green scissors

Cutting Wasteful and Environmentally Harmful Spending

2011

Friends of the Earth

TAXPAYERS FOR COMMON SENSE
MAKING GOVERNMENT WORK

PUBLIC CITIZEN

THE HEARTLAND INSTITUTE
IDEAS THAT EMPOWER PEOPLE

Green Scissors 2011

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TABLE OF CONTENTS

INTRODUCTION

Green Scissors strives to make environmental and fiscal responsibility a priority in Washington. For more than 16 years, Green Scissors has exposed subsidies and programs that both harm the environment and waste taxpayer dollars. The campaign has built a strong case that the federal government can protect our natural resources, reduce the growth of government spending, and make a significant dent in the national debt. Building on last year's detailed cut lists, *Green Scissors 2011* identifies more than $380 billion in wasteful government subsidies that are damaging to the environment and harming taxpayers.

Wasteful government spending comes in many different forms. The most obvious are direct spending on discretionary programs and mandatory programs such as commodity crop payments. Slightly less transparent are tax expenditures, privileges written into the tax code, or below market giveaways of government resources like timber and hardrock minerals. Even more opaque is preferential government financing for harmful projects through bonding loans, long term contracting authority and loan guarantees, and risk reduction through government insurance and liability caps.

Some subsidies are difficult to calculate but have enormous costs to taxpayers. For example, the Oil Pollution Act of 1990 caps industry liability for offshore drilling accidents at a paltry $75 million, but they can cost taxpayers billions of dollars. The cleanup of the Deepwater Horizon spill has already topped $6.8 billion.[1] Another example is the cost of lost oil and gas revenues due to

1 http://edition.cnn.com/2011/BUSINESS/07/26/bp.profits.dudley/index.html

low royalty rates and industry underreporting. Despite the difficulty in determining the exact loss or calculating the final price tag, these types of subsidies need to be eliminated as well.

With the federal government facing a $1.65 trillion deficit and $14.6 trillion debt, Green Scissors' agenda is more critical than ever. The nation's deficit and debt have not gone unnoticed by the president, Congress or the public, many of whom have called for fiscal restraint in Washington. In fact, members of both parties are looking for ways to solve our nation's budget crisis. Often programs targeted at conserving our natural resources are the first on the chopping block, but Green Scissors shows us a way to help the environment by spending less.

This year's Green Scissors report offers lawmakers and the public a starting place for spending reductions, including cuts to discretionary, mandatory and tax spending that also increase environmental protection. Perhaps even more importantly, *Green Scissors 2011* offers a roadmap for how Congress can bridge the gap between ideologically diverse perspectives to begin moving towards deficit reduction in a productive fashion. *Green Scissors 2011* represents the interests of four varied groups: Friends of the Earth, Public Citizen, Taxpayers for Common Sense and The Heartland Institute. While all four groups have different missions, histories, goals and ideas about the role of government, we all agree that we can begin to overcome our nation's budgetary and environmental woes by tackling spending that is not only wasteful, but environmentally harmful.

To get our nation's spending in check we will need to end wasteful programs and policies. They not only cost us up front, but also create additional financial liabilities down the road and threaten our nation's fragile land, air and water. In addition, we need to ensure that we receive a fair return on government assets. From the more than a century old 1872 Mining Law that gives away precious metals — like gold and copper — on federal lands for free, to $53 billion in lost oil and gas revenues from royalty free leases in federal waters granted in the late 1990s, to the $6 billion per year ethanol tax credit, there are dozens of reforms that can return hundreds of billions to taxpayers while helping to address our nation's top environmental priorities.

The list of cuts is long, and tackling them will require taking on rich, powerful corporations and special interest groups. The president and Congress must get tough with the special interests that are raiding our treasury and jeopardizing our valuable natural resources. Reform will also require cutting through traditional dogmas and working with non-traditional partners. We know it is not going to be easy. America needs real leadership.

Green Scissors 2011 builds on our previous reports but also offers new and expanded cuts. As with past reports, unless otherwise noted, the data is compiled from government sources.

A green roadmap for trimming the budget

Green Scissors 2011 tackles environmentally harmful spending in four major areas: energy, agriculture, transportation, and land and water. In each section, we provide an overview of the topic, a summary chart of the spending cuts, and more detailed information on selected cuts. While billions of additional savings that could be achieved by cutting environmentally harmful spending have not been included in this report, *Green Scissors 2011* offers important steps toward reforming our nation's budgetary ills while also protecting our environment.

For more than a century taxpayers have subsidized the nation's energy sector. Each year we spend billions to promote both mature energy technologies as well as new, unproven, risky ones. Many of these technologies are destructive to public health and the environment, and billions of taxpayer dollars could be saved by cutting subsidies to them. Continuing to ask taxpayers to subsidize these technologies of the past or to ante up money for new harmful technologies is fiscally and environmentally reckless.

Subsidies for the coal and oil and gas industries have existed since the beginning of the 20th century. Today, generous tax credits, royalty relief, taxpayer-backed insurance, and preferential financing through loan guarantees and bonds all provide energy companies with lucrative subsidies at the taxpayer's and environment's expense.

Fireboats try to put out the fire at the site of the Deepwater Horizon explosion that left 11 dead and led to the worst oil spill in U.S. history.

Companies selling newer technologies see the largess handed to purveyors of older forms of energy and want to feed at the trough. Yet some new technologies that do environmental harm are being sold as "green," and almost all subsidies deepen the federal deficit. Likewise, some companies developing new energy sources and technologies say that they will need billions of dollars in subsidies to make them effective even while competitors develop similar new technologies without any help. Our current system of energy subsidies reflects the special interest politics in Washington rather than any real dedication to the public interest. The nation's current energy policy not only promises these polluting industries subsidies in 2012, but implies that they will receive them for years to come.

New ways of locking us into dirty energy continue to emerge. In his State of the Union address, the president proposed a "Clean Energy Standard" that would mandate use of energy from sources such as nuclear reactors, biomass, natural gas and the inappropriately named "clean coal." This proposed mandate could increase electricity prices for consumers by requiring more expensive choices and, depending on how it is crafted, lead to significant environmental harm.

We must shift course in 2011 and recognize that the pitfalls of our current system should not be allowed to continue through variations on failed energy policies of the past.

Conventional fossil fuels

For nearly 100 years we have given generous government subsidies to the incredibly lucrative fossil fuels industry. The lion's share of these subsidies comes in the form of tax breaks that cost the government tens of billions of dollars annually. This tax spending is particularly advantageous for the industry because most of it is permanent law and does not require regular review from Congress. Thus, it can be counted on year after year.

Despite a recent push to move away from oil consumption due to the profound environmental, national

Royalty collection

Federal taxpayers should receive the revenue they are due from resources extracted from public lands. Year after year, the nation's oil and gas royalty collection system receives serious criticism from oversight entities like the Government Accountability Office. Just this year, the Government Accountability Office, the non-partisan investigative arm of Congress, added royalty collection to its annual high risk list, giving it a "high risk for waste" tag.[5] It found in 2008 that reported revenues from oil and gas production had gone down for 93 of the 104 total resource owners. Examining the program further, the Government Accountability Office found that over the last two years the Department of the Interior — the agency charged with assuring the public's revenues are collected — has made continual blunders with the collection of company-reported data and offered unreliable sales data that do not reflect market prices for oil and gas. Even when the royalty system is working properly taxpayers are getting less than their fair share. That is because, according to a 2007 Government Accountability Office report, U.S. royalty rates for oil and gas production are among the lowest in the world, as well as lower than those of the states.[6]

security and fiscal consequences of oil usage, there has been little change in the federal money going to these industries. The oil and gas industry simply does not need the government handouts coming its way; its bottom line benefits from high prices at the pump. Less than a year after leaving the Gulf Coast awash in oil from the Deepwater Horizon catastrophe, BP saw its second quarter profits rise to $5.3 billion. In the first half of 2011 BP has already garnered $10.8 billion in profits.[2] Five of the top oil companies have already pocketed $70.1 billion in profits for the first half of 2011, significantly exceeding their profits over the same time period last year.

Another conventional fossil fuel, coal, also continues to be the darling of Washington, despite its serious environmental consequences. The coal industry benefits from billions in federal subsidies, even as it makes substantial profits. Subsidies to the coal industry began in 1932, when the federal government first began allowing companies to deduct a portion of their income to help recover initial capital investments (the percentage depletion allowance). Since then, coal companies have enjoyed billions more in subsidies, including some handouts for simply following basic worker safety regulations, while earning billions in profits. Over the last decade, revenues at the largest domestic coal companies trended upwards, while profits have mostly followed. Peabody Energy, the largest private sector coal company, earned record breaking profits in 2008 and has already posted $461.3 million in profits in 2011, up 36 percent from the first six months of 2010.[3] Consol Energy recorded near-record income of $540 million in 2009, and this year, first quarter profits nearly doubled from 2010 to reach $192 million.[4]

Taxpayers also subsidize conventional fossil fuels projects through a host of national, international and regional development banks that use federal dollars to invest overseas in harmful projects like coal plants. On

2 http://www.bp.com/extendedgenericarticle.do?categoryId=2012968&contentId=7069912

3 http://phx.corporate-ir.net/phoenix.zhtml?c=129849&p=irol-newsArticle&ID=1586385&highlight=

4 http://phx.corporate-ir.net/phoenix.zhtml?c=66439&p=irol-newsArticle&ID=1555936&highlight=

5 *Government Accountability Office, High Risk Series Update, GAO-11-270, February 2011.*

6 *Government Accountability Office, Oil and Gas Royalties: A Comparison of the Share of Revenue Received from Oil and Gas Production by the Federal Government and Other Resource Owners; GAO-07-676R, May 1, 2007.*

Destruction of land adjacent to a coal plant run by South African utility Eskom, which received a loan from the World Bank in 2010 to build one of the world's largest coal plants. Photo credit: groundWork/Friends of the Earth South Africa, courtesy of the Bateleurs.

the national level, the Overseas Private Investment Corporation and the Export-Import Bank of the United States are examples of government-supported agencies that subsidize U.S. companies to invest in risky foreign markets by providing them direct and low-cost financing and insurance. While intended to help American small businesses compete in the global marketplace, these agencies actually provide subsidies to large, very profitable private companies like ExxonMobil.

These public financing agencies continue to subsidize environmentally harmful coal, oil and gas projects. In fiscal year 2010, the Export-Import Bank provided a record-breaking $4.5 billion in financing for these fossil fuels. The Export-Import Bank's fossil fuel binge is continuing in 2011, including $805 million to finance the largest greenhouse gas-emitting project in its history, a 4,800 megawatt coal plant that will spew 30.5 million tons of carbon dioxide as well as enormous amounts of particulate emissions into the atmosphere each year.[7]

Similarly, the World Bank and regional development banks, which also receive U.S. taxpayer support, continue to be some of the largest and most consistent funders of fossil fuel projects around the world. In fact in 2010, the World Bank provided a record-breaking $4.4 billion in coal financing, representing a 356 percent increase over 2009.[8] This included funding for a South African coal plant that local and international advocacy groups say will not increase access to energy for many but will increase pollution.

The U.S. is the largest and most influential shareholder of the World Bank. For the first time since 1988, the World Bank has asked for a significant uptick in funding, formally known as a General Capital Increase, to increase its lending capacity for middle income countries. Consequently, the Obama administration has requested $586 million over five years, which amounts to $117.4 million a year, for the United States' contribution to

7 http://www.exim.gov/about/reports/ar/2010/exim_2010annualreport_full.pdf

8 *"World Bank Group Energy Sector Financing Update," prepared by Heike Mainhardt-Gibbs for the Bank Information Center, November 2010* http://www.bicusa.org/en/Article.12280.aspx

the General Capital Increase.[9] Given the World Bank's record of funding polluting projects, no money for the General Capital Increase should be authorized or appropriated for fiscal year 2012.

Subsidizing coal makes little economic or environmental sense. The Obama administration has committed to phase out fossil fuel subsidies and has targeted tax spending; making these first cuts would be an important step. The president and Congress must also eliminate federal financing for coal projects. The list below includes some key cuts to current coal industry subsidies, saving taxpayers more than $61 billion over the next five years.

9 *U.S. Department of the Treasury International Programs Justification for Appropriations FY 2012 Budget Request*

Selected conventional fossil fuel subsidies	Potential cuts 2012-2016 ($)
Last In, First Out Accounting[(a)]	29,661,000,000
Domestic Manufacturing Tax Deduction for Oil and Gas Companies	6,679,000,000
Intangible Drilling Costs	6,268,000,000
Percentage Depletion Allowance for Oil and Gas Wells	4,657,000,000
Oil Royalty Relief	4,033,000,000
Deductions for Foreign Tax — Dual Capacity [(b)]	3,896,000,000
Domestic Manufacturing Deduction for Hard Minerals	921,000,000
Expansion of Amortization for Certain Pollution Control Facilities	851,000,000
Amortization of Geological and Geophysical Expenditures	797,000,000
Gas Royalty Relief	787,000,000
Natural Gas Distribution Lines	600,000,000
World Bank Capital Increase	587,000,000
Percentage Depletion Allowance for Coal and Hard Mineral Fossil Fuels	557,000,000
Capital Gains Treatment for Royalties from Coal	264,000,000
Expensing of Exploration and Development for Minerals	240,000,000
Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research Fund	190,000,000
Passive Loss Exemption	99,000,000
Liberalize the Definition of Independent Producer	84,000,000
Exemption from Bond Arbitrage Rules for Natural Gas	43,000,000
Expensing of Tertiary Injectants	38,000,000
Certain Income and Gains Relating to Industrial Source Carbon Dioxide Treated as Qualifying Income for Publicly Traded Partnerships	18,000,000
Natural Gas Gathering Lines	5,000,000
Liability Limitations for Offshore Drilling [(c)]	*
Total	**61,275,000,000**

a. This number represents the full elimination of Last In, First Out Accounting for all industries.

b. This number represents the proposal in President Obama's fiscal year 2012 budget and is illustrative of the savings that could be achieved through reform of this provision; the number represents savings from all industries.

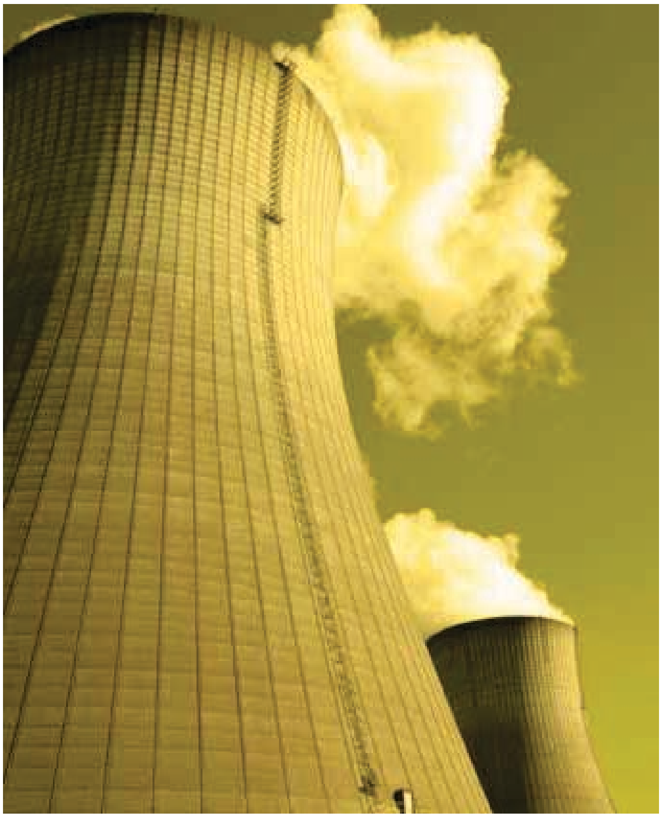
c. Cost to taxpayers is unavailable.

Nuclear energy

For more than 60 years, taxpayers have provided the nuclear industry with a suite of subsidies for research and development costs, tax preferences, liability insurance and loan guarantees. Even with these subsidies, no new reactors have been built since the 1970s, and all proposed reactors are dependent on government financing. Furthermore, more than 50 years after the first commercial reactors went online, American political leaders still have not agreed on a long-term solution for dealing with nuclear waste.

Since the 1940s the nuclear industry has received tens of billions of dollars in federal subsidies. Most recently, the Department of Energy provided $18.5 billion in loan guarantees for new reactor construction. The Department of Energy Inspector General has reported that these guarantees "result in significant risk to the government and, therefore, the American taxpayer."[10] Building new reactors not only sticks taxpayers with the im-

10 http://energy.gov/sites/prod/files/igprod/documents/IG-0777.pdf



Small modular reactors

Since support for renewed construction of large nuclear power reactors for electricity generation has simply not materialized, the nuclear industry and many in Congress are pushing for "small modular reactors." Small modular reactors only exist in concept, but already unsubstantiated claims are being made that they will solve a host of cost, design, siting and nuclear waste problems presented by large reactors.

Congress and the administration are already lining up to throw money at these so-called "mini-nukes." A group of bipartisan senators introduced the Nuclear Power 2021 Act, which would have the Department of Energy pay for up to 50 percent of the cost of designing and licensing two small modular reactors. These costs are typically borne by the industry.

The Department of Energy is pursuing its own plan to promote small modular reactors. The agency has requested almost $100 million for small modular reactor research and design and licensing for fiscal year 2012. The Department of Energy wants to provide government support for small modular reactors by offering to buy the power itself so that small modular reactors can have a secure market. The government should not subsidize this technology.

mediate cost of construction, it also implies continued liability insurance costs (via the Price-Anderson Act), continued nuclear security concerns and nuclear waste disposal problems.

Many now want to increase these loan guarantees. The administration and some backers on Capitol Hill have made it clear that they will do whatever it takes to offer billions in loan guarantees to the nuclear industry. President Obama's last two budgets have requested almost tripling loan guarantees for new reactors, from the current $18.5 billion to $54 billion. Despite the president's request, Congress has not given any new loan guarantee authority the last two years.

Congress should not give billions more in handouts to this mature industry, which should be able to attract its own private investment. The chart below highlights some recommended cuts to nuclear industry subsidies over the next five years, resulting in a total savings to taxpayers of almost $50 billion.

Selected nuclear subsidies	Potential cuts 2012-2016 ($)
Loan Guarantees for Nuclear and Uranium Enrichment [d]	22,500,000,000
Nuclear Waste Fund Liability Payments	16,200,000,000
Mixed Oxide — Fissile Materials Dispositions — Construction	2,405,000,000
Fusion Energy	2,404,000,000
Standby Support for Certain Nuclear Plant Delays	2,000,000,000
Non-Defense Environmental Cleanup	1,095,000,000
Fuel Cycle Research and Development	775,000,000
Reactor Concepts Research and Development	625,000,000
Nuclear Energy Enabling Technologies	485,000,000
Modification to Special Rules for Nuclear Decommissioning Costs	471,000,000
Credit for Production of Advanced Nuclear	349,000,000
Treatment of Certain Income of Electric Cooperatives	190,000,000
Demonstration Hydrogen Production	100,000,000
Decommissioning Pilot Program	16,000,000
Price-Anderson Act [e]	*
Total	**49,615,000,000**

d. The nuclear and uranium enrichment portion of the Title XVII loan guarantee program also appears as part of the Loan Guarantee Program in the alternative energy section on page 15, though it is not included in the total for the alternative energy section.

e. Estimates of this subsidy vary widely.

Alternative energy

Alternative energy can mean developing totally new energy sources or using existing energy sources in different ways. Alternative energy sources take various forms that often require significant subsidies before being viable. While some alternative energy sources pollute less than conventional sources, others touted as environmentally friendly are, in reality, environmentally damaging.

Ethanol

Corn ethanol is the granddaddy of wasteful alternative fuels. Due to federal mandates, nearly all gasoline sold at retail contains at least some ethanol. It is the most common biofuel in the U.S. Its environmental benefits, however, are dubious: widespread ethanol production has converted otherwise wild land into agricultural land and used enormous amounts of water. The industrial farming and manufacturing technologies needed for ethanol production contribute to fertilizer runoff, pollution, and carbon and particulate emissions. Cellulosic ethanol, which is ethanol derived from wood, grass and other non-edible parts of plants, has environmental problems similar to corn ethanol.

Despite its demonstrated environmental downsides, ethanol production is subsidized through a number of federal policies in the name of clean energy, the most significant of which are the Volumetric Ethanol Excise Tax Credit and the Renewable Fuels Standard.

The Volumetric Ethanol Excise Tax Credit is the largest direct subsidy to corn ethanol. The tax credit's origins go back more than 30 years, in response to U.S. oil shortages that resulted from the OPEC oil embargo. It exempts the ethanol portion of gasoline blends from gasoline excise taxes and establishes a tax credit for ethanol use. This massive subsidy does not go to family corn farmers or even agro-businesses or ethanol producers. Instead, the benefits go almost entirely to oil companies that blend the ethanol with traditional fuel. Currently worth 45 cents per gallon of ethanol that is then blended with gasoline, in 2011 eliminating the Volumetric Ethanol Excise Tax Credit would have yielded $5.7 billion that Congress could have used to fund other programs or reduce other taxes.[11]

Congress should save taxpayers billions by immediately ending the tax credit, which costs taxpayers more than $15 million a day. If Congress does not take proactive measures to end this harmful subsidy immediately, it should at the very least do nothing and let the Volumetric Ethanol Excise Tax Credit simply expire when it is set to at the end of 2011.

11 *Government Accountability Office, Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue, GAO-11-441T, March 3, 2011*

In addition to the tax credits for ethanol, the Renewable Fuels Standard mandates the use of an increasing amount of biofuels each year, regardless of actual demand or economic and environmental impact. By the year 2022, the Renewable Fuels Standard will mandate the use of 36 billion gallons of biofuels. Fifteen billion gallons of that is expected to come from corn ethanol. This mandate, in addition to the tax credit, further subsidizes biofuel production by ensuring a market for biofuel producers, regardless of the financial or environmental costs of producing it.

Congress should eliminate the Renewable Fuels Standard mandate and let corn ethanol and other biofuels compete in the market. Once the primary driver of ethanol consumption in the U.S., the Volumetric Ethanol Excise Tax Credit no longer encourages biofuel consumption because the Renewable Fuels Standard now mandates the purchase of ethanol by fuel blenders at a greater volume than the market demands. The Volumetric Ethanol Excise Tax Credit serves only as another form of corporate welfare for some of the most profitable companies in the world.

Combined, the Renewable Fuels Standard and Volumetric Ethanol Excise Tax Credit will subsidize ethanol at approximately $56 billion from 2011 to 2015, including both direct (tax credits) and indirect (market price support) subsidies.[12] Congress could save taxpayers money and help the environment by eliminating both the Volumetric Ethanol Excise Tax Credit and the Renewable Fuels Standard mandate for corn ethanol.

Medicine Bow

An old, expensive technology has its hand out again to the federal government. Medicine Bow Fuel & Power LLC, a wholly owned subsidiary of DKRW Advanced Fuels LLC, has applied for a Department of Energy loan guarantee for reportedly as much as two-thirds of the cost of the $2.7 billion liquid coal plant and coal mine it hopes to build in Medicine Bow, Wyoming.[14] The government got behind liquid coal, as well as other synthetic fuels, back in the '70s and '80s, but it was a financial boondoggle. That's because the technology to turn coal into liquid fuel is extremely expensive and only deepens our dependence on environmentally damaging fossil fuels. It also has all of the environmental impacts of coal mining and requires at least two gallons of water for every gallon of fuel produced, according to The RAND Corporation.[15] Even if the plant is able to utilize carbon capture and sequestration, the Environmental Protection Agency found that liquid coal plants would release 3.7 percent more greenhouse gases than conventional fuels, as well as significant amounts of particulate emissions.

New coal technologies

By providing subsidies for carbon capture and sequestration, taxpayers continue to foot the bill in a never ending quest for "clean coal." Carbon capture and sequestration is an unproven, expensive and potentially dangerous technology that, even if it works, does nothing to alleviate the environmental, health and social consequences resulting from the mining and burning of coal. The ironically named FutureGen is the most recent taxpayer-funded boondoggle for "clean coal," with a projected cost of $2.4 billion.[13]

In addition to the quest for clean coal, taxpayers are yet again also being asked to provide subsidies for the production of synthetic fuels like liquid coal. Existing fossil fuel subsidies have been expanded to include liquid coal and tar sands, and earmarks for research and development have been tacked onto appropriations bills. Ad-

12 *Doug Koplow, A Boon to Bad Biofuels, Earth Track, April 2009*

13 http://www.netl.doe.gov/publications/press/2009/7749.html

14 http://trib.com/news/state-and-regional/article_e20aadb8-9c18-568e-8f39-ea0a9b78c414.html

15 *James T. Bartis, Frank Camm, David S. Ortiz, Producing Liquid Fuels from Coal, Rand Corporation, 2008*

Advanced Research Projects Agency-Energy

The Advanced Research Projects Agency-Energy, authorized in 2007 and first funded in 2009, is a giant government-run research and development agency charged with doing (to quote its own mission statement) "creative 'out-of-the-box' transformational energy research." Although dwarfed by such science behemoths as the National Science Foundation, NASA, and the National Institutes of Health, Advanced Research Projects Agency-Energy is the largest government entity devoted entirely to applied research that (to quote its own mission statement again) bridges "the gap between basic...research and development/industrial innovation." With one major exception (the unsuccessful "synfuels" effort of the 1970s and 1980s), this type of applied civilian energy research has historically been done almost entirely at private firms.

Many of the projects that Advanced Research Projects Agency-Energy supports are bad for the environment. Some Advanced Research Projects Agency-Energy backed "clean coal," biofuels and biotech technologies show little promise for reducing pollution but could potentially be significant profit centers for private firms if any investors were convinced of their merits. Some of the more environmentally promising and successful Advanced Research Projects Agency-Energy projects, such as efforts to make buildings more energy efficient, provide taxpayer subsidies to develop things that the private sector was already using on a large scale. Although Advanced Research Projects Agency-Energy supports some positive efforts, much of this program harms the environment or fails to add real value.

ditionally, each year liquid coal proponents push for the inclusion of long term contracts in the National Defense Authorization Act, through which taxpayers would be locked into purchasing uneconomical, high carbon liquid coal for decades or more. Recent appropriations bills have even included funding to construct liquid coal facilities on military bases.

Natural gas

One recent attempt to secure subsidies for unconventional fossil fuels involves the natural gas industry. A bill introduced in the 112th Congress known as the NAT GAS Act would provide significant subsidies for natural gas at all levels of production — from manufacturing and infrastructure to consumer tax credits — carrying an estimated $5 billion price tag. It includes a tax credit for up to 80 percent of the marginal cost of buying a natural gas vehicle (up to $64,000 for the heaviest trucks); a 50-cent-per-gallon fuel tax credit; an infrastructure tax credit of 50 percent of the cost of a fueling station, up to $100,000; and a manufacturing tax credit for the production of natural gas vehicles. These natural gas subsidies could have a significant impact on the environment and taxpayers alike.

Selected alternative energy subsidies	Potential cuts 2012-2016 ($)
Loan Guarantee Program [f]	51,000,000,000
Volumetric Ethanol Excise Tax Credit	38,843,000,000
Volumetric Biodiesel Excise Tax Credit and Renewable Biodiesel Tax Credit	5,586,000,000
Biorefinery Assistance	3,345,000,000
Election to Expense 50 Percent of Qualified Property Used to Refine Liquid Fuels (Oil Shale and Tar Sands Refineries)	2,700,000,000
Fossil Energy Research and Development Program	2,380,000,000
Biological and Environmental Research — Biological Systems Science	1,880,000,000
Department of Energy Biomass and Biorefinery Research and Development	1,700,000,000
Open Loop Biomass	1,600,000,000
Tax Credit and Deduction for Clean-Fuel Burning Vehicles	1,590,000,000
FutureGen 2.0	1,300,000,000
Biomass Crop Assistance Program	1,212,000,000
Industrial Carbon Capture and Sequestration Tax Credit	971,000,000
Credit for Investment in Clean Coal Facilities	900,000,000
Credit for Alternative Fuel Mixtures	880,000,000
Excess of Percentage Over Cost Depletion, Other Fuels	700,000,000
Bioenergy Program for Advanced Biofuels	446,000,000
Expensing of Exploration and Development Costs, Other Fuels	400,000,000
Production Tax Credit for Cellulosic Ethanol	369,000,000
Re-Powering Assistance	175,000,000
Biomass Research and Development	134,000,000
Municipal Solid Waste	100,000,000
Department of Energy Fuel Technologies Program	95,000,000
Alternative Fuel Vehicle Refueling Property	10,000,000
Biodiesel Fuel Education Program	1,000,000
Advanced Research Projects Agency-Energy [g]	3,250,000,000
Total [h]	**95,817,000,000**

f. $22.5 billion from this program has been earmarked for nuclear energy and appears in the chart on page 11. Only the part of this program not earmarked for nuclear energy is included in the total in this chart.

g. Since not all of this spending funds environmentally harmful projects, this program is excluded from the overall total for this chart.

h. This total does not include Advanced Research Projects Agency-Energy or loan guarantee money that has been earmarked for nuclear reactors.

Washington wastes billions of taxpayer dollars annually on agriculture policies that no longer address the economic or environmental realities of 21st century agriculture. Many of these policies were created in the 1930s as temporary assistance measures to combat conditions of the Great Depression. Nearly 80 years later, many continue despite not addressing the needs of the majority of America's farmers, rural communities, consumers or taxpayers. Billions of dollars are funneled each year to an increasingly small number of large farming operations, while the majority of farmers and rural residents receive little assistance. Taxpayer subsidies also distort farm policies to contribute to overproduction and cultivation of marginal lands, wasting taxpayer dollars and harming the environment. As Congress ramps up for a potential Farm Bill in 2012, the cuts on the next page, along with a reformed sustainable agriculture policy that more effectively and efficiently allocates federal resources, should be implemented, saving taxpayers billions and helping restore environmental balance to our farmlands.

Commodity crops

A majority of government subsidies are provided to a handful of commodity crops, and the majority of these subsidies flow only to corporate farms. Corn, cotton, wheat, rice and soybeans rack up 90 percent of the commodity crop subsidies, while fruit, vegetable and nut producers are left picking the scraps. These subsidies end up as windfall profits for the wealthiest and largest agro-corporations, crowd out funding for agriculture-related conservation programs and do little for rural development or the struggling family farm. Because of high commodity prices, the "counter-cyclical" payments — intended to support farmers when prices are low — are virtually non-existent. The vast majority of the subsidies are for so-called direct payments, which are based on historical plantings and largely line the pockets of big agriculture without any strings attached. According to the Department of Agriculture, "Fixed direct payments are not tied to current production or prices and do not

require any commodity production on the land."[16] Reducing commodity crop subsidies by 80 percent could save taxpayers more than $20 billion over the next five years.

Market Access Program

The Market Access Program should be cut entirely. For more than two decades, taxpayers have spent $3.4 billion subsidizing overseas ad campaigns that benefit profitable multinational corporations like McDonalds, Nabisco, Fruit of the Loom and Mars. Cutting this wasteful program could save taxpayers $1 billion.

Crop insurance

Crop insurance is quickly becoming the most expensive type of agricultural subsidy, nearly outstripping the cost of all other farm subsidy programs combined. While called "insurance," it doesn't operate like any form of insurance most Americans have bought. In most places, federal taxpayers pay 100 percent of the premiums for the farm's basic catastrophic coverage while providing subsidies for additional coverage resulting in an average of 60 percent of the premium cost for private crop insurance being covered by taxpayers.

16 U.S. Department of Agriculture, http://www.ers.usda.gov/briefing/farmpolicy/directpayments.htm

The crop insurance program is dominated by corn, cotton, soybeans and wheat, which account for about 80 percent of the subsidies provided by the program, with corn taking the lion's share. The larger the farm, the larger the potential payout; the Congressional Research Service estimates that the biggest agricultural producers (over $1 million in sales) account for about 30 percent of the subsidy. Unlike other agriculture subsidies, there are few strings attached, so crop insurance will cover marginal land, which is often more environmentally sensitive. By guaranteeing some return, it provides an incentive to plant where odds of success are slim, but the likelihood of environmental harm is great. In addition, in 2008 the Agriculture Department lowered crop insurance costs for genetically engineered corn, particularly herbicide tolerant varieties such as Monsanto's "Roundup Ready" corn. Such varieties encourage more intensive herbicide use; as weeds become resistant, they can trigger a dangerous cycle of ever increasing chemical use.

Excluding taxpayer-paid premiums, claims under the crop insurance program have exceeded premiums every year since 1994. In a time of record deficits and near record commodity prices, taxpayers can ill afford yet another program that promotes degradation of the environment while privatizing profits and socializing risks.

Selected agricultural industry subsidies	Potential cuts 2012-2016 ($)
Major Commodity Crops[i]	
Corn	7,945,000,000
Wheat and Wheat Products	4,280,000,000
Upland Cotton	2,467,000,000
Soybeans	2,174,000,000
Rice	1,627,000,000
Crop Insurance Disaster Aid	30,000,000,000
Concentrated Animal Farming Operations — Environmental Quality Improvement Program	7,040,000,000
Market Access Program	1,004,000,000
Foreign Market Development Program	118,000,000
Total	**56,655,000,000**

i. The following major commodity crop numbers represent an 80 percent reduction from current subsidy levels.

The nation's transportation program faces significant challenges. Authorizing legislation funding our roads, rails and airways has long been expired and the relevant agencies have operated for years under short-term extensions. Proposals to reauthorize the surface transportation program appear unlikely to move in the near future, and the Federal Aviation Administration reauthorization is blocked by policy and funding disagreements between the House of Representatives and Senate. The Federal Aviation Administration recently furloughed 4,000 workers, put hundreds of construction projects on hold and stopped collecting aviation taxes because Congress failed to pass a short-term extension of the program.

Transportation funding is lagging. The Highway Trust Fund — the account into which our gas taxes are deposited — is collecting far less than current spending levels, which has required Congress to transfer millions of dollars into the Highway Trust Fund to keep it solvent. Meanwhile we have an ever increasing backlog of maintenance. It is imperative, then, that we do the most with every transportation dollar. To do more with less means some programs and projects need to be eliminated while others should be reduced in scope.

Essential Air Service

The Essential Air Service was created in response to the Airline Deregulation Act of 1978 due to concern that airlines, now free to choose which routes they would fly, might stop servicing smaller airports. The Essential Air Service provides a subsidy to airlines that operate flights from non-hub airports that are 90 miles or more from the nearest large or medium hub airport.

The Essential Air Service is a policy relic, created in the aftermath of airline deregulation and prior to trillion dollar budget deficits. Subsidizing flights for a handful of passengers at a cost to taxpayers of hundreds of dollars per flight makes no sense for taxpayers or the environment. For example, the 50 minute flight from Lebanon, New Hampshire to Boston receives a subsidy of $287 per passenger when it's only a little over an hour drive to another large airport, Manchester-Boston Regional Airport.[17] Some routes cost taxpayers thousands of dollars per passenger. Recent reforms would have changed

17 *Per passenger subsidy rates based on 2010 contract subsidy amounts and number of enplanements per Essential Air Service airport provided from the Congressional Research Service and the Federal Aviation Administration.*

Selected transportation programs and projects	Potential cuts 2012-2016 ($)
General Revenue Transfers to Highway Trust Fund	72,000,000,000
I-710 Tunnel Project (California)	11,800,000,000
Airport Improvement Program Grants to General Aviation-Dominated Airports	10,900,000,000
Columbia River Crossing	3,600,000,000
I-73 Project (South Carolina)	2,400,000,000
Outer Bridge Portion of Ohio River Bridges Project (Indiana & Kentucky)	1,526,000,000
Knik Arm Crossing (Alaska)	1,500,000,000
Essential Air Service Program	815,000,000
Hartford-New Britain Busway (Connecticut)	573,000,000
Juneau Access Road (Alaska)	500,000,000
St. Croix River Crossing Project/Stillwater Bridge (Minnesota & Wisconsin)	407,000,000
Gravina Island Access (Alaska)	304,000,000
Charlottesville Bypass (Virginia)	197,000,000
Total	**106,522,000,000**

the eligibility to exclude airports within 90 miles of a hub (up from 70 miles), but the Secretary of Transportation used a "hardship" waiver to keep the subsidies flowing to ten airports that would have been effected by the change. The reforms did eliminate subsidies to three airports, however, because the subsidy per passenger is now capped at $1,000. These subsidies encourage air travel on inefficient smaller planes as well the continued operation of commercial airports in places where the market does not support them. Exceptions may be acceptable in Alaska, where roads are scarce and distances great, but that is the only place where the Essential Air Service should remain in effect.

Hybrid tax credit

In many ways hybrid cars are an environmental success story. Now prevalent on the streets of America, such cars, which mate conventional internal combustion engines to battery power, produce less air pollution than conventionally powered cars, reduce oil usage, and have generated significant profits for the companies that produce them. When hybrids first came to market more than a decade ago, all buyers received special tax credits that were intended to overcome the initially high cost differential between hybrid vehicles and conventional cars and trucks. Although the credit officially lapsed on January 1, 2011, some in Congress want to put it back into place.

This is a misguided idea. The structure of the hybrid tax credit over the past few years has incentivized the sale of inefficient hybrids at the expense of the most fuel efficient models. The hybrid car tax credit applied to only the first 60,000 cars sold by any automaker. The first companies to come to market with practical, fuel efficient, desirable hybrids — Toyota, Honda and Ford — all exhausted the credit well before it officially expired, leaving their cars no longer eligible for the credit. (Many cut their prices in response.) This left companies that were slow to develop this technology — like GM, Nissan and Chrysler — or that sold less attractive products, with a relative advantage because their products were still eligible for the tax credits. These late developers also happen to be producing less fuel efficient vehicles than their counterparts, creating a situation where taxpayers subsidize and incentivize the purchase of less efficient hybrid vehicles. Additionally, luxury car makers like BMW and Porsche, which sell fewer cars, benefit from the credit for a much longer time. Buyers of such rarefied automobiles are neither particularly price sensitive nor deserving of special government handouts. The result is that large numbers of the hybrid credits claimed on 2010 tax returns were for hybrid luxury cars and SUVs that, although more fuel efficient than their non-hybrid counterparts, are hardly paragons of efficiency.

Public land

The federal government owns more than 650 million acres of land. These publicly owned lands include national parks, forests, historical sites and wildlife refuges that provide opportunities for recreation, tourism and conservation. Many public lands, however, are also given over to purely commercial uses such as grazing, mining, drilling and timber harvesting. Often these industries do not pay for the resources they remove or the infrastructure they need for resource extraction. At the same time, they negatively impact water, air and ecosystems. If Congress is serious about improving the environment and cutting the deficit, it should require industries using our public lands to pay fair value for these resources.

Hardrock mining

One of the oldest and most egregious of federal subsidies, the 1872 Mining Law, governs hardrock mining on federal lands. It provides a stark example of taxpayer giveaways of federally owned resources. First enacted under President Ulysses S. Grant, the 1872 Mining Law was intended to promote western settlement. Now, 139 years later, this anachronistic law remains unchanged, providing an enormous subsidy to the biggest mining operators in the world like UK-based Rio Tinto. Under the 1872 law, mining companies pay no royalties for the minerals they remove from federal lands and can purchase federal land for $5 per acre (a weak annual moratorium on purchases has been put in place, but there is no permanent fix). Taxpayers receive nothing for the approximately $1 billion worth of minerals mining companies extract annually from federal lands. By comparison, the oil, gas and surface coal industries pay royalty rates of at least 12.5 percent, which are still among the lowest in the world.

Timber

The harvest of timber from federal lands not only robs taxpayers of precious revenue, in many cases it is actually a money loser for taxpayers. Taxpayers pay millions of dollars in subsidies to allow timber companies access to our federal lands. For decades, commercial timber sales on public lands have lost money because the fees paid to the government by the companies buying the timber do not even cover the costs associated with preparing and administering the sales. That's right: American citizens *pay* corporations to log our public lands. In response to pressure from Congress, the Department of Agriculture created the *Timber Sale Program Information Reporting System*, which documented the costs to taxpayers of forest product sales. While the system had flaws, it still showed that timber programs cost taxpayers millions of dollars each year. Perhaps that is why the Department of Agriculture has moved to a new system that has eliminated any timber sale program reporting and adopted accounting practices that make it impossible to evaluate the cost.

The Tongass rainforest in Alaska, the world's largest remaining temperate rainforest, is a prime example of this flawed policy. The U.S. Forest Service continues to log this pristine wilderness area despite the fact that taxpayers pay more for the construction and maintenance of roads and other infrastructure needed to extract the timber than they receive from timber royalties. Logging companies would be required to pay these costs themselves if they were to log on private lands. Logging in national forests has eliminated many old growth forests and damaged habitat for numerous species such as salmon, grizzly bear and wolf. Soil erosion and sedimentation caused by logging and road building is the most significant threat to fish and other aquatic organisms in our national forests. Erosion can also reduce the productive capacity of these lands, limiting regeneration of trees and other plants. The government should require the receipts for commodity timber sales in national forests to at least cover all of the expenses involved with preparing the sales, as well as the cost of restoring landscapes and watersheds.

Grazing

The Forest Service and Bureau of Land Management public land grazing program is highly subsidized and benefits only two percent of the nation's livestock operators. According to the Government Accountability Office in 2004, grazing programs cost taxpayers roughly $136 million to operate but only earned $21 million.[18] Below-cost grazing fees encourage overgrazing and, along with other problematic features of the existing federal program, have resulted in extensive and severe environmental damage to public lands and riparian areas, resulting in reduced ecologic resiliency and ability to adapt to a warming western climate. Federal grazing fees are lower than the fees charged by almost every state. In fiscal year 2007, federal grazing fees fell to $1.35 per acre, the lowest amount allowed by law. To put that in perspective, the first uniform federal grazing fee that was established in 1934 was set at $1.23 per acre. The equivalent, in 2010 dollars, is $19.81 per acre. It is time for taxpayers to be fairly compensated for allowing grazing on federal lands.

18 Government Accountability Office, Federal Expenditures and Receipts Vary, Depending on the Agency and the Purpose of the Fee Charged, GAO-05-869, September 2005

Livestock

The Department of Agriculture's Wildlife Services program spends millions of taxpayer dollars annually to kill as many as 100,000 wild predators, largely at the behest of ranchers through its predator control program. Much of this killing is done on federal lands.

Last year Wildlife Services spent $13 million to kill tens of thousands of wild animals. Lethal control methods that the program employs have led to dozens of human injuries and deaths and the degradation of ecosystems that rely on healthy predator populations to function. The only beneficiaries are ranchers who should be responsible for protecting their own cattle. Taxpayers should not be footing the bill for this program.

Water

Too often the nation's management of waterways and flood plains yields specious short-term economic gains and longer-term economic and environmental losses. Reforming these programs with smart cuts and policy shifts would save taxpayers billions and protect the country's natural resources.

National Flood Insurance Program

The National Flood Insurance Program, which provides government-backed flood coverage to private homes all around the country, is a disaster for citizens and the environment. Although intended to both financially break even and promote water resources conservation and protection when Congress created it in 1968, the program has done neither. The flood program has sold millions of Americans coverage against flooding at rates not commensurate with their risk and far below those in the private market. The result is to encourage more intensive development in flood prone, environmentally sensitive areas. As a result of its shoddy underwriting practices, the National Flood Insurance Program owes the Department of Treasury almost $18 billion. This entire debt, nearly all experts agree, will eventually have to be paid by all taxpayers instead of just the individuals who benefitted. Ending the program immediately, however, would not necessarily solve its problems. Because the program relies on premiums charged to policyholders to pay interest on its debt and recent claims, the Congressional Budget Office says that such a termination would actually cost $2 billion. The National Flood Insurance Program shouldn't be eliminated tomorrow, but it can and must be phased out over time.

Army Corps of Engineers

The Army Corps of Engineers has been a lever pulled by lawmakers to bring money to their home districts for nearly two centuries. The agency constructs water resource projects dealing with navigation, flood and storm damage reduction, and environmental restoration. Yet in many cases these projects serve little to no national interest, are not economically justified, have serious negative environmental impacts and are based more on political power than national priority.

Too often Corps projects are both economically and environmentally wasteful. Over the last several years, Corps projects have been challenged by the National Academy of Science, Government Accountability Office and even the U.S. Army Inspector General. With a focus on structural solutions like dams and levees, and a parochial bias that often inhibits regional or watershed planning, the Corps often ignores alternatives less costly for taxpayers and the environment. After Hurricane Katrina, the nation saw a glaring example of Corps failures in flood control and how Corps projects led to increased development in high risk areas.

While there are many questionable Corps projects, a few deserve special attention. These projects are not the product of a system designed to identify the greatest national needs but instead of political calculations in Congress. Projects that were started or sustained through earmarking continue on to this day. With Washington focused on prioritizing every taxpayer dollar, now is the time to end the Corps' involvement in projects that are economically unjustified and environmentally harmful.

- **Upper Mississippi River Navigation Locks Project – $2,095,000,000**

  Despite continued decreases in barge traffic, cost-overruns and a history of wildly exaggerated economic assumptions, the Army Corps of Engineers seeks to spend billions constructing new and enlarged navigation locks as part of the Mississippi River-Illinois Waterway Navigation Expansion Project. Mainly just a fix for occasional barge transportation delays that occur at river locks during high traffic times, cheaper and less harmful alternatives such as scheduling, tradable lockage fees and helper boats should be pursued at a fraction of the project's current cost.

- **Industrial Canal Lock Replacement – $1,300,000,000**

  Despite declining barge traffic, the Corps continues pursuing construction of a new longer, wider, deeper lock on the Inner Harbor Navigation Canal (Industrial Canal) in New Orleans. The Corps would spend more than $1.3 billion building just one lock while ignoring major storm damage reduction needs in the adjacent area.

- **Grand Prairie Area Demonstration project – $450,000,000**

  The Grand Prairie Irrigation Project in Arkansas is the Corps' attempt to move into the irrigation business in further support of already highly subsidized rice plantations. The $450 million total price tag is too steep a price to pay for this project, which will severely deplete wetlands, while cheaper, more effective alternatives to water management exist.

- **Delaware River Deepening – $348,000,000**

  At nearly $350 million, the Delaware River Deepening project is extremely damaging to taxpayers and the environment. In spite of opposition from the state of New Jersey and the state of Delaware, and major criticism from the Government Accountability Office and other independent analysts, the Corps continues to pursue this project, which will degrade the Delaware Bay and River for the benefit of a handful of petroleum companies.

- **St. Johns Bayou/New Madrid Floodway – $159,000,000**

  Any notion that the St. Johns Bayou/New Madrid Floodway project was a good idea was washed away when the Corps responded to record flooding threatening Cairo, Illinois, by blasting the Birds Point levee

Inland Waterways Trust Fund

In an effort to stretch federal dollars further and ensure there is a real non-federal interest in a particular project, virtually all Corps projects include a non-federal cost-sharing partner. These cost-sharing rules are, unsurprisingly, frequently under attack. Despite Washington's new-found focus on deficits and debt reduction, the inland waterways industry has been ramping up efforts to further weaken its cost-sharing responsibility in the Inland Waterways Trust Fund. The Inland Waterways Trust Fund was created in 1978 to provide a self-sustaining funding source, generated by a tax on fuel used for inland waterways shipping, to pay for construction and maintenance on much of the nation's most used waterways. Years of overspending and decreased usage of the nation's locks and rivers, however, has left the Inland Waterways Trust Fund effectively bankrupt. Rather than propose viable solutions to shore up funding, special interests are seeking to further roll back their cost-sharing responsibilities by increasing taxpayer subsidies for inland waterways navigation to a level that far exceeds all other forms of transportation, including highways, rail and air travel. These special interests have cleverly proposed increasing the tax they pay by a few pennies but at the same time increasing inland waterways construction spending and eliminating cost-sharing in a wide variety of areas that will increase taxpayer costs by $200 million per year.

Inland waterways users must begin shouldering more of the costs for constructing and operating the inland waterways systems that make their business possible. Congress must oppose efforts to further weaken the inland waterways industry's cost-share requirement and immediately authorize collection of lock user fees. Currently, inland waterways users pay for only 9-10 percent of the total costs of operating the system. The initial target of a fee system would be double the user contribution. Such an additional fee system could be designed to encourage scheduling of lock usage, which would have the immediate effect of reducing or eliminating congestion and increasing efficiency, and would provide revenues for system investments. Rolling back cost-sharing will not only cost taxpayers more to construct the same project, it will also siphon off needed funds from other priorities and allow projects to go forward that do not have adequate justification.

A program that makes sense: Coastal Barrier Resources Act

In 1982, President Reagan signed the Coastal Barrier Resources Act. This government initiative, later expanded in 1990 and 2000, enabled states and localities to identify undeveloped areas on coastal barrier islands and have them included in what's now called the John H. Chaffee Coastal Barrier Resources System. Within Coastal Barrier Resources System units, the federal government does not purchase land, does not limit development and does not dictate conservation, but it does withdraw a wide range of federal development subsidies ranging from flood insurance to interstate highway funds. The underlying concept was that the federal government should not subsidize development in high risk, environmentally sensitive areas like barrier islands. As President Reagan observed, the Coastal Barrier Resources System "meets the needs of the environment with less government, not more."

The Fish and Wildlife Service, which oversees the Coastal Barrier Resources System, estimated that the program saved taxpayers more than $1.3 billion between the time of its creation in 1980 and 2003. (Total savings have grown since then as hurricanes have ravaged many Coastal Barrier Resources System areas that would otherwise have been developed.) The Coastal Barrier Resources System is also a conservation success story: collectively, the 3.1 million of acres of land preserved under the System are larger than all but one National Park in the lower 48 states. Coastal barriers can also serve as important wildlife habitat and a buffer to shield inland areas against severe storms. Many developers and realtors have fought the system by pushing for legislation that would modify boundaries and shift valuable parcels out of the system in order to obtain federal development subsidies. Rather than giving in to their pressure, Congress should resist it and, instead, work to withdraw government development subsidies from a broader range of high risk, environmentally sensitive areas.

on May 2, 2011, sending the Mississippi River cascading down the 130,000 acre natural floodway. The New Madrid Floodway is one of the last remaining natural floodways on the river, yet for years the Corps has sought to build levees and pumping stations to cut it off from the river. This flood protection project would actually increase flooding risks while inducing development in the floodway, costing taxpayers millions more in damages the next time the floodway is operated.

- **Fort Worth-Central City project – $435,000,000**

  The Fort Worth-Central City project is just one portion of a larger project known as the Trinity River Vision, the total cost of which has increased to nearly $1 billion. The project is a Corps flood control effort to reroute the Trinity River in Fort Worth, Texas through construction of a new dam, a 1.5 mile long bypass channel and numerous flood gates in order to create an urban waterfront community — to the tune of $435 million. This is a wastefully speculative development and the Corps should better utilize its flood control dollars.

- **Dallas Floodway Extension, Trinity River project – $459,000,000**

  Neighboring the Fort Worth-Central City project, the Dallas Floodway Extension, Trinity River project is another Corps flood control project on the Trinity River. Under this project, the Corps seeks to extend existing levees while cutting a 600-foot-wide swath (swale) through the Great Trinity Forest. The project's principal economic justification is increased flood control for downtown Dallas. Yet, most of these benefits could be obtained for a fraction of the project cost by simply raising one of the existing Dallas levees and conducting a voluntary buyout in flood prone neighborhoods. This would provide the most effective flood protection for the area, with dramatically less impact on the floodplain.

- **Federal beach replenishment – $350,000,000**

  Beach replenishment projects are one of the most egregious examples of public dollars subsidizing private benefits. Beach nourishment is intended to address the problem of beach erosion and protect property from storms. However, many experts note that this process only provides a temporary solution to maintaining the width of a beach and promotes more intensive development in high risk, environmentally sensitive areas. Taxpayers thus pay millions every year to pump sand onto beaches, sand that inevitably and almost immediately washes back out to sea.

- **Inland Waterways Users Board – $1,700,000**

  The Inland Waterways Users Board is a fully taxpayer-funded advisory board that works against the interests of taxpayers. The Users Board is charged with making recommendations on the priorities for federal spending on inland waterways. Consisting solely of representatives of barge industry companies and Corps of Engineers personnel, however, the Users Board fails to take into account the interests of any other non-barge industry users of the nation's waterways or general taxpayers. The Users Board is an anachronistic entity and is no longer needed. Eliminating the Users Board will save more than $1.7 million in administrative costs over the next five years and untold billions in savings from not having a taxpayer-funded advocate for many wasteful and overly complicated projects.

Selected land and water subsidies	Potential cuts 2012-2016 ($)
Special Tax Treatment for Timber Gain	2,200,000,000
Upper Mississippi River Navigation Locks Project (Iowa, Illinois, Missouri)	2,095,000,000
Forest Products (Within Integrated Resource Restoration)	1,645,000,000
Inner Harbor Navigation Canal (Industrial Canal) Lock Replacement (Louisiana)	1,300,000,000
Expensing of Timber Growing Costs	1,200,000,000
Amortization and Expensing of Reforestation Expenditures	1,200,000,000
Increased Inland Waterways Subsidy (Over Five Years)	1,000,000,000
1872 Mining Law Reform (Royalty Payment 12%)	866,000,000
Percentage Depletion Allowance	500,000,000
Dallas Floodway Extension, Trinity River Project (Texas)	459,000,000
Grand Prairie Area Demonstration Project (Arkansas)	450,000,000
Fort Worth Central City Project (Texas)	435,000,000
Federal Beach Replenishment	350,000,000
Delaware River Deepening Project (Pennsylvania, New Jersey, Delaware)	348,000,000
Expensing and Exploration Nonfuel Minerals	300,000,000
Money Losing Timber Sales	276,000,000
Special Rules for Mining Reclamation Reserves	200,000,000
St. Johns Bayou Basin/New Madrid Floodway Project (Missouri)	159,000,000
Forest Service Salvage Fund	140,000,000
Livestock Protection Program	65,000,000
Bureau of Land Management Public Domain Forestry	49,000,000
Fair Value Grazing Fees	41,000,000
Timber Purchaser Election Road Construction	10,000,000
Inland Waterways Users Board	2,000,000
Total	**15,290,000,000**

Although the nation's budget debate shifted into crisis mode in July and is far from over, there have been some signs of light in the budgetary abyss. In 2011, lawmakers have taken action on a few of the important issues targeted by the Green Scissors coalition. These recent signs of progress show that the interests of taxpayers and the environment can trump those of well-funded special interest and business groups in Washington. Hardly any of the changes go far enough but all should serve as a starting point for Congress as it moves forward on repealing environmentally harmful and wasteful spending. Much more needs to be done to make these needed reforms a reality. There is no time to waste.

The following list provides a glimpse at some of the coalition's 2011 successes.

Senate votes to eliminate subsidy for corn ethanol

The contention that tax spending is not actually spending came under a microscope when a bipartisan bill to end one of the most egregious tax preferences, the Volumetric Ethanol Excise Tax Credit, was brought to the Senate floor thanks to the tireless work of bipartisan Senate champions. In a sign that things really are changing in Washington, the Senate overwhelmingly voted to end a subsidy that just a few months earlier had been extended yet again. In the end, 73 senators took on the powerful corn lobby and supported fiscal responsibility and the environment by voting to end a wasteful subsidy that has been on the books for over 30 years.

Unfortunately, the Volumetric Ethanol Excise Tax Credit continues to cost taxpayers billions. While the amendment to end the tax credit passed the Senate, the underlying bill stalled. As a result, it remains on the books. But the signal has been sent. The Volumetric Ethanol Excise Tax Credit is set to expire at the end of the year without a congressional extension. The vote in July suggests that, after three decades, we might finally be getting this subsidy off the books.

House reins in agriculture waste

Stop subsidizing Brazilian cotton farmers

Advocates for common sense agriculture spending gained a recent victory when the House of Representatives voted to deny funding for the Brazil Cotton Institute. Bizarrely, American taxpayers are being forced to subsidize Brazilian cotton farming in order to protect subsidies for U.S. cotton farmers. Brazil challenged U.S. cotton subsidies at the World Trade Organization and won the right to enact punitive tariffs until the subsidies are reformed. Instead of tackling the underlying issue, the Department of Agriculture and U.S. Trade Representative decided to "bribe" Brazil with this payoff.

Earlier this summer the House of Representatives passed bipartisan legislation that would cancel the nearly $150 million bribe to stop Brazil from enforcing the World Trade Organization ruling that U.S. cotton subsidies are trade distorting. The amendment passed the House of Representatives as part of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, but to date has not passed the Senate or been signed by the president.

Eliminate funding for livestock protection program

An amendment was offered during the House Agriculture Appropriations debate to cut a $13 million corporate welfare program under which the federal government kills predators that could harm livestock. While the program certainly helps some ranchers, protecting livestock should be a private responsibility. Although ranchers were able to defeat this amendment in the House of Representatives, the amendment's introduction shows there are still bipartisan groups of lawmakers willing to fight to end this program. This cut has long been a Green Scissors priority. The program should end.

Cut funding for Market Access Program

The Market Access Program provides subsidies to trade associations and other groups to advertise and build markets for American goods overseas. This corporate welfare is clearly a waste of taxpayer money. The House of Representatives failed to pass an amendment ending the program in June, but the fact that it was brought up for debate demonstrates an appetite to end it.

Cap agriculture subsidies

An amendment to the Agriculture Appropriations bill to cap the amount of farm support subsidies to any one entity at $125,000 shows that some policymakers have a desire to go in the right direction.

Limit eligibility for commodity payments

In another stab at stopping wasteful agriculture programs, the House of Representatives considered an amendment to tighten existing rules (riddled with loopholes) that limit commodity payments to operations with an adjusted gross income of less than $1,250,000 in on-farm and off-farm income. Under the amendment only farms with adjusted gross incomes of less than $250,000 will be eligible. The amendment failed, but it was a sign that there is bipartisan support for reform of this broken system.

Prohibit funds to be used for ethanol blender pumps

The House of Representatives overwhelmingly supported an amendment to stop the Department of Agriculture from providing yet another subsidy for the ethanol industry for blender pumps and ethanol storage tanks (the industry already receives a tax credit, a mandate for ethanol use and a protective tariff). Wasteful subsidies to ethanol are a drain on taxpayers and also harm the environment; there is no reason to give the industry even more handouts.

Oil and gas subsidies on the table

Members of both parties have agreed that all options for reining in waste need to be on the table. Although there are disagreements on the details, lawmakers of all stripes have identified oil and gas subsidies as a potential target. Billions of dollars in savings cannot be ignored. There have been signs that even subsidies as entrenched as those for the oil and gas industry could be in danger.

House votes to cut flood insurance subsidies

The House of Representatives, which had previously moved to increase flood insurance subsidies and add new coverage to the program, voted overwhelmingly to reduce and, over time, phase out the large taxpayer subsidies provided to people who purchase homes in flood prone areas. While the proposal took some small steps towards expanding the program, on balance it reduced the subsidies provided for development in flood prone areas.

Green Scissors 2011 is produced by Friends of the Earth, Public Citizen, Taxpayers for Common Sense and The Heartland Institute to highlight and end wasteful and environmentally harmful federal spending. This diverse coalition of environmental, taxpayer, free market and consumer groups has come together to show how the government can save billions of tax dollars and improve our environment.

Green Scissors relies on government resources, primarily the Joint Committee on Taxation, the Government Accountability Office and the Office of Management and Budget for subsidy values illustrated in the charts. For tax provisions, the newest estimates from the Joint Committee on Taxation are used where available. In most cases calculations are based on savings over a five-year window or over the life of the project. Due to the difficulty of collecting comprehensive and detailed cost breakouts for many of the suggested cuts, these numbers are representations of final savings. This guide is meant to be the beginning of a conversation on how to identify and cut various programs and tax breaks to benefit taxpayers, consumers and the environment.