

Testimony of the
U.S. Public Interest Research Group

By
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Line-by-Line Budget Review

Before the
United States House
Committee on Energy and Commerce
Subcommittee on Oversight and Investigations

The Honorable Cliff Stearns, Chair

Testimony of Gary Kalman, U.S. PIRG Federal Legislative Office Director
On
Federal Deficit Reduction Recommendations

October 5, 2011

Chairman Stearns, Ranking Member DeGette, and members of the committee I thank you for inviting me to testify today on behalf of the U.S. Public Interest Research Group -- U.S. PIRG.

U.S. PIRG, the federation of state PIRGs, is a nonprofit, nonpartisan organization that advocates and educates on matters to encourage a fair, sustainable economy, protect the public health, and foster responsive, democratic government.

As the Congressional “Super Committee” begins its search for \$1.2 trillion in deficit reduction, my organization, the U.S. Public Interest Research Group (U.S. PIRG), and the National Taxpayers Union (NTU) offer a set of recommendations to this committee and the bipartisan panel of more than \$1 trillion of spending cuts and government reforms with appeal from across the political spectrum.

How government collects and spends money is critically important. Tax and budgeting decisions are the most concrete way that government declares its public priorities and balances between competing values.

Unfortunately, budget-making rules and public laws about taxes and spending often fail the public interest in a number of ways. For instance:

- **Special-Interest Giveaways** – Subsidies and tax breaks are often granted on the basis of private influence or connections instead of their public merits.
- **Lack of Transparency and Accountability** – It is not possible to ensure that government decisions are fair and efficient unless information is accessible and officials can be held to task for their actions.
- **Wasteful and Counter-Productive Expenditures** – Resources too often get wasted or programs create incentives that are unwarranted or undesirable
- **Unfair Taxes** – Ordinary households bear an increasing burden while large corporations increasingly avoid paying their share.
- **Short-Sighted Decisions** – Laws and regulations often fail to address long-term consequences, instead deferring difficult decisions or opting for short-term “fixes” that can make

problems worse.

U.S. PIRG advocates improvements in fiscal policy to stop special-interest giveaways, increase budget transparency and accountability, eliminate waste, ensure that subsidies or tax breaks serve the public, and make taxes fairer.

Public money should be spent for the most effective pursuit of clear public benefits or to encourage beneficial behaviors undervalued by the market. U.S. PIRG believes that taxes should be fair, reliable, transparent, and guided by policy goals rather than political deal making. Budgeting should similarly be open, accountable, and follow long-term planning.

Our September 2011 report with the National Taxpayers Union, [Toward Common Ground: Bridging the Political Divide with Deficit Recommendations for the Super Committee](#) details more than \$1 trillion in specific spending cuts over ten years and a copy of the report has been included in our written testimony submitted for the record.

NTU and U.S. PIRG do not often agree on policy approaches to solving our nation's problems. On recent high profile debates around health care reform, oversight of the financial markets and energy policy, the two groups proposed and advocated very different solutions. Even on a number of tax and budget issues, we often differ.

Here, we successfully identified federal programs that both Republican and Democratic lawmakers should recognize as wasteful and inefficient uses of taxpayer dollars.

The U.S. PIRG and NTU study identifies 54 specific cuts in federal spending, including:

- \$214.9 billion in savings from eliminating wasteful subsidies to agribusiness and other corporations.
- \$ 444.8billion in savings from ending low-priority or unnecessary military programs
- \$ 221.6billion in savings from improvements to program execution and government operations.
- \$132.1 in savings from reforms to major entitlement programs

In calling for this hearing, the committee asked about the "Identification of characteristics of federal programs suggestive of waste, fraud, and abuse." U.S. PIRG's approach to spending cuts is guided by four basic principles. We cite these principles as an appropriate lens through which deficit reduction measures can be judged.

1. Oppose subsidies that provide incentives to companies that do harm to the public interest or do more harm than good. An example here is funding for biomass research and development. Large-scale agricultural production of corn or other crops used for biomass often involves massive amounts of fertilizer, large quantities of water and vast swaths of land that can drastically change the landscape of our country, accelerate problems caused by deforestation and compete with food production, raising food prices globally

2. Oppose subsidies to mature, profitable industries that don't need the incentive. These companies would engage in the activity regardless of the taxpayer support. We would include in this category subsidies for dairy management which, among other things, pays pizza chains to make and market "extra cheesy" pizza. Companies like Dominoes have both the incentive and resources to develop their own products to meet consumer tastes without taxpayer handouts.
3. Support reforms to make government more efficient. Examples here include reducing the inventory of unused or underused government buildings. While there is some question around how much can be made by selling the unused buildings, taxpayers would save \$1.7 billion per year in reduced maintenance costs. We should also require the Department of Defense and the VA to jointly purchase prescription drugs saving more than \$6 billion over ten years.
4. Oppose funding where there is authoritative consensus to do so. This means: (1) strong, independent agreement across the political spectrum that a program is wasteful, or (2) the agency or department receiving the funding has argued against it. Within Secretary Gates' recommended cuts, he included the Expeditionary Fighting Vehicle. The Secretary of the Navy and Commandant of the Marine Corps agreed with the Defense Secretary's proposal.

These recommendations are specific, targeted and name individual programs for reductions or elimination. We are long past the time for general references and rhetorical calls for attacking nameless, faceless programs that contain waste fraud and abuse.

This is the precise reason that U.S. PIRG does not support "across the board" cuts -- such policies fail to differentiate between true public priorities and where there is genuine waste or inefficiencies in the system. Our organization has argued in favor of programs to aid access to higher education and measures to ensure the safety of the nation's food supply. "Across the board cuts" equate these programs with the wasteful spending we highlight in the report. Public opinion has been clear and consistent on this point supporting measures to cut wasteful, inefficient programs while preserving services that have value to the broader public.

While not in the report, we would also urge committee members to review special interest carve outs through tax expenditures and loopholes. These expenditures have the same bottom-line effect on our nation's deficit as direct line-item spending. Regardless of whether spending takes place through the tax code or the appropriations process, it should be part of the conversation and it should be transparent, accountable and serve the public.

Take for example loopholes that allow for the increasing use of off-shore tax havens. Many corporations operating in the United States funnel money through offshore tax havens in order to avoid paying billions in U.S. taxes. In fact, an independent study found that nearly two-thirds of corporations pay no income taxes at all. Goldman Sachs, which received a \$10 billion taxpayer bailout, managed to get their effective tax rate down to one percent a few years ago by utilizing maneuvers they describe as "changes in geographic earnings mix."

Those who use tax havens benefit from easy access to American markets, workforce, infrastructure and security but pay little or nothing for it. Ordinary taxpaying households and

small businesses end up picking up the tab for the missing revenue to the U.S. Treasury. The avoidance and evasion of taxes for a few becomes the burden for many – and for the future.

Offshore tax havens cost taxpayers revenue totaling as much as \$100 billion per year - \$1 trillion over 10 years, according to a report by the Senate Permanent Subcommittee on Investigations. Individuals and corporations based in the U.S. who pay taxes on their revenues must shoulder this burden for those who do not.

We recognize that many of the items on our list challenge long-standing subsidies to narrow yet powerful special interests. Despite the fact that these expenditures serve little or no continuing public purpose and their elimination would likely be supported by the public, there will no doubt be intense lobbying efforts to preserve the handouts. We urge you to resist those efforts and take the first important steps toward addressing our federal budgeting problems and ensuring that any public expenditure is for the public interest.

Thank you