additional money allocated through the innovation fund. Finally, the IGs are what allows this proposal to continually increase efficiency beyond FY 2026. By identifying where department heads spend well and which programs continue to run inefficiently, they arm Congressional appropriators with sufficient knowledge to make additional cuts in subsequent years.

Legal Considerations:

The Impoundment Control Act of 1974 (ICA) largely dictates the legality of our proposal. Mandating that money appropriated by Congress must be spent in the manner in which Congress appropriates it, it governs our "innovation" fund and the ways in which department heads can use the money. Specifically, the law appears to prohibit department heads from 'withholding' innovation fund money from programs specifically appropriated by Congress.

However, Section 1030 of the ICA ensures that our proposals "innovation fund" does not violate federal law. Section 1030 permits impoundments if they have been "specifically provided by law." Cutting through the legalese, this means that impoundments are allowed if Congress specifically permits them. Because our proposal requires Congress to grant department heads discretion in distributing money from the innovation fund, it falls under Section 1030 and thereby ensures that the ICA can continue to protect Congress' 'purse powers.'

Implementation:

Our policy is designed to appeal to a wide range of political ideologies, giving it strong potential for bipartisan support and successful adoption. By pairing modest, across-the-board budget cuts with increased discretionary flexibility for department heads, the plan strikes a balance between fiscal responsibility and administrative empowerment. For fiscal conservatives, the program offers a tangible reduction in federal spending—which can clearly be communicated to constituents as a step toward smaller government. For Democrats, the program's increased dependence on bureaucratic expertise creates ample opportunity for specialization, innovation, and responsiveness within departments. Overall, while lawmakers retain different opinions on budget modernization, our proposal is broad and multifaceted enough to appeal to a majority.

We also recognize that some lawmakers may express concern over reduced congressional control of spending. However, by framing this as a performance-based reinvestment model—rather than a blank check—we ensure that discretion is earned, not assumed. Additionally, the loss in congressional control is minimal; congressional appropriators retain their 'purse power' and are able to reign in the size of the innovation fund as well as total bureaucratic spending if they so choose.

With regards to timeline, our proposal would kick in at the beginning of the budget process. With Congressional appropriators cutting each department's budget by 4% for the next fiscal year. Members would negotiate the specific cuts made to each department in order to reach 4%. From there, the budget would allow for half (2%) of the 4% cuts to be placed "innovation funds" for federal departments. The budget would also appropriate a portion of those funds for IG's to complete their efficiency audit. Once a budget has been passed, departments would spend the "innovation fund" at their discretion; being careful to report each expenditure to Congress. Finally, IG's would attach their efficiency audits to the department's OMB request for the next fiscal year; allowing Congressional appropriators to better reallocate funds efficiently the next year.

Department Of Defense (DOD) Example:

While negotiating specific appropriations in the National Defense Authorization Act (NDAA), Congressional appropriators would endeavor to cut 4% of DOD's budget for FY 2026. To get to 4%, members can negotiate specific cuts to DOD's budget; keeping in mind they must reach a total cut number of about $33.66 billion. From there, Congress would write a special appropriations bill which allocates about $16.83 billion (half of the amount cut) into a special "innovation" fund available to the Secretary of Defense (SecDef) to spend at their discretion. Congress would then pass these appropriations bills, setting aside a portion of the "innovation" fund to subsidize an "efficiency" audit performed by the Department of Defense's Office of the Inspector General.

From there, the SecDef may spend the remaining funds as they please. Leveraging their expertise, as well as their extensive knowledge, to maximize efficiency. Specifically, they may choose to reward particularly innovative programs or provide extra funding to a program which effectively responds to American needs. As Department heads are distributing money from the "innovation" fund, they must report to Congress and their IG's office exactly how much money is being added to each program .

Then, at the end of the fiscal year, OMB will provide Congress with DOD's budget request. Attached to this request will be the IG's efficient audit, allowing Congressional appropriators to see which programs are truly innovative and helping them to make further strides towards efficient government in the following year's NDAA.

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