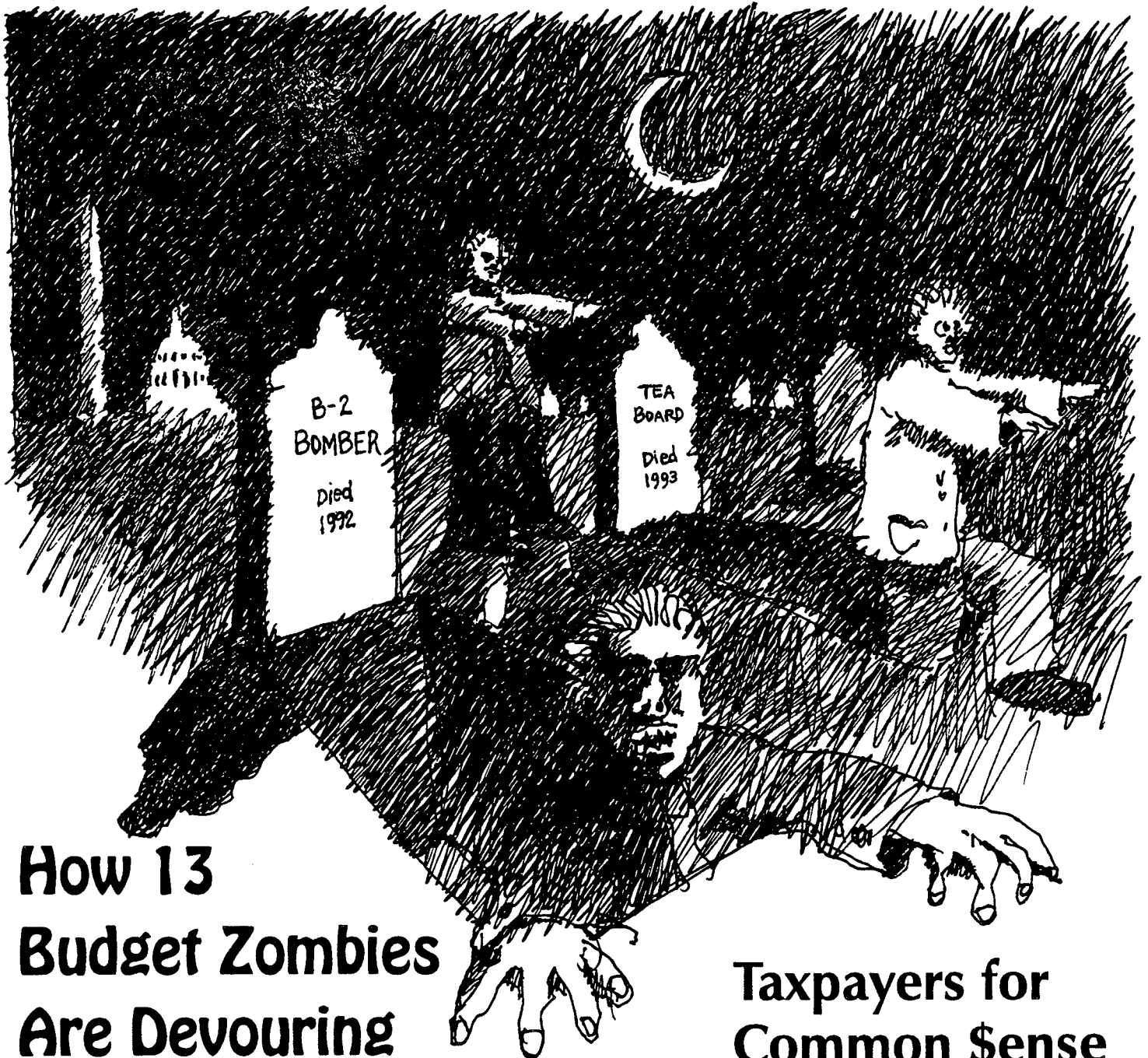


BUDGET ^{OF} THE LIVING DEAD



**How 13
Budget Zombies
Are Devouring
Your Tax Dollars**

**Taxpayers for
Common \$ense**

October 1995

Budget of the Living Dead:

How 13 Budget Zombies Are Devouring Your Tax Dollars



TABLE OF CONTENTS



Overview	iii
13 wasteful government spending programs, subsidies and tax breaks have risen from the dead to devour your hard-earned dollars.	
B-2 "Stealth" Bomber (Zombie of the Year)	2
So expensive that even the Pentagon doesn't want it. At \$2.2 billion each, the B-2 costs more than its weight in gold. In 1992, Congress "capped" the program at 20 planes and \$44.4 billion. In 1995, Congress made a down payment on 2 more and wants 20 more. Like Dracula, but even harder to kill.	
Board of Tea Experts	4
The Washington Tea Party. Established in 1897, the Board sniffs, touches and tastes imported teas. Congress killed funding for the Board in 1993, but the Agriculture Department kept it going by paying only for the staff and office expenses.	
Auburn Dam	6
A budget-buster actually proposed to be built on an earthquake fault! A House vote of 273-140 killed this dam in 1992. Now proponents want more than \$700 million to revive it. Damn the earthquakes, full speed ahead!	
Plutonium Reprocessing	8
Plutonium is dangerous material that only terrorists and the Energy Department want to mess with. Congress killed the Clinch River Breeder Reactor in 1983 and the Advanced Liquid Metal Reactor in 1994. Now the Department wants their cousin, plutonium "pyroprocessing" -- a scientific term for "pork."	
Tongass Timber Giveaway	10
Alaska's great tree robbery -- thousand-dollar trees for the price of a Big Mac. A reform law in 1990 required the Forest Service to charge fair market value and cut only the trees the market wants. But new proposals would reinstate what <i>The Anchorage Daily News</i> called the "communist-style" approach.	
B-1 Bomber	12
Don't fix it if <i>you're</i> broke. President Carter persuaded Congress to kill the bomber in 1978 because it wasn't needed. President Reagan revived it in 1981 in a big hurry -- no time for those "fly before you buy" tests. \$28 billion later, taxpayers are still paying to fix this disaster.	
Alpha Space Laser (Star Wars)	14
Described by the <i>New York Times</i> as "the death ray that would not die," the Alpha Space Laser was supposed to help Star Wars zap Soviet missiles, but instead zapped taxpayers for \$873 million. Star Wars was killed in 1993, but research for the Alpha Space Laser will zap another \$129 million in 1996. Deploying a dozen Alpha laser battle stations in space would zap about \$50 billion.	

TABLE OF CONTENTS, continued

Airborne Self-Protection Jammer	16
After 15 years and \$2 billion, the ASPJ still failed its tests. Finally, in 1992, Congress made the Pentagon cancel this Navy program to develop electronics to jam enemy radar-guided missiles fired at U.S. war planes. But the contractor still hopes the U.S. taxpayer will buy the ASPJ.	
Carswell Air Force Base	18
When it comes to taxpayer dollars, good intentions are not enough. After the Air Force closed Carswell, the Navy decided to reopen it with the intention of consolidating its forces at that location. Efficiency and thrift lost out to poor planning and waste. Many of the Navy's forces were never moved to the Carswell location, but the base remains open wasting millions of taxpayer dollars every year.	
Moffett Field Naval Air Station	20
"Here's the strategy... You be the landlord, and I'll be the tenant, and we will do an end-run around the base closure process." After an exhaustively thorough legislative process, Moffett NAS was closed and the military was supposed to leave. However, under the pressure of special interests, new landlord NASA has kept the military on the base.	
15 Military Bases	22
In 1991, the Defense Department moved to consolidate its Defense Finance and Accounting Service in five regional centers. However, in 1993 newly appointed Defense Secretary Les Aspin proposed a new plan that may spread the DFAS centers to revive 15 military bases that Congress and the President had already closed.	
Section 809 Mutual Insurance Tax Break	24
Congress can close your loophole, but you can change your accounting. In 1984, Congress passed Section 809 to remove an unfair advantage for the mutual life insurance companies. Because these companies changed their accounting, however, \$1.6 billion in federal taxes still go uncollected every year.	
Alternative Minimum Tax Break	26
While average taxpayers pay their fair share, many of the most highly profitable corporations pay little to none. For years many corporations reduced their taxes to virtually zero through various preferences and loopholes in the federal tax code. In 1986, Congress enacted the corporate AMT to ensure that all corporations pay taxes on at least 20 percent on their profits. New efforts may repeal the AMT, costing a total of \$16.9 billion between 1996 and 2000	
Geographical List	28
Savings Estimates	29
About this Report / Additional Copies	inside back cover



*"The first thing you learn around
here is that nothing ever dies."*

--Rep. George Brown (D-CA)

*"Old pork barrel projects never die.
They just come back in appropriations bills."*

--Rep. James Sensenbrenner (R-WI)

*"People are getting fed up around here.
People are getting tired of the games.*

Cuts aren't cuts."

--Rep. Tim Penny (D-MN)



Overview



Taxpayers from all political persuasions agree on the common sense principle that, once a wasteful government program is killed, it should stay dead.

Unfortunately, like zombies in an old horror movie, 13 wasteful spending programs, subsidies and tax breaks that have been killed in recent years have risen from the dead. This taxpayers' nightmare wastes billions of hard-earned dollars and further undermines Americans' trust in their government and in both political parties. While average taxpayers are told they must share in mutual sacrifice, powerful special interests pull their programs out of the grave.

The zombie programs in this report might be laughable -- except that the joke is on taxpayers who are footing the bill. If the 13 "killed" programs and tax breaks described in this report had never been revived, **Taxpayers for Common Sense** estimates that taxpayers could have saved over \$46 billion since 1980. If the 13 programs and tax breaks in this report were ended today, we estimate that taxpayers could save over \$58 billion more in the next five years.

Because it best exemplifies the problem of "killed" programs returning from the dead, the **B-2 Bomber program is the Zombie of the Year**. After a major battle, Congress enacted laws in 1992 and 1993 capping the B-2 bomber program at 20 planes. But this fall Congress made a down payment on two more bombers as the start of a long-term plan to build a 20 additional B-2s.

Taxpayers are losing trust in the whole political process. Today the politicians in Washington, D.C. are waging what they call the mother of all budget battles, complete with "train wrecks" and threats of defaulting on the national debt. Congress enacts a law saying a program is dead. Headlines announce its obituary. But the moment the taxpayer looks away, special interests and their politician friends reincarnate the budget buster. Citizens can't trust their government to stick to a decision that the majority has made fair and square.

A new common sense organization for taxpayers

Too much of the current budget debate involves Americans fighting amongst each other instead of against the special interests who continue to siphon off taxpayers' money. To

protect America's taxpayers and help restore faith in government, the authors of this report have formed a new organization, **Taxpayers for Common \$ense (TC\$)**.

TC\$ fights government waste with the kind of common sense that unites taxpayers regardless of their political persuasion. Only if taxpayers stick together can they defeat the special interests.

There should be no partisan bickering over this common sense principle: **Once a wasteful government program is dead, it should stay dead.** Congress, the President, Democrats, Republicans, liberals and conservatives should all be able to agree.

TC\$ co-founders Ralph De Gennaro and Jill Lancelot share a personal commitment to cutting waste. They bring a combined 33 years of experience fighting wasteful government spending, subsidies and tax breaks. By building unusual, bipartisan coalitions, they have won many victories for the taxpayer.

Mr. De Gennaro and Ms. Lancelot have fought hard to kill many of the programs featured in this report. But maddeningly, they have discovered that all too often cancelled government programs somehow come back to life.

Ms. Lancelot has actually killed one program *twice* – first as the Clinch River Breeder Reactor in 1983 and then as the Advanced Liquid Metal Reactor in 1994. She also played an important role in ending the Tongass timber giveaway. Mr. De Gennaro has played a key role in cutting funding for two government boondoggles that were then reincarnated – the B-2 "Stealth" Bomber and the Star Wars program.

The 13 zombie programs in this report

All of the items in this report are wasteful. Worse, all were "killed" and then have either already come back to life or may be about to do so. The programs "died" in the sense that a law was passed or an Executive Branch decision was made that any common sense taxpayer would have thought ended the program.

Many discussions of government waste only focus on straightforward spending programs (technically called "discretionary spending"). But this report also looks at subsidy programs where government-owned resources are given away, and at wasteful tax breaks. The report covers programs from a variety of federal agencies dealing with realms that range from outer space to tea tasting.

Broken trust: It's about more than money

This report is also about more than money. It's about the way Washington often no longer works. Washington is broken -- paralyzed by special interest gridlock.

Certainly, the budget battle underway in Congress and with the President will have consequences. Real cuts are certainly being made in some programs, and real people will suffer. But toward the goal that is Americans' top priority -- eliminating programs that aren't needed and don't work -- little progress is being made against a host of costly, wasteful special interest pets.

Ninety-three percent of Americans -- representing every political perspective -- believe that "government wastes too much of our money," according to a 1995 poll by the Americans Talk Issues Foundation. Americans say this is the number one reason why they don't trust government. If the political process is incapable of cutting wasteful programs, then Americans will never trust their government.

Caveats: How to read this report

1) Illustrative, not exhaustive list

The 13 spending programs, subsidies and tax breaks in this report are not an exhaustive list. Rather, they are examples of a few of the most notorious. No doubt other budget analysts can suggest additional examples.

2) The really entrenched programs never even get killed the first time

Make no mistake. Some of the most outrageous and entrenched handouts, giveaways and wastes in Washington, D.C. are not in this report. Because they have such powerful constituencies, certain spending programs and tax breaks have not even been killed for the first time.

3) Republicans and Democrats are both to blame

This report is intended to help overcome the partisan blame game, not feed it. Members and leaders of both parties have helped both to kill and to revive some of the zombies in this report. Republicans preach cuts but believe in reincarnation when it comes to government programs. Democrats claim to be the defenders of average taxpayers but too often go along with powerful special interests.

4) Some budget cuts are real

Some budget cuts are actually real, but this reality makes it all the more important to point out where budget cuts are fake and wasteful programs are revived by special interests.

5) Programs “zeroed” out by the President are not included

In his annual budget request to Congress, the President makes many proposals Congress does not accept. The President may propose to “zero out” funds to certain programs; the Congress then may choose to restore that money. This report accepts this kind of give and take as a common and accepted part of the budget process.

6) Savings estimates are guidelines

This report is not focused primarily on the exact amount of money each program wastes, but rather on the principle that terminated programs should not be revived. A host of factors can influence the precise savings that would be achieved by cutting a program or closing a tax loophole. Therefore the savings estimates included in this report should be regarded as guidelines to understanding the amount and types of subsidies involved.



Everything dies sometime – except government programs

*Now you, too, can learn how to
come back from the dead*

Change your name (the “witness protection program”)

They canceled the Strategic Defense Initiative that featured exotic missile-zappers like the Alpha Space Laser. But then the Pentagon created the Ballistic Missile Defense Office that still spends money on the Alpha Space Laser.

Carswell Air Force Base was ordered closed. Now it's Ft. Worth Naval Air Station.

Last-minute pardon

The B-2 “Stealth” Bomber program was “capped” in 1992 at no more than 20 bombers and \$44.4 billion. Now they're buying 2 more and they want 20 more.

Find a new reason to live

The B-2 was made to fight a nuclear war. Now it's for conventional war.

Auburn Dam was for water supply and electricity. Now it's for flood control.

Get kissed by Prince Charming

Congress and President Carter killed the B-1 Bomber in 1978. After President Reagan was elected, he revived it in 1981.

In 1992, Congress killed the proposed Auburn Dam in the district of Rep. John Doolittle (R-CA). Now he's a prince – the new Chairman of the key Water and Power Subcommittee – and has vowed to revive Auburn.

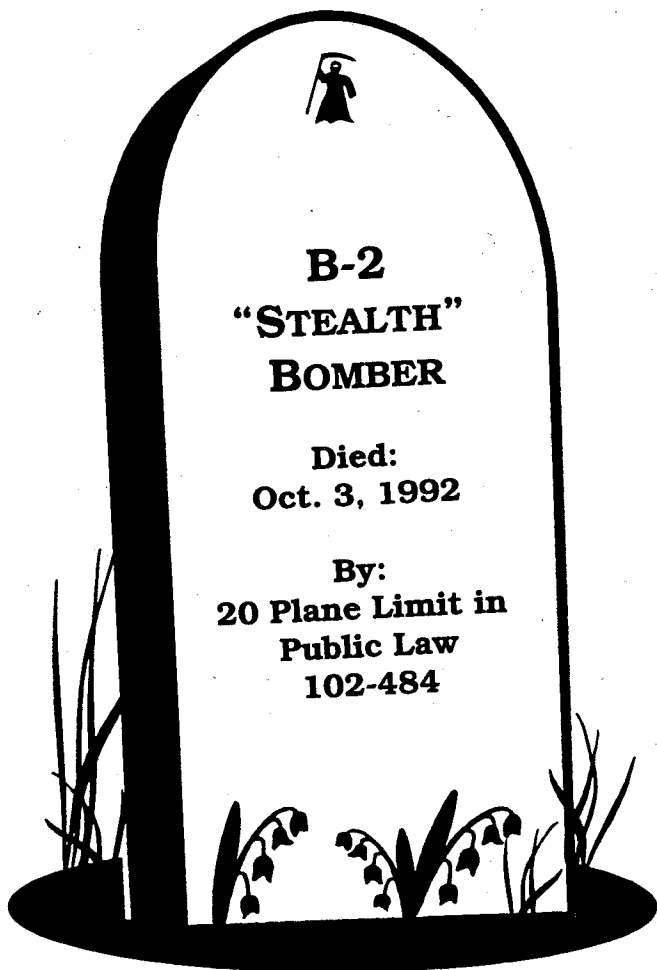
Possess someone else's body

Why own when you can lease? Moffett Field Naval Air Station was ordered closed. So the Navy gave the base to NASA and rents the same airfield back again.

Escape on a technicality

Congress cut funding for the Board of Tea Experts. But the Agriculture Department kept it alive by continuing to pay for the Board's staff and office expenses.





~ Famous Last Words ~



"They wanted 132 planes, and we end up at 20...I would rather not have the program, but to go for the first time in history and have the Congress force the cancellation of a major weapon system is fabulous and will result in the savings, in my opinion, of somewhere between \$40 and \$50 billion for the American taxpayer." --Rep. John Kasich, 10/3/92

"A total of not more than 20 deployable B-2 bomber aircraft plus one test aircraft may be procured..."
--Public Law 102-484 (Enacted 10/3/92)

"Every time I look at this budget... I can't conceive of how we can provide the support for building another 10 or 20 of those B-2 bombers." --Secretary of Defense William Perry, 7/12/94

"What's the difference between the B-2 and Dracula? Even if you put a stake through the heart of the B-2, it won't die." --Rep. John Kasich, 9/24/95

Proposal and Savings

Stand by 1992 and 1993 laws to cap purchases of the B-2 "Stealth" bomber program at 20 planes and \$44.4 billion. According to the Air Force, the proposed addition of 20 more bombers would cost taxpayers \$31 billion to build and operate during the fleet's lifetime.

Description

At the height of the Cold War, the B-2 "Stealth" bomber was created to help the U.S. dominate and win a protracted nuclear war. The B-2 had the special mission of penetrating sophisticated Soviet radar defenses after a massive nuclear exchange and destroying any Soviet mobile missiles that had managed to survive. The B-2 features a plane body constructed with radar-absorbent materials and a contoured, "bat-wing" shape to reduce its radar cross-section. With the Soviet Union gone, defenders of the B-2 program now claim that the bomber can be modified for a conventional role.

To the Grave and Back Again

First conceived as a top secret program in the late 1970s, the development of the B-2 program officially began in 1981. Because of the B-2's classified nature, the Reagan administration funded the B-2 through the Pentagon's super-secret "special access," or "black," budget, leaving the general public, Congress, and the Soviet Union unaware of the project's existence -- not to mention its cost.

Due to the leadership of Rep. Charles E. Bennett (D-FL), those costs were finally revealed in 1989. Horrified, Reps. John Kasich (R-OH) and Ron Dellums (D-CA) began a campaign to kill the B-2 that was paralleled by efforts by Sens. Alan Cranston (D-CA), William Cohen (R-ME) and others in the Senate. As a result, Congress enacted a law on October 3, 1992 that capped the B-2 program at 20 planes. In November 1993, Congress strengthened this decision by also enacting a \$44.4 billion spending cap on the B-2 program.

"Zombie of the Year," the B-2 made a big comeback in 1995.

The B-2 program has been hard to kill largely because it benefits more than 3,000 subcontractors across 48 states, the most prominent being California, Washington and Texas. Northrop, the prime contractor for the program, launched an intense lobbying campaign against the 20-plane cap in late 1993 that spent millions of dollars on full-page advertisements and television commercials.

As a result, the Senate postponed the death sentence in July 1994, when it voted 55-45 to authorize additional funds to B-2 contractors in order to "preserve the option" of producing additional planes beyond the 20 allowed by law. B-2 supporters argued that the additional \$125 million was just to ensure the manufacturing base for the plane, but opponents argued that the funding was intended to break the 20-plane production cap.

In June 1995, the House passed a Defense Authorization bill for Fiscal Year 1996 that included a \$533 million down payment for 20 more B-2 bombers (for a cumulative total of 40 planes). Unbelievably, the House also repealed existing laws that limit funding for the 20 bombers now on order to \$44.4 billion and require the Defense Department to notify Congress in writing before changes are made in the plane's performance requirements.

On September 7, 1995, the House narrowly defeated an amendment offered by Reps. Kasich and Dellums that would have eliminated \$493 million for the components of two new B-2 bombers. The joint House-Senate conference committee decided in September to appropriate this \$493 million sum. This new funding has yet to become law. The House offered one hopeful sign for the taxpayer, however, when it rejected the conference report 267-151 for a variety of reasons that included the expensive B-2 program.

Taxpayer Arguments

Cost estimates for the B-2 have increased repeatedly, and the program is unaffordable. When originally launched, the B-2 program was supposed to cost \$21.9 billion for a fleet of 132 planes. By 1988, Congress was shocked to learn that over \$22 billion had already been spent on the B-2 program. By 1990, the Pentagon's cost estimate for the 132 planes had more than tripled to \$70.2 billion. In 1993, the program was capped at \$44.4 billion for 20 planes. At this price, the \$2.2 billion cost to develop and procure each B-2 is greater than the value of its weight in gold.

In January 1995, Northrop announced it could build the second round of 20 B-2s for a total of about \$11.4 billion, or just \$570 million each. Northrop's misleading figure, however, does not include essential and expensive components such as the engine or the avionics system. Internal Air Force figures estimate that the cost to research, produce and support the second 20 B-2s will exceed \$30 billion -- three times Northrop's figure.

Finally, despite the huge expenditure, the B-2 is still not working properly. "After 14 years of development and evolving mission requirements, including six years of flight testing, the Air Force has yet to demonstrate that the B-2 design will meet some of its most important mission requirements," the U.S. General Accounting Office stated in August 1995.

Other Arguments

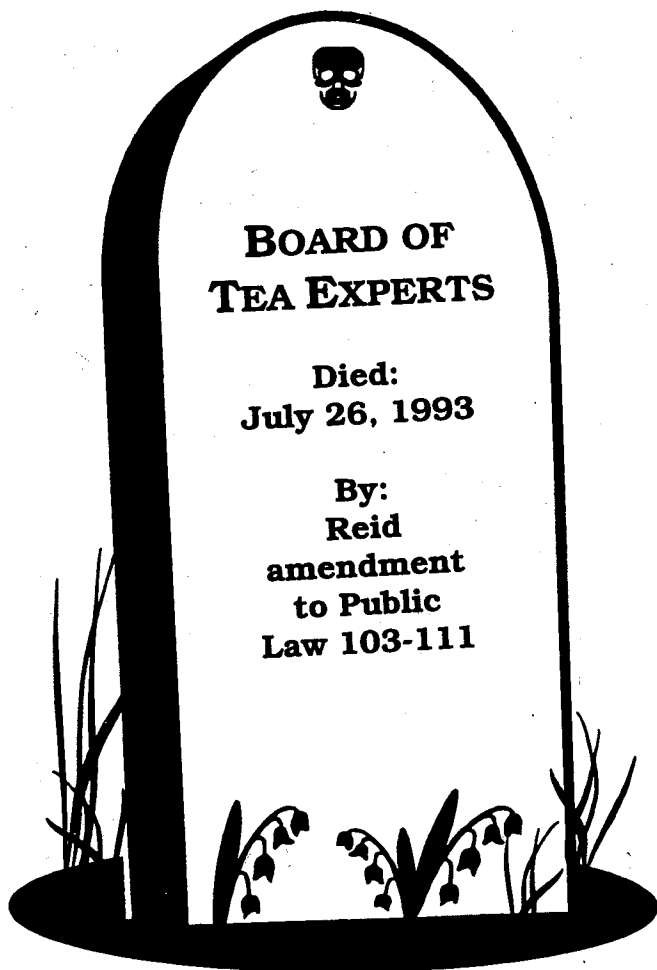
The U.S. Department of Defense (DOD) has stated that it does not want more B-2 bombers. At a time of a shrinking defense budgets, DOD fears that continued spending on the B-2 takes money away from proven weapons that it believes are really needed. Arms control advocates say that continued spending on the B-2 keeps local and national economies reliant on relatively uneconomic defense industries and hampers conversion to new, post-Cold War industries.

For Further Information

Suzy Kerr, Council for a Livable World (202) 543-4100
Jenny Weeks, Union of Concerned Scientists (202) 332-0900
John Pike, Federation of American Scientists (202) 675-1023
Ralph De Gennaro, Taxpayers for Common Sense (202) 546-8500

**Another
20 B-2s
would
cost \$30
billion.**





~ Famous Last Words ~



"None of the funds in the Act may be used to pay for expenses of the Board of Experts on Tea."

--Public Law 103-111 (Fiscal '94 Ag Appropriations bill)

"What this amendment does, not very cleverly, is abolishes the tea board.... The cost of this program, by Washington standards, is not a lot of money... but as a matter of principle, it is very heavy in dollars.... What we need, I think, is a congressional tea party, and we should dump the whole Board of tea experts over board."

--Sen. Reid, 7/26/93

"Everyone thought the tea tasting board was history. Wrong." --Sen. Reid, 9/18/95

Proposal and Savings

Carry out the intent of the law enacted by Congress in 1993 and ensure the elimination of all federal funding for the Board of Tea Experts, including its staff and expenses, thus saving about \$130,000 of federal taxpayer money each year.

Description

The Board of Tea Experts has tested the "purity, quality, and fitness," of imported tea for almost one hundred years. The Board is comprised of six outside experts from the tea industry and one full-time employee from the Food and Drug Administration. To ensure the quality of incoming teas, the Board sniffs, touches and tastes samples of the 209 million pounds of tea that enter the U.S. each year. The Board of Tea Experts was created by Congress as a part of the Tea Import Act of 1897. Because there was no standardized system to ensure the quality of imported foods and beverages, the Board was established to maintain high standards for imported tea. In 1995, the total federal expense for the Board was \$130,000, which includes a \$68,600 salary for a full-time FDA chemist and the upkeep and use of the Board's office space and equipment.

To the Grave and Back Again

In recent decades, as the number of imported goods into the United States has increased, Congress has created a more uniform and synchronized system for maintaining high standards for all incoming foods and beverages, including teas. The Food and Drug Administration under the Department of Agriculture was specifically established to perform food and beverage inspections, making a separate board for tea tasting an unnecessary thing of the past. Today, quality assurance for all consumables is already conducted by well qualified employees within these offices.

The Tea Board is 98 years old.

Realizing the absurdity of a separate board of "experts," elected officials have already tried to get rid of the Tea Board more than once. According to Sen. Harry Reid (D-NV), President Nixon attempted to eliminate this panel, but without success.

Congress finally killed the Board of Tea Experts through an amendment offered by Sen. Reid in 1993. Not only was the amendment unanimously approved by the Senate and in conference with the House, but it became law on October 21, 1993. Congress thought it had killed the Board of Tea Experts and eliminated all of its funding.

Unbelievably, the Board of Tea Experts remained alive and well. Somewhere in the bureaucratic shuffle between the conference on the 1993 bill and its expulsion from the Department of Agriculture, the Board managed to survive. The government did stop paying the \$50 fee, travel costs, and daily expenses for each of its experts to meet once per year for a two day sampling party in Brooklyn, NY. Also, the tea industry continues to donate \$70,000 each year, thus helping to offset the \$200,000 total cost of keeping the Board of Tea Experts alive. But the Board continues to cost taxpayers \$130,000 each year.

RECENT ACTION: Shocked to learn that the Board of Tea Experts had somehow escaped its death sentence, the Senate took action on September 18, 1995 to kill the Board for the second time. With Sen. Hank Brown (R-CO), the relentless Sen. Reid introduced yet another amendment to the FY 1996 Agriculture Appropriations bill that eliminated all funding to the Board of Tea Experts, including its staff and support costs. Hoping to ensure that the intent of Sen. Reid's amendment is carried out, Sen. Brown offered an additional amendment that not only deletes all FDA funding to the Tea Board and its activities, but also repeals the Tea Importation Act that created the Board in the first place. Both amendments passed by voice vote but they have yet to be made law as of late October.

Senator Reid has tried to kill it twice.

Taxpayer Arguments

The Board of Tea Experts needlessly burdens the American taxpayer. The financial burden of the Tea Board may be relatively small according to Washington standards. As a matter of principle, however, both the questionable purpose of the Board as well as its ability to evade the law as laid down by Congress makes the Board of Tea Experts an important issue for the federal taxpayer. "This is the kind of wasteful spending that taxpayers are fed up with," Sen. Reid stated in 1995.

In a time of fiscal constraint, the Board of Tea Experts represents just the sort of redundancy in the federal government that should be cut from the budget first. The FDA already has a well designed system to ensure the quality and safety of imported foods and beverages. There is no Board of Coffee Experts or Board of Candy Experts but the quality of those products remains high. As Sen. Reid suggests, if the quality of tea is more important than other foods and beverages, why not let the tea industry completely fund the Board of Tea Experts?

Other Arguments

Both times that Sen. Reid offered his amendment to eliminate the Board of Tea Experts on the Senate floor, no other Senator raised a single objection. Each amendment was approved by voice vote.

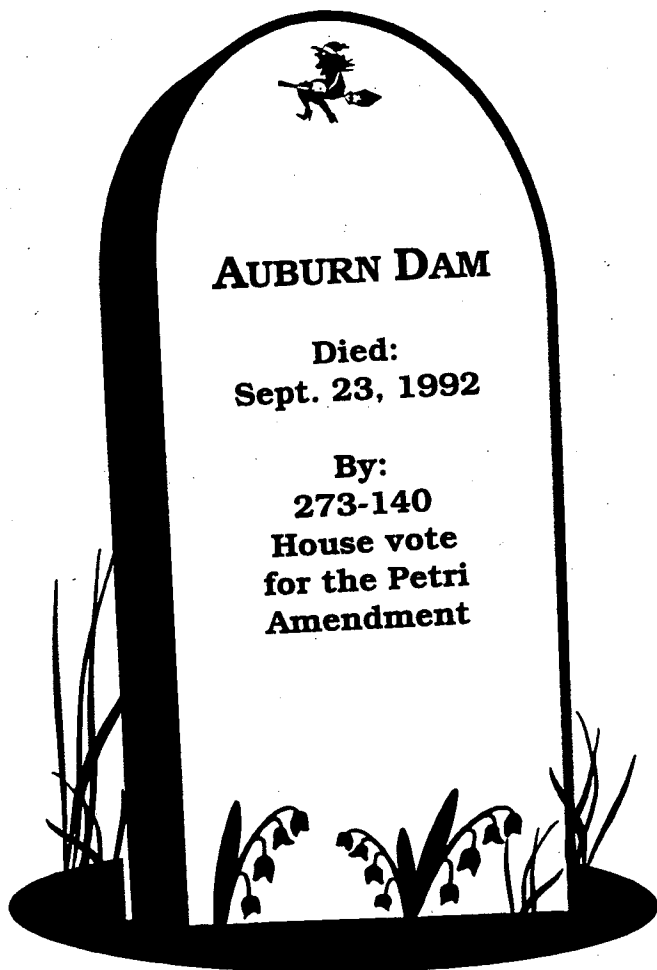
Advocates of the free market contend that the Tea Importation Act and its Board of Tea Experts gives the tea industry the ability to determine what quality of tea is allowed to come into the U.S., rather than consumers.

For Further Information

Susan McCue, Office of Sen. Harry Reid (202) 224-3542

Ralph De Gennaro, Taxpayers for Common Sense (202) 546-8500





AUBURN DAM

Died:
Sept. 23, 1992

By:
273-140
House vote
for the Petri
Amendment

"Smashing Victory for Environment, Taxpayers. Most Important Fight of Its Kind Since 1984" --Headline of Rep. Petri's press release, 9/23/92.

"This was the dam fight of the decade... [A]ll of us who supported Rep. Petri's amendment are thrilled with this victory." --Ed Osann, National Wildlife Federation, 9/23/92

"The defeat of the Auburn Dam on the House floor was a great victory for both taxpayers and conservationists, who joined forces against this unneeded and prohibitively expensive pork barrel project." --Kevin Coyle, American Rivers, 9/23/92

Proposal and Savings

Deny funding to the Auburn Dam project, saving federal taxpayers at least \$701 million on a project with a potential total cost of \$2.6 billion. Investigate alternative proposals that provide necessary flood control without unnecessary expense to the taxpayer.

Description

First authorized in 1965, this proposed dam on the American River would be located in Auburn, California approximately 35 miles upstream from Sacramento. The proposed dam would be huge -- comparable in size to the Hoover Dam -- and would be built in two stages. The first stage would protect Sacramento against floods and the second stage would generate electricity and supply water to surrounding areas.

To the Grave and Back Again

In 1975, with 10 years of work completed and \$225 million already spent on the Auburn Dam, an earthquake with five times more power than would be needed to destroy the proposed dam occurred just fifty miles from the construction site. With new concerns of safety and expense, construction of the original, multipurpose Auburn Dam was put on hold and a smaller \$698 million version designed only for flood control was proposed in Congress as a part of an omnibus public works bill. The revised Auburn Dam was opposed by the National Taxpayers Union, Citizens Against Government Waste, 17 environmental groups, and five California newspapers. As a result, the attempt to authorize the revised dam was overwhelmingly defeated by a vote of 273 to 140 in the House of Representatives. This decisive vote was for an amendment by Rep. Thomas Petri (R-WI) on September 23, 1992 that deleted authority to fund the dam, thereby terminating the project.

The Auburn Dam project has been reborn in the 104th Congress with the help of Rep. John Doolittle (R-CA). Not only is Rep. Doolittle the new Chairman of the House Resources

**The Dam
would
cost
taxpayers
over \$700
million.**

Subcommittee on Water and Power, but he represents the district in which the proposed Auburn Dam would be built. With an understandable interest in promoting this multi-million dollar construction project, Rep. Doolittle has stated publicly that he will make reincarnating the Auburn Dam a top priority. Reportedly, the Congressman will propose a two-stage, multi-purpose dam with the first stage of construction resembling a beefed-up version of the flood control dam that was decisively killed by Congress in 1992.

**Chairman
Doolittle
has vowed
to revive
this dam
in his
district.**

Taxpayer Arguments

While there have been several different Auburn Dam proposals with varying price tags, all have been extremely expensive. The U.S. Bureau of Reclamation estimates that a "full-size," multi-purpose Auburn Dam and related works would cost \$2.6 billion, making it the most expensive dam ever built in the United States. If Rep. Doolittle's two-stage plan were pursued, the construction cost of the first stage alone would be \$934 million, of which \$701 million would come from federal taxpayers.

Cheaper alternatives exist that could protect Sacramento against floods. The U.S. Army Corps of Engineers has designed and evaluated eight alternative cost-efficient proposals that rely on measures such as upgrading existing flood control systems. One of these alternatives would cost one-fifth the price of the large multipurpose dam and would protect Sacramento against a 235-year flood.

Just as the dam is not needed for flood control, it makes no sense to build Auburn Dam to supply water or electricity to the water-rich and economically healthy surrounding areas. Dam proponents claim it would generate energy, but the cost of its electricity would be too expensive to compete in the marketplace. As for water supply, the American River is already well harnessed by 18 dams and diversions. Even if the entire water yield of the biggest proposed new dam were available, it would at best add only a minimal 0.5 percent to California's overall developed water supply.

Other Arguments

Because the proposed dam site lies on an earthquake fault, it is a serious gamble for nearby communities. There may be greater risk from the weight and pressure of the reservoir during an earthquake than there is from the flood event Auburn Dam is supposed to protect against. If the dam broke, the water from the Auburn reservoir might hit the California state capital with a flood surge cresting at nearly forty feet within four hours.

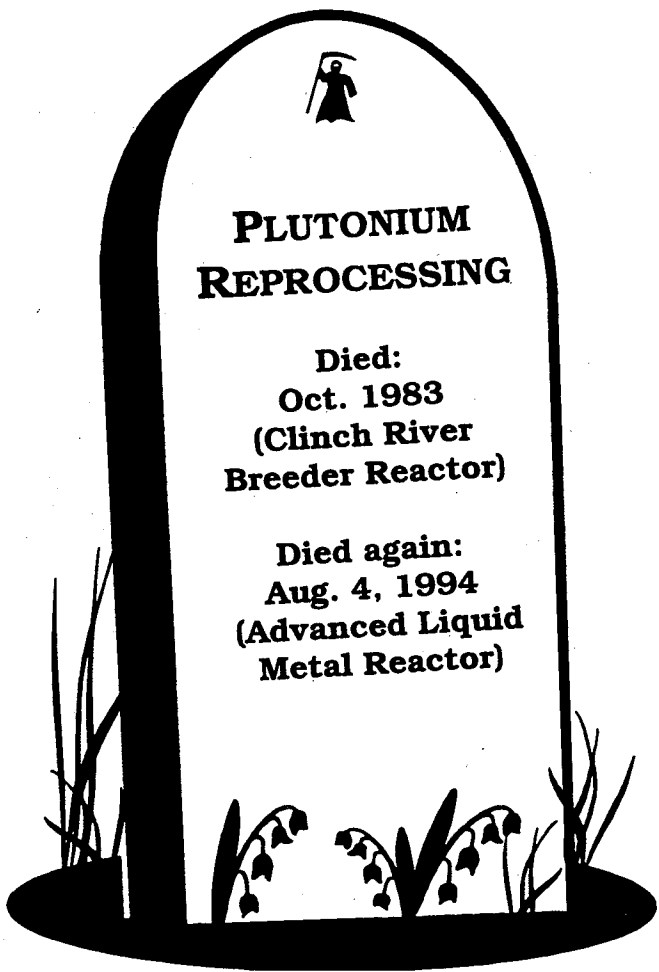
Environmentalists say that the Auburn Dam threatens to damage or destroy up to 48 miles and 10,000 acres of the rugged, scenic American River and its canyons. The natural resource and recreational values of the North and Middle Forks of the American River are so outstanding that they are eligible for both federal Wild and Scenic status and National Recreation Area designation.

California newspapers have long editorialized against the dam. The *Auburn Sentinel* wrote in 1992 that the Auburn Dam is a "costly public works boondoggle" that contributes to "drowning [taxpayers] in a river of red ink." In December 1994, the *San Francisco Chronicle* called the project "an ecological and seismic nightmare." The *Los Angeles Times* said in 1992, "The Corps should take a hard look at... other, better ways of storing water before it reverts to the Dark Ages with another costly dam..."

For Further Information

Ron Stork, Friends of the River (916) 442-3155
Scott Faber, American Rivers (202) 547-6900
David Conrad, National Wildlife Federation (202) 797-6697
Jill Lancelot, Taxpayers for Common Sense (202) 546-8500
Scootch Pankonin, Independent Consultant (202) 546-1808





**PLUTONIUM
REPROCESSING**

**Died:
Oct. 1983
(Clinch River
Breeder Reactor)**

**Died again:
Aug. 4, 1994
(Advanced Liquid
Metal Reactor)**

"[T]he Clinch River Breeder Reactor, a multibillion boondoggle in Tennessee, [was killed] back in 1983. But like Freddy Krueger, the Breeder has made a nightmarish comeback." --Philadelphia Inquirer, 4/11/94 (Editorial entitled "It's baaack! The Senate meets the Clinch River monster")

*"Senate and House conferees have agreed to terminate a controversial plutonium reactor research project.... The negotiators ... approved \$83.8 million ... for the advanced liquid metal reactor, but only with the understanding that the money would be used to shut down the 10 year old project."
-Philadelphia Inquirer, 8/6/94*

Proposal and Savings

Terminate funding for all plutonium reprocessing programs. The current incarnation is the Department of Energy's (DOE's) plutonium "pyroprocessing" program at Argonne National Laboratory sites in Idaho and Illinois. Pyroprocessing could prove to be a foot in the door for a revival of related plutonium breeder and reprocessing programs -- cancelling the pyroprocessing program could save billions of dollars. For FY96, DOE requested \$17 million for pyroprocessing. The House allocated \$18 million; the Senate gave it \$40 million.

Description

"Reprocessing" is a general term for the separation of different components of nuclear waste. Pyroprocessing is a special type of reprocessing developed by Argonne National Laboratory as part of the now-canceled Advanced Liquid Metal Reactor (ALMR) program. The initial purpose for pyroprocessing was to separate plutonium, uranium and other heavy metals from ALMR spent fuel so that fresh fuel could be fabricated to be returned to the ALMR. However, since termination of the ALMR in 1994, advocates of pyroprocessing have created a new mission for the process -- reducing the toxicity and volume of certain types of nuclear waste.

To the Grave and Back Again

The U.S. abandoned commercial plutonium reprocessing over a decade ago after a brief and problem-plagued history -- it was far too expensive and raised safety and terrorist concerns. The two pillars of the U.S. plutonium program were the Barnwell reprocessing plant in South Carolina and the Clinch River breeder reactor in Tennessee. (A "breeder" is a special type of nuclear reactor that can produce more plutonium than a conventional nuclear reactor.) After Congress terminated these programs in 1983, the U.S. government pursued research into the

Similar
plutonium
pork
projects
died
twice
before.

ALMR and pyroprocessing. In 1994 Congress terminated the ALMR -- once again, largely on economic and proliferation grounds.

In the 1994 legislation that terminated the ALMR, congressional backers of pyroprocessing inserted language saying that DOE "should retain such facilities as necessary, especially the pyroprocessing facilities, to provide for alternative missions at Argonne National Laboratory in Idaho and Illinois." Although it did not provide any money, the bill "encourage" DOE to "identify alternative funding sources." Playing its part in this well-choreographed dance, DOE shifted money from other activities to pyroprocessing.

Taxpayer Arguments

In a July 1995 speech on the floor of the House of Representative, Rep. David Obey (D-WI) said, "It would appear that the agenda of those who advocate this funding is to keep alive the possibility of reviving the advanced liquid metal reactor program or a hybrid of it. What is really going on here is that the Department of Energy is seeking funds to keep Argonne National Labs in Idaho and Chicago going until somebody figures out a new mission for them."

The real purpose of the pyroprocessing program is unclear. On one hand, directing funds towards pyroprocessing may be an attempt by ALMR proponents at Argonne and within DOE to revive the ALMR. On the other hand, the pyroprocessing program may simply be a way of buying time while continuing to pay the people who would be terminated should the entire program be abolished. The newly stated applications, such as the disposal or treatment of nuclear waste, are seen as rationalizations for keeping the technology alive and the work force in place. In either case, it is a taxpayer boondoggle.

Completing development of the ALMR would cost the taxpayers over \$3 billion. U.S. government research on breeder technology has already totaled nearly \$9 billion, of which \$1.3 billion was for the latest version, the ALMR. Yet taxpayers have little, if anything, to show for this enormous expenditure.

Other Arguments

Proliferation is the spread of atomic bomb-fabricating technologies and materials into the hands of unstable governments or terrorists. Proliferation was one of the major concerns in the Administration's decision to terminate the ALMR. Energy Secretary Hazel O'Leary wrote, "The principal concerns that led me to withdraw my support for this program are its inconsistencies with our nonproliferation objectives and the high cost of further development...Because it is based on plutonium reprocessing and recycle, continued development of [the ALMR] would undercut our efforts to discourage other countries from plutonium reprocessing and recycle."

The Clinton Administration policy is that "The U.S. does not encourage the civil use of plutonium and does not itself engage in plutonium reprocessing for either nuclear power or nuclear explosive purposes." Because pyroprocessing is a reprocessing technology, anti-proliferation advocates are concerned that it would undermine U.S. efforts to dissuade other countries from pursuing such inherently dangerous technologies.

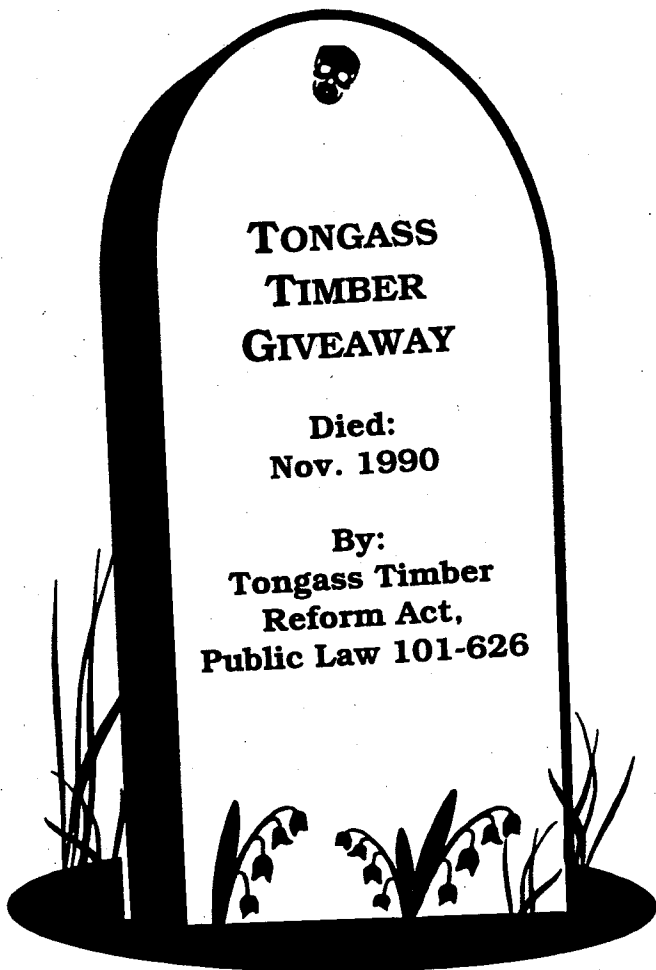
Environmentalists say that reprocessing has never been a good method of nuclear waste disposal. They say that reprocessing has generated a legacy of radioactive wastes which continue to haunt citizens who live near the facilities. DOE's spent-fuel management problems were largely caused by reprocessing, and pyroprocessing will only generate additional radioactive wastes, they say. The United States policy has been to forgo reprocessing nuclear waste in favor of geologic disposal of spent fuel.

For Further Information

Dan Horner, Nuclear Control Institute (202) 822-8444
Anna Aurilio, U.S. Public Interest Research Group (202) 546-9707
Jill Lancelot, Taxpayers for Common Sense (202) 546-8500

**The
ALMR
wasted
\$1.3
billion.**





**TONGASS
TIMBER
GIVEAWAY**

**Died:
Nov. 1990**

**By:
Tongass Timber
Reform Act,
Public Law 101-626**

"The [Tongass Timber Reform Act] puts a halt to the Forest Service's 'timber first' approach to managing the Tongass. The Forest Service originally interpreted [the previous law] as a mandate to offer 450 million board feet of timber annually, no matter what the ...cost to taxpayers." --Rep. George Miller, on House floor, 10/26/90

"The [previous law] was an open invitation to misuse of public funds.... I truly believe that [the Tongass Timber Reform Act] advances the public interest... and wise-use of tax dollars...."
--Former Rep. Morris Udall, 10/26/90

Proposal and Savings

Reject proposals that would reinstate a timber sale mandate, adding millions to annual federal subsidies for logging in Alaska's Tongass National Forest. According to testimony of the U.S. Forest Service, this would save federal taxpayers about \$20 million annually.

Description

The Tongass National Forest, situated in Southeast Alaska, is the nation's largest rainforest. During the 1950s, the U.S. government signed timber contracts guaranteeing two companies a monopoly on billions of board feet of timber for 50 years. The purpose was to jump-start logging and milling industries in this remote U.S. forest. Without a competitive bidding process, the U.S. Forest Service sold valuable timber far below its market value. The price was so low that the Forest Service could not cover its own administrative costs for the area, and therefore required annual congressional appropriations.

Far from being satisfied with that subsidy, the timber companies and the Alaska congressional delegation successfully added a special, last-minute amendment during consideration of the Alaska Lands Act of 1980. The amendment mandated the sale of no less than 450 million board feet of Tongass timber each year no matter what the market demand, environmental impact or taxpayer cost. The timber market was flooded with huge, ancient trees worth hundreds of dollars each that sold for less than the cost of a Big Mac hamburger. In addition, \$40 million or whatever was "deemed necessary" was *permanently* and *automatically* appropriated each year to the Tongass National Forest to cover its costs. This amount averaged at least \$50 million annually. The taxpayer picked up the tab.

To the Grave and Back Again

By 1990, Congress had seen enough. It passed the Tongass Reform Act with overwhelming, bi-partisan support. This legislation killed the timber sale mandate and the automatic appropriation, and ordered the Forest Service to charge fair market value for Tongass trees.

Charging
fair
market
value
would
save
money.

Despite the passage of the Tongass Reform Act, the Alaska congressional delegation continued to use the annual congressional budget process to maintain high levels of spending to support logging in the Tongass Forest.

However, Senate Energy and Natural Resources Committee Chairman Frank Murkowski (R-AK) and Sen. Ted Stevens (R-AK) have introduced legislation (S.1054) that would reestablish the kind of timber mandate that the 1990 Reform Act intended to eliminate. The *Anchorage Daily News* called S. 1054 a "communist-style" directive that would "turn the Tongass into a de facto tree farm." As an additional measure, riders attached by Sen. Stevens to the 1996 Interior Appropriations bill would reinstate a minimum timber sale mandate, regardless of cost. Whatever the final action on the proposals this fall, some version of them will likely arise again in 1996. In the House, Rep. Don Young (R-AK) has introduced legislation (H.R. 2413) which would transfer the entire 17-million-acre Tongass Forest to the State of Alaska without compensating U.S. taxpayers for the loss of this multi-billion dollar resource.

**The 1990
Reform
Act is
under
siege.**

Taxpayer Arguments

Tongass timber sales are still a fiscal nightmare. According to a September 1995 report by the U.S. General Accounting Office (GAO), logging activities in the Tongass cost the taxpayer \$41.7 million in 1992, \$31.4 million in 1993 and \$28.9 million in 1994. Current congressional proposals to resurrect a timber sale mandate in the Tongass would cost taxpayers an additional \$20 million annually. The U.S. Forest Service could save taxpayer money by charging fair market value for timber it sells from the Tongass, as required by the Tongass Timber Reform Act.

Other Arguments

Recent attempts to re-impose the timber sale mandate have met with fierce opposition from the Governor of Alaska.

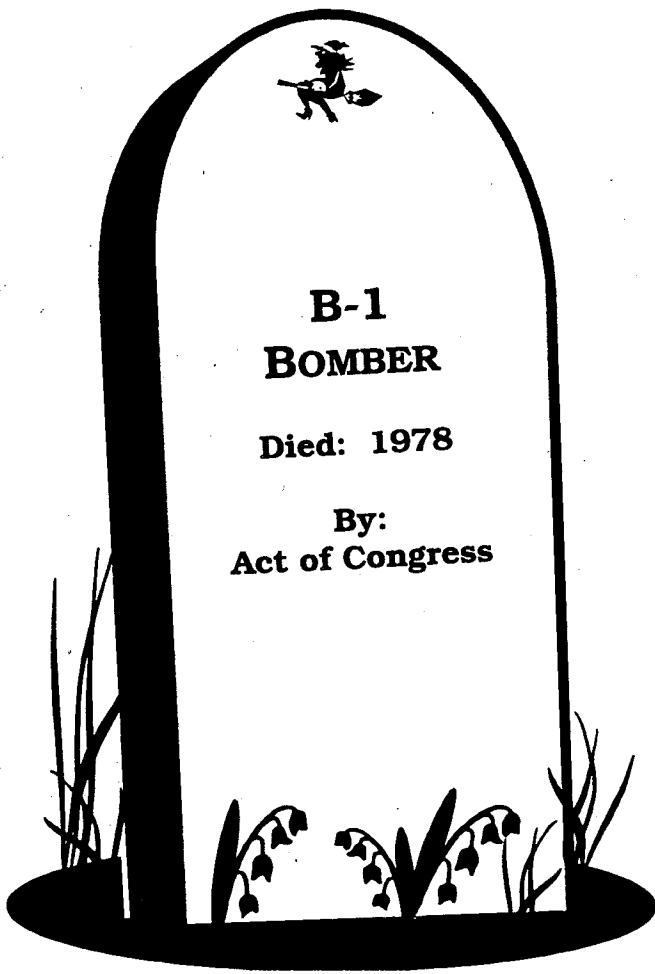
Numerous commercial interests in the thriving Southeast Alaska economy argue that an excessive Tongass timber program is detrimental to the local economy. Scientific studies by the U.S. Forest Service, as well as by other state and federal agencies, show that newly-proposed levels of logging would endanger Tongass fish and wildlife populations on which many people depend. According to the studies, threats to these wildlife would harm industries such as tourism, commercial fishing and sport hunting and fishing, as well as native subsistence users and other rural residents of the Tongass.

Conservationists say that the future of the largest and most pristine temperate rainforest left on Earth is threatened. Conservation experts, using government figures, calculate that over the last thirty years, federally-subsidized Tongass logging has already clearcut hundreds of thousands of acres of the Tongass, at a cost that probably exceeds hundreds of millions of dollars. Conservationists trying to save forests in other countries point out that the proposed Tongass policy sets a poor precedent for conservation measures abroad. They note that, while the United States chastises other nations about the preservation of their tropical rainforests, the U.S. has been subsidizing the destruction of its own temperate rainforest. When confronted by visiting U.S. Senators about the destructive forestry practices of his country, former Brazilian President Jose Sarney retorted, "What about the Tongass?"

For More Information

Steve Kallick, Alaska Rainforest Campaign (907) 274-7246
Bart Koehler, Southeast Alaska Conservation Council (907) 586-6942
Nicholas Lapham, Natural Resources Defense Council (202) 783-7800
Jill Lancelot, Taxpayers for Common Sense (202) 546-8500





"On February 22, 1978, the Carter Administration finally prevailed. The House voted 234 to 182 to eliminate \$500 million for the first two production-model B-1s." --Nick Kotz, *Wild Blue Yonder*

"The B1: A Flying Edsel for America's Defense?"
--Lt. Col. David Evans, *Washington Post Outlook*, 1/4/87

Proposal and Savings

Deny any further funds from federal taxpayers to fix or modify the current B-1 bomber fleet, saving up to \$2 billion in coming years.

Description

The B-1 bomber was conceived to defeat improvements in Soviet air defenses during the Cold War. Designed as a nuclear bomber with conventional capabilities, the B-1 was intended to be the successor the B-52. At the initiative of President Jimmy Carter, however, Congress killed the B-1 program in 1978 because the plane was too costly, was judged likely to be vulnerable to Soviet air defenses, and because stand-off bombers equipped with cruise missiles could serve as the air-based deterrent. However, in 1981, the B-1 program was resurrected by President Ronald Reagan as the centerpiece of his strategic modernization effort. The U.S. built 100 B-1 bombers, of which 97 survive today, and Congress continues to spend hundreds of millions of dollars to try to make the B-1 effective.

To the Grave and Back Again

The politics of the B-1 bomber program are carefully documented by Nick Kotz in his highly readable book *Wild Blue Yonder: Money, Politics, and the B-1 Bomber*. During the 1976 presidential campaign, candidate Carter pledged that he would not fund the B-1 program. As President, Carter announced on June 30, 1977 his intention to cancel the B-1. Arguing that the bomber was "very expensive" and "not necessary," Carter proposed to counter the Soviet threat by diverting B-1 funding to modify and equip B-52s with cruise missiles. Carter's expert advisors believed that a modified B-52 fleet would be a more cost-effective way to penetrate Soviet air space well into the 1990s.

After much deliberation and debate, Congress backed Carter's decision. First, the House ratified Carter's decision by voting 202-199 on August 8, 1977 and 204-194 on October 20, 1977 to block Air Force spending on five additional B-1 bombers. Second, on February 22,

The B-1B
has cost
\$28.2
billion

1978 the House voted 234-182 to rescind the money it had already appropriated to build the first two production-model B-1s. By the end of 1978, the B-1 bomber had been cancelled.

As part of a massive new arms buildup, President Reagan revived the B-1 program with the cooperation of the Air Force, B-1 manufacturers and their supporters in Congress. On October 3, 1981, President Reagan announced that the U.S. would build the bomber (renamed the B-1B) as a part of his strategic modernization program. With the same basic design as the original, the B-1B included modifications to decrease its radar cross section, increase its fuel storage and expand its weapons-carrying capabilities.

Although Congress approved President Reagan's B-1B program, many legislators nonetheless worried about the plane's long-term costs. In the end, both Congress and the President approved a formal certification that limited the budget of the entire program to no more than \$20.5 billion (in FY 1981 dollars). When the fleet of 100 bombers was completed by April 30, 1988, the procurement and modification costs of the B-1B program might have appeared complete. Not so.

Technological flaws required expensive modifications and continued to eat up taxpayers' cash. To keep the B-1B bombers operational, Congress has had to spend billions more to overcome flaws such as defects in the plane's defensive avionics system.

At the end of the Cold War, the Air Force shifted the emphasis of its heavy bombers from a nuclear to a conventional role. In an effort to upgrade the conventional weapons capability of the B-1B, the Air Force has embarked on a program that will cost federal taxpayers another \$2 billion. For the B-1B's budget in FY 1996, the Senate has recommended \$219.6 million for procurement and \$187.4 million for research and development relating to the B-1B. The House recommended an additional \$7.2 million for procurement and an additional \$23.6 million for research and development.

Taxpayer Arguments

The total costs of the B-1B have spiraled out of control, just as President Carter and Congress feared when they canceled the program in 1978. According to the Congressional Research Service, federal taxpayers paid \$28.2 billion between 1981 and 1995 for the B-1B program, and are now being asked to pay billions of dollars more.

The B-1B has been plagued by technical flaws despite extraordinary spending to correct them. This is because the B-1B was a textbook case of "concurrency" and violated the "fly before you buy" rule. The Air Force procured the 100 bombers as fast as they could be produced, and rushed the plane into service with only 15 percent of its operational testing completed. Flaws were not discovered until the entire fleet had been built. Even today, the plane continues to have deficiencies in its electronic countermeasure equipment, difficulties with engine reliability and problems with fuselage cracks, as well as an ongoing inability to handle any precision guided munitions.

With the end of the Cold War, the mission of the B-1B is obsolete. Because the bomber had such a limited conventional capability it was not used for a single mission during Operation Desert Storm in January 1991.

Other Arguments

In a post-Cold War era of budgetary constraints, some military officials believe that spending more money to upgrade heavy bombers such as the B-1B for conventional warfare is an unwise use of money. They argue that technological improvements in precision-guided cruise missiles make heavy bombers such as the B-1B increasingly obsolete.

For Further Information

David Evans, former journalist who wrote about the B-1 (202) 296-2125

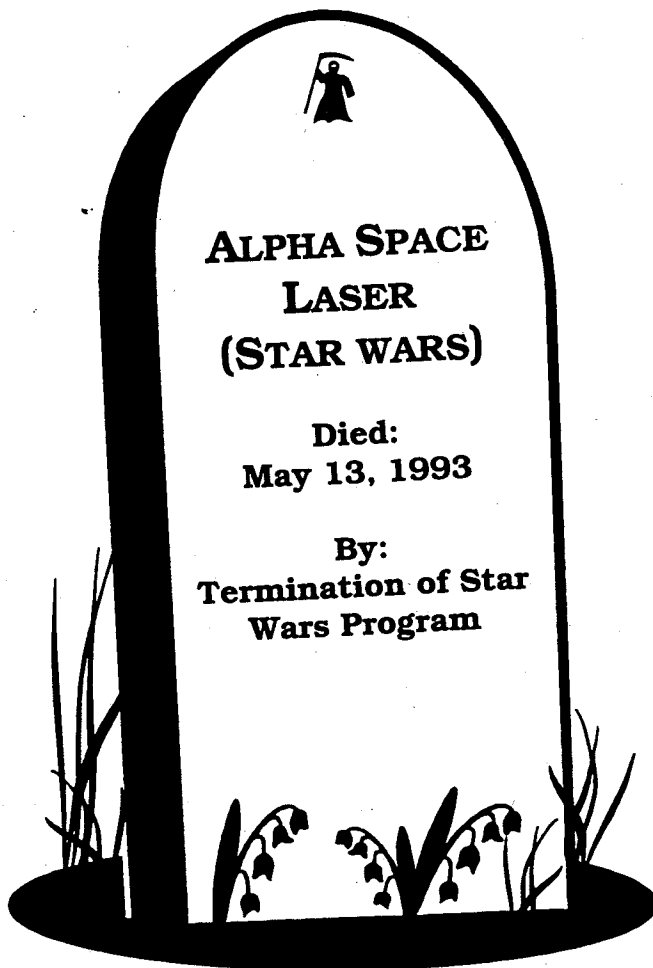
John Isaacs, Council for a Livable World (202) 543-4100

Ralph De Gennaro, Taxpayers for Common Sense (202) 546-8500

**Don't
fix it if
you're
broke.**



~ Famous Last Words ~



"Today we are here to observe another point of passage, which is the end of the 'Star Wars' era."

--Sec'y of Defense Les Aspin, 5/13/93

"Star Wars is dead. Long live ballistic missile defense."

--R. Jeffrey Smith, *Washington Post*, 5/14/93

"...the Strategic Defense Initiative, or 'Star Wars' program, is officially dead."

--*New York Times*, May 14, 1994

"In the most successful fake funeral since Tom Sawyer's, Secretary of Defense Les Aspin last week buried Star Wars..." --Charles Krauthammer, 5/21/93

"Senate Budget Committee Chair Jim Sasser (D-TN) said the program was being put through the equivalent of 'the witness protection program' to hide its defects."

--*Washington Post*, 5/14/93

"It's back....Alpha [laser] is the death ray that refused to die." --William J. Broad, *New York Times*, 1995

Proposal and Savings

Terminate all R&D funding for the Alpha laser and other components of the Space-Based Chemical Laser (SBCL) program. Savings would be about \$129 million in 1996. But far more money could be saved by stopping the plan to eventually deploy the Alpha laser and the rest of the SBCL on a dozen orbiting platforms. According to a story in the *New York Times* by veteran reporter William J. Broad, "Experts say a dozen or so space-based laser battle stations might cost \$50 billion or more."

Description

In his 1983 State of the Union address President Ronald Reagan startled the nation by proposing a Strategic Defense Initiative (SDI) program that would "render nuclear missiles impotent and obsolete." The goal of SDI was to create perfect astrodome-type protection for the U.S. by using space-based laser weapons that would zap down every missile launched by the Soviet Union in a massive nuclear attack.

The Alpha Laser and other parts of the SBCL might be called the "star" in the original Star Wars vision. As the *Washington Post* reported in 1993, "Most of the SDI spending went to research the exotic space weapons and laser beams that gave the program its fanciful 'Star Wars' nickname..." Alpha is a survivor: of all the major SDI space laser programs, the Alpha is the only one that remains (a separate program, the X-ray laser, was cancelled). If the Alpha Laser program were carried out according to the concept of true believers, it would be deployed on a dozen laser battle stations orbiting the Earth.

The Alpha Laser generates its energy by a reaction of hydrogen and fluorine. Significant amounts of energy are concentrated by mirrors to produce a high-power laser beam. The ray would shoot across thousands of miles of space to zap enemy missiles above the clouds. The SBCL program includes the laser itself, a super-reflective mirror about 10

The death ray that refused to die.

yards wide, a beam control system and other support technologies. Contractor TRW is developing and testing Alpha near San Juan Capistrano, California in a 50-foot high vacuum chamber that simulates outer space. Alpha is funded under defense-wide research and development under the Support Technologies line item.

The next stage of development for the Alpha Laser would include more ground tests, then tests in space. TRW says it could ready a laser weapon for deployment in space within five years, if it were given unlimited money.

To the Grave and Back

According to the late Secretary of Defense Les Aspin, "The fate of Star Wars was sealed by the collapse of the Soviet Union." On May 13, 1993, Aspin called a press conference and announced that he was canceling the SDI program. Instead, he was creating the Ballistic Missile Defense Organization at the Pentagon. The new program would have the same budget request, but focus the money on building ground-based missile defense systems to protect U.S. forces in the field and defend the continental U.S. from nuclear missiles launched by a rogue state.

After Aspin had announced his plan to bring Star Wars back to Earth, a U.S. General Accounting Office report concluded that taxpayers had spent \$873 million on the Alpha Laser and other parts of the SBCL between 1985 and 1993. Rep. John Conyers (D-MI) said the report showed Alpha had been a "failure."

More recently, the Defense Department has begun phasing down Alpha spending, but Congress disagrees. The Senate Armed Services Committee recommended in its report on the 1996 Defense Authorization bill, "The committee recommends a [funding] increase for the space-based laser program. The committee directs the Secretary of Defense to reinvigorate this program and to ensure that sufficient funds are provided in the outyears to continue a robust effort."

On August 11, 1995, Sen. Tom Harkin (D-IA) offered an amendment to the 1996 Defense Authorization bill to delete the \$70 million added by Congress for Alpha above the \$79 million requested by the Administration. The amendment lost 41-57.

Taxpayer Arguments

The taxpayers have already poured more than \$1 billion into the Alpha Laser and should not be asked to throw good money after bad. There is no way that the U.S. could ever afford the \$50 billion to put a dozen laser battle stations in space.

Other Arguments

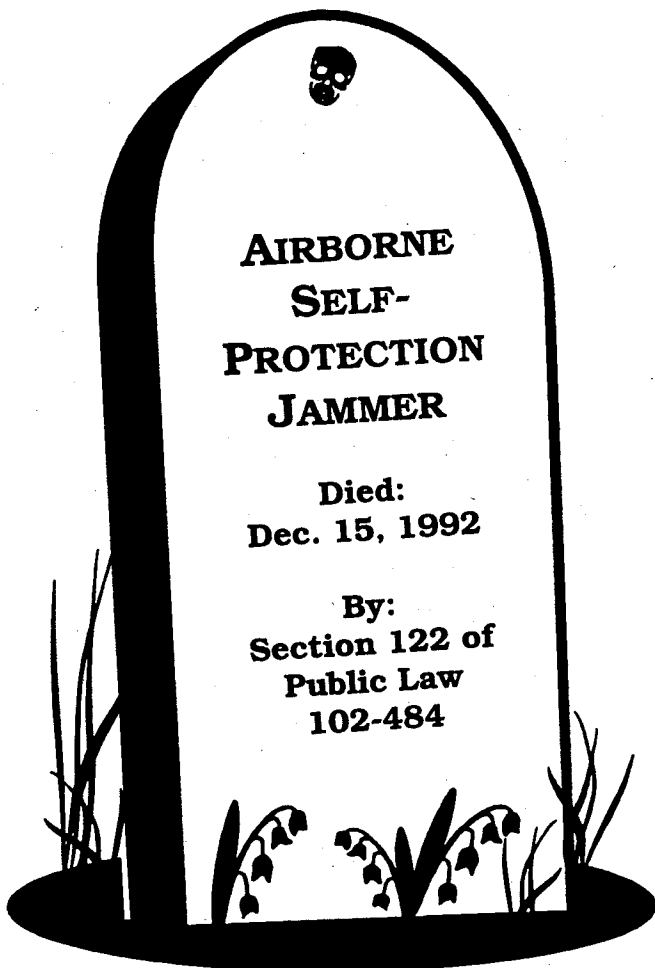
Arms control advocates say that putting an array of Alpha lasers in orbit would worry other nations and trigger a new arms race in space. Both sides of the arms control debate agree that deploying the Alpha laser would violate the 1972 Anti-Ballistic Missile Treaty, which prohibits testing or deploying most anti-missile weapons. Arms control advocates say the ABM Treaty protects the U.S. more cheaply and effectively than could any missile defense system.

For Further Information

John Pike, Federation of American Scientists (202) 675-1023
John Isaacs, Council for a Livable World (202) 543-4100
Jenny Weeks, Union of Concerned Scientists (202) 332-0900
Joe Cirincione, Henry L. Stimson Center (202) 223-5956

**Alpha
would
cost \$50
billion
to
deploy.**





"MEMORANDUM FOR SECRETARY OF THE NAVY: Today I have notified Congress of the findings ... on the ASPJ operational tests ... that the ASPJ was not operationally effective or suitable. You are, therefore, directed to comply fully with ...section 122 of ...Public Law 102-484 [requiring that, should ASPJ fail operational tests, funds appropriated for ASPJ procurement in fiscal 1993 may only be used for termination costs]." --Under Sec'y of Defense for Acquisition Don Yockey, 12/11/92

"MEMORANDUM FOR PROGRAM EXECUTIVE OFFICER: In accordance with [Don Yockey's memo of 12/11], you are directed to immediately terminate all production contracts for the ASPJ." --Gerald A. Cann, Asst. Sec'y of the Navy (Research, Development & Acquisition), 12/15/92

Proposal and Savings

Reject proposals for the U.S. military to procure new Airborne Self-Protection Jammer (ASPJ) systems beyond the 100 already produced before the program was cancelled. Exact savings are unclear.

Description

The Airborne Self-Protection Jammer (ASPJ) is designed to protect war planes by jamming the radar of enemy missiles fired at the plane from the ground or other airplanes. Carried inside the plane, the ASPJ unit is a group of "black boxes" full of electronics that together are a bit smaller than a two-drawer file cabinet. After 15 years in development, the ASPJ repeatedly failed its tests and was finally cancelled in 1992. Before the program was cancelled, about 100 ASPJ systems (of the over 2,000 originally planned) were produced. Twenty-four of those 100 ASPJ systems have been recently deployed on U.S. planes used in Bosnia, but almost all other Navy planes use different jamming systems.

The ASPJ is a Navy program. Originally, the Air Force was also involved, but it finally dropped out after the ASPJ failed its tests. The Air Force has developed its own jammers.

To the Grave and Back

The ASPJ program officially began in 1975. In 1981, a contract for full scale development of a small number of jammer systems was awarded to a joint venture between two contractors, Westinghouse and ITT. Due to continuing problems, in August 1986 the Secretary of the Navy decided not to produce ASPJ systems until prototypes passed the usual "operational" tests required of all new programs. Operational tests are conducted under realistic field

After
15 years
and \$2
billion,
ASPJ
failed
its tests.

conditions and are the Pentagon's way of determining whether a new system performs properly.

Citing poor 1988 test results, in November 1989 the Air Force dropped out of the ASPJ program, leaving the Navy on its own. On December 11, 1989, the Secretary of Defense approved Program Budget Decision (PBD) 807, which terminated the ASPJ program. However, the Navy appealed and, on December 15, PBD 807C restored the ASPJ program for the Navy so that it could conduct more tests.

During 1989 and 1990, Congress eliminated procurement funds for the ASPJ and ordered tougher tests. In May 1990, a Senate Governmental Affairs Subcommittee chaired by Sen. David Pryor (D-AR) held a hearing on the ASPJ. The Inspector General of the Department of Defense (DOD) recommended no further ASPJ production until it passed operational tests. He also found that the Navy was planning extensive production of the ASPJ before it passed its tests, that briefings on test results had been biased and that a \$1.3 billion difference in cost estimates had been ignored. Sen. Pryor and Sen. William Roth (R-DE) expressed concerns about the ASPJ program at that time and in succeeding years.

After further problems, the ASPJ failed its 1992 tests. For this reason, and under pressure of a law passed by Congress, in December 1992 Under Secretary of Defense for Acquisition Don Yockey finally ordered the Navy to terminate the program, and the Navy issued the order. Later, in 1993, Congress authorized some research and development funds remaining in the ASPJ account to be used for continued testing, which has helped keep the program breathing at the Pentagon.

ASPJ proponents have also found innovative ways to keep the program alive, presumably with the ultimate hope of somehow getting the U.S. military to buy the ASPJ in large quantities. Westinghouse and ITT produce the ASPJ in Maryland, and Sen. Barbara Mikulski (D-MD) and others in the state's congressional delegation have fiercely defended the ASPJ. Most of the 100 ASPJ systems from the initial purchase have sat in a warehouse. However, 12 Marine Corps FA-18's were provided 24 ASPJ systems recently. These planes are now at the NATO base at Aviano, Italy and are being used for the Bosnia operation. Also, DOD has tentatively approved deployment in the next year of existing ASPJ systems on the Navy's 50 existing F-14D's which have no jammers, although DOD had not conducted operational tests of the ASPJ on the F-14D.

Taxpayer Arguments

U.S. taxpayers have already put enough money into the ASPJ and should not have to pay any more. According to the GAO, between 1979 and 1993 the Department of Defense spent about \$2 billion to develop and build the 100 ASPJ units that then failed their tests.

Other Arguments

Because all Americans are deeply concerned about the safety of U.S. pilots, it is vital to note that the ASPJ has not proved to be a superior or necessary system. In 1992 tests, the ASPJ had problems with human error, reliability and software and was not significantly better than the current jammer that it would have replaced. The ASPJ was not used in Desert Storm. Aside from the handful of FA-18s that are equipped with the ASPJ, every other U.S. FA-18 in Bosnia and around the world still uses the ALQ-126B jammer. The ALQ-126B is older technology, but in tests has proved more reliable and maintainable.

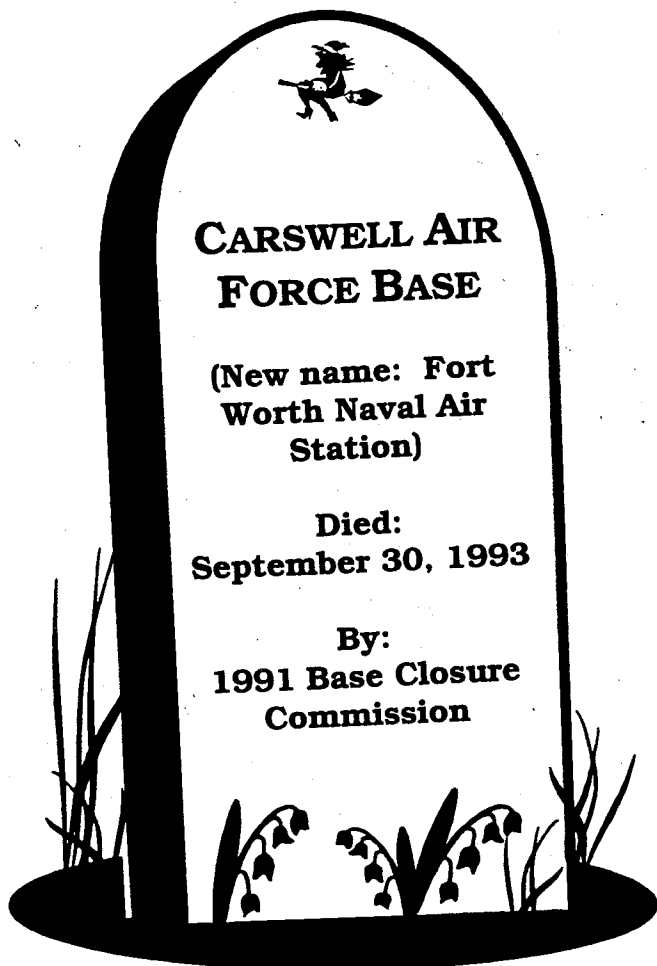
For pilot safety, the tragedy of the ASPJ is that it cost too much, took too long to develop and failed its tests. Instead of investing 15 years and \$2 billion in the ASPJ before cancelling it, the Pentagon might have cut its losses sooner. If it had, then today the Navy might have a state-of-the-art, fully tested and reliable jammer on all of its planes that protects all of its pilots all of the time.

For Further Information

Ralph De Gennaro, Taxpayers for Common Sense (202) 546-8500

The Air Force bailed out of this Navy program.





"Carswell AFB, Texas, is recommended for closure."
--Base Closure Commission, 1991

60 Minutes: *"This is a base that was supposed to be closed. It was listed as one of the 67 [slated for closure]"*

Courter: *"We didn't close the base, we closed the active duty mission of Carswell."*

60 Minutes: *"But, that's not closing bases. Then how come that way 67 doesn't become 66?"*

Courter: *"It should be 66 if you want to look at it that way."*

60 Minutes: *"Do you look at it that way?"*

Courter: *"Yeah, I'd look at it that way as well."*

--Interview with Jim Courter, Chairman,
Base Closure Commission, CBS 60 Minutes report,
"Closing Up," 10/9/94

Proposal and Savings

Carry out the intention of the Defense Base Realignment and Closure (BRAC) Act of 1990, and close Carswell Air Force Base -- now known as Fort Worth Naval Air Station. This would save federal taxpayers millions of dollars over the next five years, according to Business Executives for National Security (BENS).

Description

Carswell Air Force Base (AFB), located in Fort Worth, Texas, was a Strategic Air Command base equipped with B-52 Bombers, KC-135 Tankers and 5,480 full-time staff. Carswell AFB was technically "closed" on September 30, 1993. Although the Air Force finally left, the base was never closed. The base was revived by the Navy on January 15, 1994. Currently, the newly-renamed Fort Worth Naval Air Station (NAS) has 3,700 full-time Navy staff and 8,700 stationed Navy reserve troops.

To the Grave and Back Again

The story of Carswell is well-documented by the BENS report entitled *Uncovering the Shell Game: Why Closed Military Facilities Don't Stay Closed*. In an effort to save money and better align its bomber infrastructure, the U.S. Air Force targeted six Strategic Air Command bases for closure in 1991. Carswell was a perfect site for shut down for several reasons. Although it had a fleet of B-52 Bombers and KC-135 Tankers, the Carswell base was poorly located for wartime deployment of both bombers and tankers. Also, the base was overcrowded in its groundspace and airspace, and local commercial air traffic in the area was projected to increase 74 percent by the year 2000. Finally, the base's housing units were regarded as "uninhabitable."

Carswell was ordered closed under the exhaustively thorough base closure process. This process was created at the initiative of Rep. Dick Armey (R-TX) expressly to overcome

The Air Force left and the Navy moved in.

pork barrel politics. The base closure process entails several months of public hearings and analysis, and requires the President and Congress to make an "all or none" decision on the Commission's final recommendations. Along with the 66 other major bases identified by closure rounds in 1988, 1991, and 1993, the death of Carswell AFB appeared all but final.

Although the base was slated for closure, federal law requires that all "excess" military base property be offered first to other federal agencies. During the 1993 base closure round, the Navy's policy was to consolidate operations of several of its reserve air stations at one open and active-duty base. However, the Navy violated its own policy and chose the inactive Carswell AFB as its consolidation site.

**Chairman
Courter
said
Carswell
didn't
close.**

Taxpayer Arguments

Although the Navy claimed its plan to keep the base open under a new name with its consolidation plan at Fort Worth was efficient and thrifty, its efforts turned out to be poorly planned and wasteful. In a report to the Base Closure Commission, the Navy claimed it would unite several of its bases at the new NAS Fort Worth. Unfortunately for the taxpayer, however, the Navy's consolidation plans never came to fruition:

- Unable to break its commitment to Austin, TX, the Air Force was forced to keep existing units at Bergstrom Air Force Base, and was unable transfer its operations.
- Only one airplane and one C-9 medical transport were transferred from Detroit Naval Air Facility, while more than 500 jobs and activities were transferred to naval bases in Florida and Minnesota.
- While reserve squadrons were transferred from the Memphis Naval Air Station, that base was left open for approximately 750 employees of the Defense Financing and Accounting Service of the Defense Department.
- The transfer of operations from the Dallas Naval Air Station actually cost the Navy \$108 million, a financial loss that would take over a hundred years to pay for itself through earned savings.
- Finally, even though Cecil Field Naval Air Station was scheduled for closure and consolidation in the Navy's 1993 plan, none of Cecil Field's forces were transferred to Fort Worth.

In the case of Fort Worth Naval Air Station, Texas gained at the federal taxpayer's expense. In ordering the closure of Carswell, the Commission estimated that the closure would save the Defense Department more than \$156 million by 1997. Instead, taxpayers have spent more than \$200 million to rebuild the closed base and transfer operations, not to mention the money necessary each year to keep it open, according to BENS.

Other Arguments

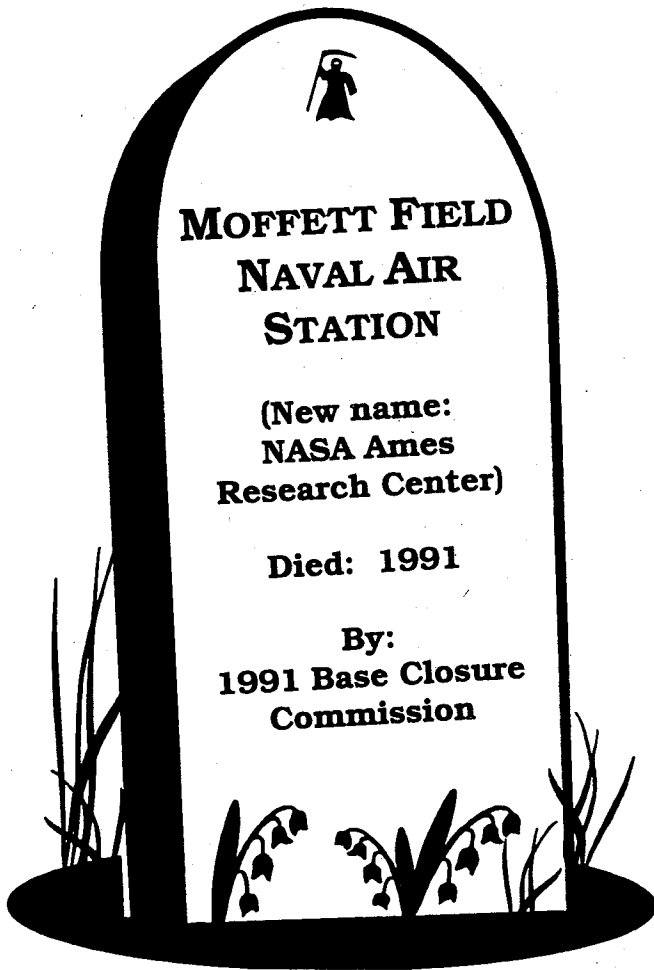
Proponents of a fair and impartial base closure process claim that the decision to reopen Carswell AFB discredits the entire base closure process. When pork barrel politics and special interest lobbying succeed, citizens lose faith in this governmental process. Also, more lawmakers are prompted to block or delay future base closure recommendations.

Economic development strategists claim that long-term economic recovery for local communities such as Fort Worth would be better served by the closure of military bases to attract business investment. What is more, they say, because federal facilities are tax-exempt, local municipalities are deprived of property tax revenues that private investment would bring.

For Further Information

For more information about the military base closure process and the BENS report:
Paul Taibl, Business Executives for National Security (202) 296-2125





"The Admirals had an elaborate closing ceremony. Officers were piped aboard with pomp and circumstance. Bands played. Buglers bugled, and cannons fired 21 gun salutes. But in the end, the Navy didn't go anywhere, but stayed right at Moffett and now pays rent to NASA." --CBS 60 Minutes, special report, "Closing Up," 10/9/94

I'm used to P3's flying endlessly over my back yard, but I thought closing the base would be the end of those flights." --Paul Burks, Mountain View Resident, 1994

"Under this recommendation the mission of the Naval Air Station would be eliminated. This would allow for the disestablishment or relocation of 27 Navy tenant activities which support the current mission of the air station." --Statement by 1991 Base Closure Commission

Proposal and Savings

All military units should leave the Ames Research Center, formerly known as the Moffett Field Naval Air Station, and relocate elsewhere.

Description

First opened in 1933, Moffett Field Naval Air Station (NAS) was historically used as a maritime patrol base assigned the task of surveying California's coastal waters for enemy submarines and planes. The base eventually lost its usefulness and was ordered closed under the military Base Realignment and Closure (BRAC) process. The National Aeronautics and Space Administration (NASA) Ames Research Center has been co-located on the site since 1939. Since the official military closure, the NASA Center has escalated in size and become the landlord for the whole base. However, numerous military units continue to be stationed on the base, paying rent to NASA.

To the Grave and Back Again

Uncovering the Shell Game: Why Military Facilities Don't Stay Closed, a report published by Business Executives for National Security (BENS), recounts the history of NAS Moffett Field. In 1991, the military was supposed to leave, yet numbers of troops still remain today. Under the pressure of special interests in the local community, the military and NASA have played a shell game with who is the landlord and who is the tenant. NASA used to be a tenant on part of the base. Now, instead of leaving the base as ordered, the military has become the tenant and NASA is the landlord.

Moffett was ordered closed under the exhaustively thorough base closure process. This process was created at the initiative of Rep. Dick Arney (R-TX) expressly to overcome pork barrel politics. The process entails several months of public hearings and analysis, and requires the President and Congress to make an "all or none" decision on the Commission's

Bugles
bugled
and
cannons
fired.
But the
Navy
stayed
put.

final recommendation. Among a total of 67 major bases identified by closure rounds in 1988, 1991, and 1993, the death of NAS Moffett Field appeared all but final. If Moffett had been closed, BENS estimates that federal taxpayers would have enjoyed an annual savings of \$69.2 million.

However, the military tenants who were supposed to leave the facility never did. Still stationed at the base are antisubmarine and warfare patrol units, amounting to 116 full-time and 231 reserve personnel at an annual cost of \$6.4 million. Two Army Reserve helicopter units remain on the base, employing 29 personnel and costing \$1million. Also remaining is the 129th Airlift Reserve Rescue Group of the Air National Guard which employs 247 civilian and 793 military personnel, costing over \$15.2 million annually.

Amazingly, a number of new military tenants have also been brought *into* the facility. A reserve support unit of the Navy that was transferred from Alameda Naval Air Station employs 105 civilians and 348 Navy personnel at a cost of \$7.8 million each year. The Air Force took over Moffett's 2,400 housing units for the use of its troops stationed at the neighboring Onizuka Air Force Base.

Understandably, many local residents and employees of the Ames Research Center had considerable interest in keeping its Moffett location open. The Center operated one of the world's largest wind tunnels, employed more than 3,000 people, and made extensive use of the air strip at Moffett. The neighboring Lockheed Missile and Space Company, employing around 18,000 people, also used the military's airstrip. Concerned with their local economy, some community leaders launched an intensive lobbying campaign to convince NASA and the Base Closure Commission to keep the facility open.

Apparently, their efforts paid off. The BENS report cites the BRAC's recommendation that Moffett Field "remain in federal custody in support of *non-Defense* Department agencies and industry." Submitting a lengthy Comprehensive Use Plan, NASA convinced Defense Secretary Dick Cheney and the Base Closure Commission to allow the Ames Research Center to take over the entire base.

NASA helped to end run this base closure.

Taxpayer Arguments

Because NASA continues to run the base with the military as its tenant, the "closure" of NAS Moffett Field will have saved federal taxpayers virtually nothing. According to BENS, the new NASA/military arrangement entailed additional costs for construction and additional operation costs each year, although these costs are difficult to quantify precisely.

Other Arguments

Proponents of a fair base closure process claim that the decision to reopen the entire Moffett base for the Ames facility discredits the base closure process. Also, more lawmakers are prompted to block or delay future base closure recommendations.

Local aviation advocates as well as officials from the San Jose Airport advocate a civilian airport at the Moffett Federal Airfield to absorb the growing demand for air service in the San Francisco Bay Area. They say San Jose Airport will shortly reach capacity.

Another group of economic development advocates believes that the Airfield should be used for either for housing, industry, or recreational needs.

For Further Information

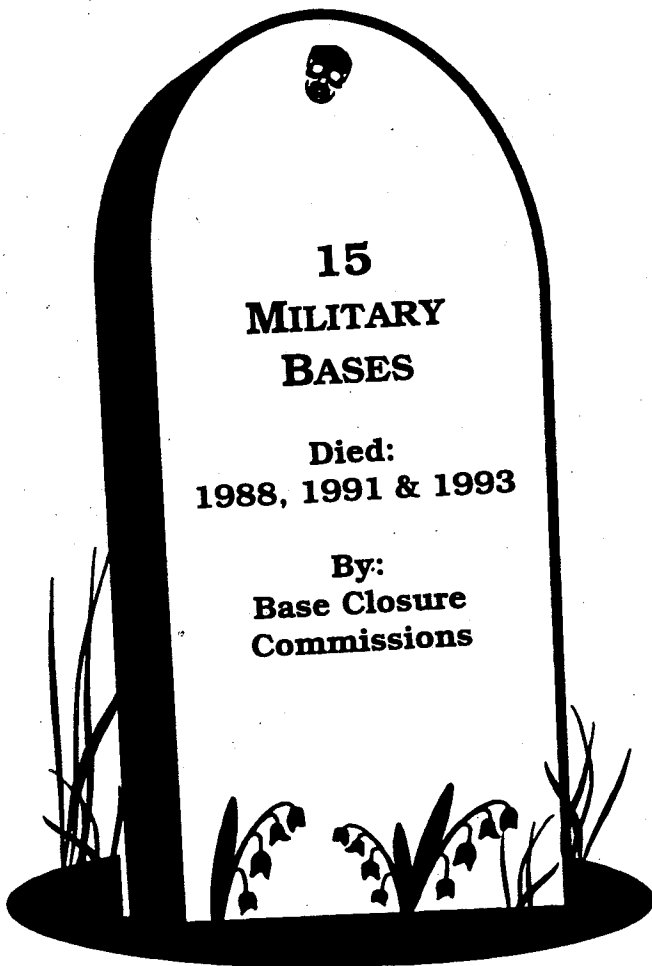
Lenny Siegel, Pacific Studies Center (415) 969-1545

Michael Closson, Center for Economic Conversion (415) 968-8798

For more information about the military base closure process and the BENS report:

Paul Taibl, Business Executives for National Security (202) 296-2125





Courter: "My suspicions are... that [the bases are] being placed in districts for other than strategic security reasons."

60 Minutes: "Politics?"

Courter: "That is my sense."

--Interview with Jim Courter, Chairman, Base Closure Commission, CBS 60 Minutes report, "Closing Up," 10/9/94

"It's political pork at its worst. Politicians want favors and military bases are favors.... I would say that in states like California which are voter rich, reopening bases that were supposed to be closed would be very popular.... It seems that if you wrap something in the flag, then it's no longer welfare, it's national security. But, in fact, it's the very same thing."

--Stanley Weiss, Chairman of Business Executives for National Security, CBS 60 Minutes, 10/9/94

Proposal and Savings

Carry out the intent of the Military Base Closure and Realignment Act of 1990 and keep closed all military bases proposed to be reopened for use by the Defense Finance and Accounting Service (DFAS). Follow the Defense Department's 1991 plan to consolidate the DFAS at five regional centers. This would streamline the military's infrastructure, save millions of taxpayer dollars and ensure that 15 closed military bases remain closed.

Description

In the 1988, 1991 and 1993 rounds of the military Base Realignment and Closure (BRAC) process, 67 major military bases across the nation were closed. In 1991, the Base Closure Commission also recommended that the Defense Department create a comprehensive DFAS consolidation plan to help save money. At that time, Defense Secretary Dick Cheney proposed a plan that would have reduced the DFAS to five regional centers. In 1993, just when the consolidation plan seemed all but final, the newly-appointed Defense Secretary, Les Aspin, rejected the plan for another that relied on 25 sites and would reopen 15 military bases that the Base Closure Commission had already closed.

To the Grave and Back Again

Business Executives for National Security (BENS) documents the history of this case in its report *Uncovering the Shell Game: Why Military Facilities Don't Stay Closed*. In an effort to cut back wasteful military spending and overcome pork barrel politics, the base closure process was created by Congress at the initiative of Rep. Dick Arney (R-TX) in 1988. During its first three rounds BRAC called for the closure of 67 major military bases after an exhaustively thorough process. This process entails several months of public hearings and analysis, and requires the President and Congress to make an "all or none" decision on the Commission's final recommendations. DOD is required to close all of the military facilities included on the final BRAC list.

15 closing bases were reopened.

Instead
of 5
finance
centers,
DOD
wants 25.

Meanwhile, DOD took the first step toward coordinating its 66 different finance systems and 161 different accounting systems by establishing the Defense Finance and Accounting Service (DFAS) in 1991. Because technological advances had made base-specific finance and accounting centers obsolete, BRAC suggested that the DFAS further combine its activities. In response, Cheney recommended that the DFAS consolidate its work at five major regional centers. With a cut in its workforce from 44,000 to 24,000, this plan would have saved federal taxpayers approximately \$1 billion by 1999, according to the Defense Department.

In a site selection process called the Opportunity for Economic Growth (OEG), the Defense Department began considering candidates for these new centers. In the OEG process, 112 communities submitted applications detailing a variety of financial incentives. In early 1993, DFAS chose to consolidate its operations in at five sites. If the Defense Department had carried out this plan it would have gained about \$385 million in incentives and land sales, according to BENS.

Unfortunately, this promising consolidation plan stopped there. On March 15, 1993, the newly appointed Defense Secretary, Les Aspin, rejected the first DFAS consolidation plan and announced yet another site selection process based on independent research. Sure enough, on May 3, 1994, the Defense Department announced a new proposal that expanded the list of DFAS consolidation sites from 5 to 25. Most shocking about the proposal, however, was its inclusion of 15 military bases that were already as good as dead.

According to a September 1995 report by the U.S. General Accounting Office (GAO), 15 military bases that were either completely or partially closed under BRAC are now scheduled to be extended in order to accommodate DFAS facilities:

Charleston NSY, SC	Gentile Air Force Station, OH	Fort Sill, OK
Loring AFB, ME	Memphis NAS, TN	Newark AFB, OH
Oakland NSC, CA	Offutt AFB, NE	Orlando NTC, FL
Chanute AFB, IL	Rock Island Arsenal, IL	Griffis AFB, NY
Norton AFB, CA	Fort Ord, CA	Lexington-Blue Grass Army Depot, KY

Taxpayer Argument

According to BENS and the GAO, reopening closed facilities is not a cost-efficient choice. Originally, there were 334 DFAS facilities, most located on active military bases. This number was reduced considerably, but DFAS facilities continue to be located at active bases. Moving these centers from open facilities to bases that are closed would increase overhead costs and be contrary to the goals of the base closure process. If the Defense Department continued to consolidate its DFAS centers on active bases, it would save taxpayers' money and better manage its infrastructure.

In its 1995 report, the GAO estimates that about \$173 million of military construction funding will be needed in 1997, 1998 and 1999 to bring the reopening sites up to par. Oakland Naval Supply Center, for example, requires \$18 million for seismic upgrading, asbestos removal, and expanded parking.

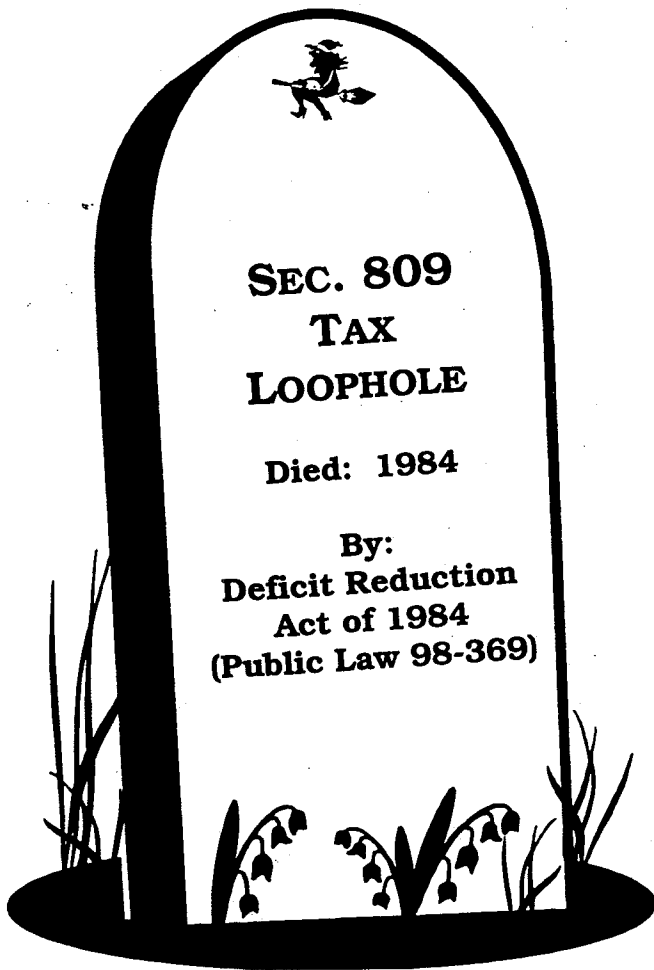
Other Arguments

Proponents of a fair and impartial base closure process claim that using DFAS consolidation as a way to replace jobs at already closed raises doubts about the finality of base closure decisions. Because it was confidential, Aspin's site selection aggravated local community fears that politics determined the location of the prized new DFAS centers.

For Further Information

For information about the military base closure process and the BENS report:
Paul Taibl, Business Executives for National Security (202) 296-2125





"Section 809... was intended to equalize the tax treatment of mutual and stock life insurance companies, but it has not succeeded."

--U.S. Treasury Dept., Final Report to the Congress on Life Insurance Company Taxation, 8/89

"A law intended to increase taxes on mutual life insurance companies backfired – costing the government at least \$1 billion a year in anticipated revenues."

--Associated Press, 6/1/95

Proposal and Savings

Carry out the intent of the Deficit Reduction Act of 1984 and equalize tax treatment of stock and mutual life insurance companies. Eliminate the tax loophole that mutual life insurance companies have taken advantage of under Section 809 of the federal tax code. According to the U.S. Treasury Department, this would save taxpayers approximately \$1.6 billion annually in uncollected federal income taxes.

Description

There are two types of life insurance companies --"stock" and "mutual." Because life insurance companies distribute their profits in two different ways, it has been difficult for the federal government to tax each type equally and fairly. For a long time, mutual insurance companies controlled 55 percent of all life insurance industry assets, but failed to pay their proportionate market share of taxes. In 1984, Congress tried to make mutual life insurance companies pay their fair share of taxes by enacting section 809 into federal tax law. However, after Congress closed this tax loophole, the mutual life insurance companies changed their accounting methods. This inadvertently created a new loophole that unfairly benefits the mutual insurance industry even more.

To the Grave and Back Again

Like most corporations, stock insurance companies are owned by stockholders and distribute their earnings to stockholders after taxes. Mutual insurance companies on the other hand, are owned by policy holders and distribute excess premiums as well as earnings to policy holders. Most significantly, mutual companies claim that they are unable to distinguish between taxable earnings and excess premiums, which are tax-exempt. For decades, mutual companies escaped a large portion of the taxes on their earned income.

Congress reformed the law but mutuals changed their accounting.

In 1984, Congress decided that it would tax the earnings of mutual companies at the same level that it taxed stock companies. In Section 809, Congress directed the Treasury Department to calculate annually a tax on policy holder earnings at mutual companies that is equivalent to that on stockholder earnings at a stock company. In this manner, both the Treasury and Congress estimated that Section 809 would generate federal income taxes from mutual companies proportionate to their share of the life insurance market. At current market levels, this share would add \$1.6 billion to the federal purse each year, according to the U.S. Treasury Department.

Unfortunately, the mutual life insurance companies found a new tax loophole in Section 809 and continue to give themselves an unfair tax advantage. Corporate earnings come from one of two sources: current activities and the increase in the value of assets, otherwise known as capital gains. With the exception of mutual life insurance companies, each of these earning sources are taxed separately. Section 809 allows mutual companies to offset taxes paid on one stream with taxes paid on another, unintentionally creating a new source of trouble for the federal Treasury.

By altering their accounting systems to report more capital gains than current activities, mutual companies were able reduce most of their taxable income under Section 809. By recording high capital gains and low current activities the mutual companies escaped their tax requirements. In many years since 1984, the largest 20 mutual life insurance companies have lowered their Section 809 taxes on current activities to zero.

By 1989, the Treasury Department and U.S. General Accounting Office (GAO) admitted that Section 809 was not working as intended, and advised Congress to fix the loophole yet again. Unfortunately, however, Treasury and GAO could not agree on a better tax policy to replace Section 809. Faced with conflicting advice, as well as pressure from a well-financed lobbying campaign by the mutual insurance industry to keep the loophole alive, the House Ways and Means Committee failed to take decisive action. Instead, then-Chairman Dan Rostenkowski (D-IL), asked the insurance industry to prepare its own recommendations and return to Congress with a solution acceptable to both the Treasury and GAO. After six years, Congress has received no such industry report.

Despite opposition from the mutual insurance industry, Rep. Bob Filner (D-CA) and co-sponsor Rep. Helen Chenoweth (R-ID) have introduced legislation (H.R. 1497) that would do away with the Section 809 loophole.

**Sec. 809
costs
\$1.6
billion
a year.**

Taxpayer Arguments

Section 809 creates a tax loophole for the giants of the mutual life insurance industry that, if closed, could save taxpayers billions of dollars every year. Currently, the Treasury loses about \$1.6 billion in unpaid federal income taxes each year. This estimate translates into the loss of \$16 billion in unpaid taxes between 1985 and 1995.

Other Arguments

Advocates of the free market and a level playing field for all life insurance argue that the mutual life insurance tax loophole gives an unfair advantage to the 18 largest mutual companies.

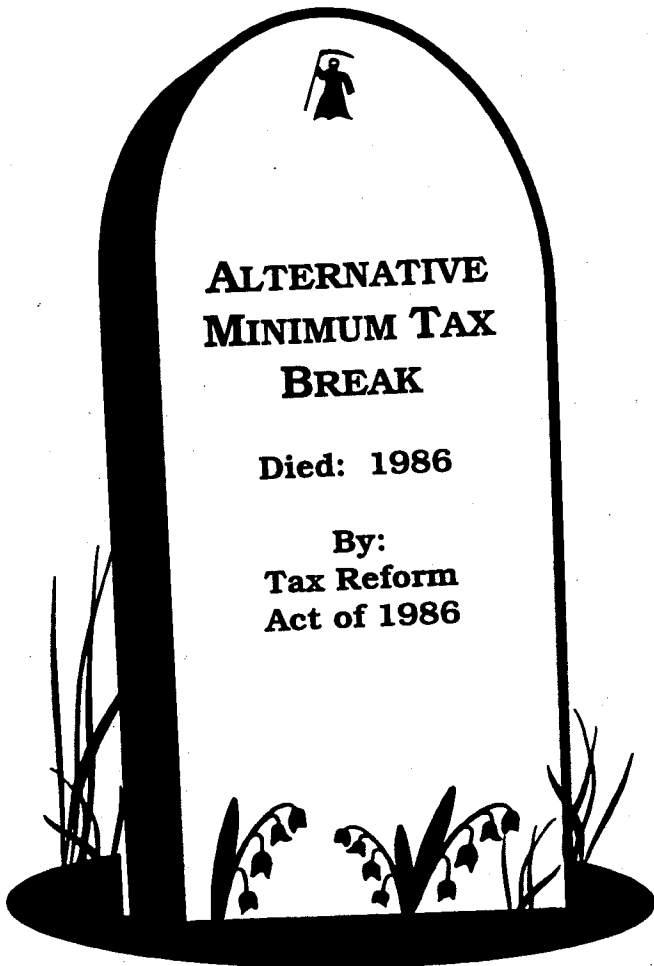
Advocates for good government criticize Section 809 as an example of special interest politics. They contend that a powerful and expensive lobbying campaign by the mutual insurance industry is one of the main reasons that Section 809 is still alive today.

Social welfare proponents, including nutrition and anti-hunger groups led by the Community Nutrition Institute, contend that in a time of budget constraints, uncollected mutual insurance dollars could be better spent on under-funded hunger programs.

For Further Information

Rodney E. Leonard or Drew Dugan, Community Nutrition Institute (202) 776-0595





~ Famous Last Words ~



"[I]n the case of large companies with regular deferrals of tax liability, AMT may cause them to experience a new phenomenon: paying taxes."

--Internal Revenue Service paper, 1991

"Congress concluded that the minimum tax should serve one overriding objective: to ensure that no taxpayer with substantial economic income can avoid significant tax liability by using exclusions, deductions, and credits."

--Joint Tax Committee, Official Summary of the Tax Reform Act, 1986

"I take particular pride when I hear my colleagues... say that this bill has the toughest tax they have ever seen. It makes sure everybody pays a fair share."

--Rep. Marty Russo, 1986

"[New proposals to repeal the AMT are] a direct attack on the principles of the 1986 Tax Reform Act. It could reasonably be called a slap in the face to Chairman Packwood, Sen. Bradley, former President Reagan, and all the others who worked so hard to pass the 1986 reforms"

--Robert S. McIntyre, May 3, 1995

Proposal and Savings

Reject proposals to repeal the corporate Alternative Minimum Tax (AMT) enacted by Congress in the Tax Reform Act of 1986.

Description

In the years before enactment of the Tax Reform Act of 1986, many highly profitable corporations paid little or nothing in federal income taxes. Due to significant public outcry, Congress enacted the corporate AMT as a part of the Tax Reform Act of 1986. The corporate AMT requires all large companies to pay at least a 20 percent tax on their earnings. The corporate AMT helped to increase corporate income tax payments by a net total of \$21.6 billion between 1987 and 1992, according to Citizens for Tax Justice. Currently, there are proposals to repeal the corporate AMT.

To the Grave and Back Again

The fight to enact the corporate AMT was spearheaded by the Washington-based, non-profit organization Citizens for Tax Justice (CTJ) under the leadership of Robert S. McIntyre. In a report issued in 1986, CTJ found that of the 250 largest and most profitable corporations in the U.S., 130 of them managed to pay *nothing* in federal income taxes in at least one of the five years from 1981 to 1985. Ranging alphabetically from Aetna Life & Casualty to Xerox, this group of companies earned a combined total of \$72.9 billion in the years that they did not pay any federal taxes. Instead of paying part of this amount in corporate income taxes, these corporations actually *received* \$6.1 billion from the government in tax rebates. In May 1986 the Senate Finance Committee concluded that it was "unjustifiable for some corporations to report large earnings and pay significant dividends to their shareholders, yet pay little or no taxes on that income to the government."

Profitable
companies
should
pay a
fair share.

As enacted in the Tax Reform Act of 1986, the corporate AMT was designed as a back-up plan to the regular tax code in order to ensure that all profitable corporations paid something in federal income taxes. Under regular tax provisions, corporations are supposed to pay 35 percent of their annual profits. Of course, firms can reduce their annual taxes through various preferences and loopholes. Under the corporate AMT, these businesses are asked to pay a minimum of 20 percent of their profits, regardless of the tax breaks they have accumulated.

Since its adoption, the AMT has eliminated many of the worst corporate tax avoidance problems. Just two years after its enactment, the number of firms who claimed no taxes dropped down to only seven. According to the Citizens for Tax Justice, the AMT was paid by about 28,000 corporations annually between 1987 and 1992. During this period, CTJ found that the AMT increased corporate income tax payments by a net total of \$21.6 billion. About 83 percent of this \$21.6 billion was paid by corporations with assets greater than \$250 million.

Despite the fact that the corporate AMT has affected only 1.2 percent of all active corporate filers, and yielded only 3.8 percent of total corporate income tax payments between 1987 and 1992, the tax has met fierce opposition. Under the name of the "AMT Working Group" 16 of the country's most profitable corporations are lobbying Congress to repeal the 1986 corporate AMT.

In April 1995 the House passed the Tax Fairness and Deficit Reduction Act of 1995 (H.R. 1215) which included provisions that would phase out the corporate AMT between 1996 and 2000, and then repeal it thereafter. The legislation may be considered on other legislative vehicles as well as Congress wraps up its budget business.

**Repealing
the AMT
would
cost
\$16.9
billion
over 5
years.**

Taxpayer Arguments

From a deficit reduction perspective, repealing the corporate AMT would mean a significant loss in federal revenue. By rough estimates, the corporate AMT has generated over \$3.5 billion every year between 1987 and 1992. The Joint Committee on Taxation estimates that if the corporate AMT is repealed the federal government will lose \$16.9 billion between 1996 and 2000 alone.

From the perspective of average taxpayers, nobody should escape paying a fair share. People who work hard and pay their taxes believe that the country's most profitable corporations should have to pay something as well.

Other Arguments

In an era of necessary budget cuts, advocates for social welfare programs argue that it is unjust to cut social programs while forgoing billions of tax dollars from the most profitable U.S. corporations.

Advocates for the free market argue that the corporate AMT helps to level the economic playing field for all corporations. When certain industries or companies enjoy low-tax status while others must pay significant taxes, the resulting economic distortions can prop up inefficient industries and prevent the development of new technologies and ideas.

For Further Information

Robert McIntyre, Citizens for Tax Justice (202) 626-3780

Ralph De Gennaro, Taxpayers for Common Sense (202) 546-8500





Geographical List* for *Budget of the Living Dead*

Alaska	Tongass National Forest (Southeast Alaska)
California	Alpha Space Laser (San Juan Capistrano, Southern California) Auburn Dam (Sacramento) B-1 Bomber B-2 "Stealth" Bomber Moffett Field Naval Air Station (Silicon Valley)
Idaho	Plutonium Reprocessing (Argonne National Laboratory)
Illinois	Plutonium Reprocessing (Argonne National Laboratory)
Maryland	Airborne Self-Protection Jammer (outside Baltimore)
Texas	Carswell Air Force Base (Fort Worth)
Washington State	B-2 "Stealth" Bomber
National	Board of Tea Experts Corporate AMT Tax Loophole 15 Military Bases (various states) Sec. 809 Mutual Insurance Tax Loophole

*Many items have an impact on several states. This list simply lists the states that are among the most impacted by the issue.

Savings Estimates*

Spending program, subsidy or tax break	Savings if program had not been revived after it was "killed"	Savings if program were killed now (over the next 5 years or life of the program)
B-2 "Stealth" Bomber	n/a	\$30 billion for 20 more bombers
Board of Tea Experts	\$260,000 (1994-1995)	n/a
Auburn Dam	n/a	\$701 million federal share for flood control dam
Plutonium Reprocessing	\$1.3 billion for the ALMR	\$90 million over 5 years for pyroprocessing
Tongass Timber Giveaway	n/a	\$100 million over 5 years
B-1 Bomber	\$28.2 billion (1981-1995)	\$2 billion to upgrade capabilities
Alpha Space Laser (Star Wars)	\$200 million (1994-1995)	\$500 million over 5 years (Note: Deploying 12 laser battle stations in orbit would cost \$50 billion)
Airborne Self-Protection Jammer	n/a	n/a
Carswell Air Force Base	\$200 million	n/a
Moffett Field Naval Air Station	n/a	n/a
15 Military Bases	\$385 million in lost savings	n/a
Section 809 Mutual Insurance Tax Break	\$16 billion (1985-1995)	\$8 billion over 5 years
Alternative Minimum Tax Break	n/a	\$16.9 billion over 5 years
TOTALS	Over \$46 billion	Over \$58 billion (plus another \$50 billion if U.S. deploys space lasers)

*The figures included in this table are estimates. N/A refers to those cases where estimated costs were either unavailable or not applicable. For more information on sources of these figures contact Taxpayers for Common Sense.

About the classic film *Night of the Living Dead*:

In 1968, the original version of the cult classic film *Night of the Living Dead* was released. The Village Voice called it "one of the best horror films ever produced." Star Classics describes the film as follows: "A returning satellite brings a strange radiation that awakens the dead and transforms them into man-eating zombies. The terror mounts as several strangers barricade themselves in a remote farmhouse to defend themselves against the ghouls."

Then, 22 years later, George A. Romero produced a remake of *Night of the Living Dead*. This "all-new 1990 theatrical version" was in color and featured the same general plotline with some updated themes.



*Special thanks to Environmental Media Services
for generously providing media support for this report, and to Rob Stuart for his vision
and guidance in the formation of Taxpayers for Common Sense.*

*Thanks to Business Executives for National Security for the information in its
1994 report "Uncovering the Shell Game:*

Why Military Bases Don't Close."

*Thanks also to Tom Bucci for the cover illustration,
David Malakoff for design assistance and
Jennifer Keenan of **alphaGraphics**® for printing assistance.*

By John Hultgren, Ralph De Gennaro and Jill Lancelot
Project Coordinator: Jessica Jenkins

© Taxpayers for Common Sense

ISBN 1-888415-00-2 \$30.00

October 1995

Printed on 100% recycled paper, 50% post-consumer waste.

ADDITIONAL COPIES OF THIS REPORT

may be obtained by calling (202) 546-2766

Or mail checks payable to "Taxpayers for Common Sense" to:

Publications Orders
Taxpayers for Common Sense
666 Pennsylvania Ave., SE
Suite 302-B
Washington, DC 20003

Copies of the report are \$30 each
(50% discount for non-profit organizations),
plus \$2 per order for shipping and handling.

The report will also be available at TC's
world wide web site at: <http://www.taxpayer.net>

NOTE: The organizations and individuals listed at the end of each article in the report under "For Further Information" should be regarded as sources of independent information. They have not necessarily reviewed this report in detail or agreed with its conclusions.

It's about time for ... ***...Taxpayers for Common \$ense***

Taxpayers for Common \$ense is an independent new taxpayer group that works to cut government waste by reaching out to taxpayers from all political perspectives to build support for common sense reforms. TC\$ was formed to serve the many Americans who believe that their government can cost less and make more sense.

The co-founders of Taxpayers for Common \$ense are **Ralph De Gennaro** and **Jill Lancelot**. Between them, they have a combined 33 years of experience fighting government waste in Washington, D.C and a unique ability to forge unusual coalitions. During their years with other organizations, they have won numerous victories for the taxpayer.

In January 1995, they collaborated on the acclaimed *Green Scissors Report* that united environmentalists with taxpayers and advocates of free-market economics and deficit-reduction.

Now De Gennaro and Lancelot seek to apply the same spirit and successful approach to Taxpayers for Common \$ense.

MISSION STATEMENT

Taxpayers for Common \$ense is dedicated to cutting wasteful government spending, subsidies and tax breaks through research and citizen education. The organization supports a balanced budget and common sense tax reform. Taxpayers for Common \$ense is non-profit, non-partisan and independent.



Tel: (202) 546-8500
Fax: (202) 546-8511
staff@taxpayer.net