

Testimony of the
U.S. Public Interest Research Group

By
Jaimie Woo

January 9, 2014

“Waste in Government: What’s Being Done”

Before the
United States House
Committee on Oversight and Government Reform

The Honorable Darrell E. Issa, Chair

Testimony of Jaimie Woo, U.S. PIRG Tax and Budget Associate

On

Federal Deficit Reduction Recommendations

January 9, 2014

Chairman Issa, Ranking Member Cummings, 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 is the federation of 27 state-based consumer advocacy organizations. We are a nonprofit, nonpartisan organization that advocates and educates to encourage a fair, sustainable economy, protect the public health, and foster responsive, democratic government.

As Congress works to pass a budget for the next year, U.S. PIRG and the National Taxpayers Union (NTU) have come together to offer a set of deficit reduction recommendations worth more than half a trillion dollars. These spending cuts and government reforms represent the “low hanging fruit,” 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 December 2013 report with the National Taxpayers Union, [Toward Common Ground: Bridging the Political Divide with Deficit Recommendations for Congress](#) details more than half a 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.

However, we are united in the belief that we spend far too much money on ineffective programs that do not serve the best interests of the American people.

Here, we identified the "low hanging fruit" of waste and inefficiency in the federal budget that both Republican and Democratic lawmakers should recognize as unproductive uses of taxpayer dollars.

The U.S. PIRG and NTU study identifies 65 specific cuts in federal spending, including:

- \$151.6 billion in savings from eliminating wasteful subsidies to agribusiness and other corporations;
- \$197.2 billion in savings from ending outdated or unnecessary military programs;
- \$42.3 billion in savings from improving program execution and government operations; and
- \$131.6 in savings from reforming major entitlement programs.

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. For example, Congress should eliminate the crop insurance program, which directly subsidizes

insurance premiums for large agribusinesses on coverage they should and could purchase on their own. With 75% of ag subsidies going to only 4% of farmers, the most profitable farm operations benefit disproportionately.

3. Support reforms to make government more efficient. Examples here include reducing the inventory of unused or underused government buildings. According to the Office of Management and Budget, the federal government owns roughly 14,000 buildings and structures that are not used or underutilized. The public shouldn't have to pick up the tab for maintaining buildings that aren't used. This would save nearly \$15 billion over ten years. Additionally, we should require the Department of Defense and the VA to jointly purchase prescription drugs, saving more than \$4 billion over ten years.
4. Oppose programs 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. For example, the Army, Pentagon, and White House have said that the Army no longer needs additional Global Hawk Drones.

Our report's recommendations are specific, targeted and name individual programs for reductions or elimination. Each recommendation is also backed up by authoritative sources such as the Congressional Budget Office (CBO), Government Accountability Office (GAO), Office of Management and Budget (OMB), governmental agencies such as the Department of Defense (DoD), or bipartisan working groups. 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: it supports measures to cut wasteful, inefficient programs while preserving services that have value to the broader public.

While not in the report, we 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.

On January 1st, 55 tax breaks known as the "tax extenders" expired. Instead of renewing them all together and adding billions to the deficit, these tax breaks should be paid for and scrutinized as closely as spending items.

Two especially wasteful tax breaks included in the extenders are the active financing exception and the CFC-look through rule. These provisions are nothing more than loopholes that allow for corporations to use offshore tax havens to avoid taxes. All told, tax havens cost taxpayers \$100 billion in lost revenue each year, according to the Senate Permanent Subcommittee on Investigations. Just as with wasteful spending, ordinary taxpayers and small businesses wind up

picking up the tab for that missing revenue in the form of cuts to worthwhile programs, higher taxes, or more debt.

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 the public would likely support their elimination, 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.