

How to Avoid a Federal Budget Train Wreck

Saving taxpayers \$700 billion in wasteful, environmentally damaging spending.

John Abbotts on November 26, 2012 at 9:00 am

In Washington DC, lawmakers' attention is turning quickly to avoiding the so-called "fiscal cliff." Unless the lame duck Congress can fashion a more sensible compromise, a set of measures automatically go into effect in January 2013: The Bush-Cheney tax cuts will expire for everyone, and "sequestration" will mandate budget cuts of \$1.2 trillion over ten years, with half the reduction coming from the military and half from the civilian budget. Both House Speaker John Boehner and President Obama are warning about the dangers of Congressional inaction, but a compromise is far from certain.

There is a better path, however, one that combines environmental responsibility with fiscal rectitude and that already has bipartisan support. Back in June 2012, when Congress fashioned this provision in order to avoid a default on the total federal debt, the Green Scissors Campaign, a left-right coalition, proposed a better idea. They recommended steps for Congress to slash spending on environmentally destructive programs and subsidies that would save \$700 billion over ten years, more than 60 percent of the impending budget cuts the government now faces. The cuts would still leave us \$500 billion short of meeting the reduction that Congress targeted, but the Green Scissors approach would allow for a much less draconian and much more achievable budget agreement that combined tax increases with cuts in other programs over ten years.

Let's take a look at how the Green Scissors recommendations would affect the Northwest.

But first, a bit of background. The Green Scissors Campaign formed in 1994 to eliminate subsidies and programs that both harm the environment and waste taxpayer dollars. Last June, the Campaign issued its 2012 Report, proposing to eliminate federal energy, agriculture, transportation, insurance, and public land and water programs that either directly or indirectly place American land, air, or water in jeopardy. The report is a collaboration between the three partners (Friends of the Earth, Taxpayers for Common Sense, and R Street, a free-market advocacy group), and only those programs that all three agreed were both wasteful and environmentally harmful were included in the list of recommendations.

The proposed cuts include:

\$269.78 billion from energy programs, including \$158.7 billion of fossil fuel subsidies.

\$167.09 billion of agricultural subsidies, including \$89.82 billion of federal crop insurance disaster aid.

\$212.02 billion of transportation subsidies, including \$125.80 billion of general revenue transfers to the Highway Trust Fund.

\$101.8 billion of federal flood, crop and nuclear insurance subsidies.

\$24.99 billion from wasteful or environmentally damaging public lands and water projects.

As Green Scissors recognizes, these subsidies can themselves result in additional jobs. But they can be jobs in "dirty energy," such as fossil and atomic fuel, or other technologies that damage the environment. In addition, such subsidies provide benefits "to one class not available to others."

To take just one example that's especially relevant to Cascadia, every year the federal government subsidizes timber sales. The government actually pays more for costs associated with preparing public lands for loggers, than it receives in receipts from the sale of the timber. Removing these subsidies would save an estimated \$600 million over 10 years. Moreover, special tax treatments for profits from logging are estimated to cost taxpayers \$4.5 billion over the same time period.

Yet another example is crop insurance, where just five crops, cotton, corn, rice, soybeans and wheat, together receive \$52 billion, over 90 percent of the subsidies over 10 years.

Northwest growers clearly benefit from the wheat subsidies, but as Green Scissors recognizes, federal policy, "showers subsidies on favored crops and large-scale" businesses that can thrive without government support; "while everyone else is left picking up the scraps." For example, wheat sales in Washington rank as the state's third highest crop by production value in 2011. But subsidies are considerably lower for apples, milk, and potatoes; these rank first, second, and fourth, respectively, among Washington crops, in Oregon, wheat ranked fifth by value in 2011. Similarly in Idaho, for 2010, the most recent year reported, wheat ranked fourth in production cash receipts, behind milk (first), cattle and calves, and potatoes, in order.

As with energy, agriculture, and timber, many of the programs that Green Scissors targets have elements across the nation. But in some cases, the Report identifies wasteful subsidies within Cascadia:

Nukes in Idaho. To quote from the report, “perhaps the largest and most egregious subsidy for the nuclear industry is federally-backed loan guarantees.” This program has \$2 billion in loan guarantees for uranium enrichment facilities. In Cascadia, the Areva Company’s Eagle Rock Uranium Enrichment Facility in Idaho Falls, Idaho is likely to be a major recipient of the subsidy.

Bridges in Oregon. The report notes that “increasingly scarce transportation dollars continue to fund wasteful pet projects, many of which promote sprawl and damage the environment, instead of fixing crumbling bridges and worn-out roads.” One project in this category is the controversial Columbia Bridge Crossing. Sightline has already commented in blog posts on this troubled program, including its current cost estimate of \$3.5 billion. In fact, the project is facing new troubles in the aftermath of the election because Clark County, Washington voters essentially enacted the Green Scissors recommendation by rejecting a proposed sales tax increase, which means that the federal government cannot offer construction funds, and the project cannot proceed under state law, until county voters have a change of heart. (As of November 14, with 3200 votes left to count, Proposition 1 was losing by 19,000 votes, with a 56 percent “no” vote.)

Dams in Washington. The US Bureau of Reclamation is the country’s dam-building agency whose projects include the Grand Coulee Dam. Yet the Green Scissors report concludes that while most Bureau of Reclamation dam projects have been justified to provide water for irrigation, along with substantial indirect subsidies to agricultural irrigators, “They often serve little or no national interest, are not economically justified, have serious negative environmental impacts, and are based more on political power than national priority.”

Green Scissors Campaign identifies two specific Cascadian dam projects for elimination: the Columbia Basin Irrigation Project, estimated to cost \$1-4.6 billion over 10 years, which is the largest all-federal irrigation project managed by the Bureau. Congress and its auditing arm evaluated the project, concluding that taxpayers and ratepayers, not irrigators, would pay most of the costs. In addition, the Yakima River Basin Water Enhancement Project is estimated to need \$1.4 billion for new dams in Washington. One proposed dam would flood sage grouse habitat and cost over \$1 billion.

If policymakers are serious that “all options should be on the table” in order to avoid the fiscal cliff, then the Green Scissors budget cuts should get the first look. They represent fiscal and environmental waste. Cutting them out of the federal budget would mean aggravating special interests, but the benefits would accrue to taxpayers and the nation’s natural heritage.

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