November 12, 2010

National Commission on Fiscal Responsibility and Reform
1650 Pennsylvania Ave NW
Washington, DC 20504

Dear Commission Member:

Taxpayers for Common Sense applauds the Commission co-chairs for their November 10th proposal. This serious document makes good on the promise to leave no budgetary stone unturned. By accepting the appointment to the commission, you acknowledged difficult budgetary choices had to be made given the urgency of our fiscal crisis. We believe this proposal represents one of the best opportunities to draw a roadmap for a more sustainable budget, and we strongly urge you to find as many areas of agreement within this proposal as possible.

For nearly two decades, Taxpayers for Common Sense has advocated for fiscal responsibility in Washington, focusing on ways to create a more efficient and responsible federal government. We would like to offer general comments on several areas in the proposal that have been a significant focus for us over the years, as well as areas where we think additional revenue can be generated—either through further cuts that produce significant savings or increased income through better management of other federal assets.

We support the creation of a bipartisan commission to defund programs that have outlived their useful life. Full cost-accounting measures must be instituted to ensure taxpayers do not take on additional long-term liability. Bringing this scrutiny to federal programs can help achieve much needed reforms and cuts and save taxpayers billions.

We support comprehensive tax reform rather than annual legislation that simply extends expiring tax provisions or delays full implementation of Alternative Minimum Tax. Annual tax extending legislation includes various one-year extensions for dozens of tax breaks, many of which only pad the pockets of big industry or provide special deals for risky projects that will have little or no benefit for U.S. taxpayers. Passing this laundry list of tax breaks, year after year, with little or no debate on their merits, costs taxpayers billions and masks the long-term budgetary impacts of these provisions.

We support an overhaul of so-called tax expenditures. We believe many are: a) not the most cost-effective way to achieve the intended policy goal; b) too expensive given the government's current fiscal position; c) no longer necessary; or d) corporate welfare. The home mortgage deduction, capital gains exclusion on home sales and deductibility of state and local property tax on owner-occupied homes, for example, will cost roughly $1 trillion total over the next five years, even though it is unlikely Congress could enact a housing subsidy program of this magnitude – which disproportionately benefits high income households – as a direct expenditure program.

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We support the elimination of Last-in First-out Accounting, elimination of energy tax preferences for the oil and gas industry and reform of depreciation rules. In addition, we believe the collection of royalties from mining and drilling on public lands and waters can be a significant source of federal revenue. Reforms in this area were left out of the report, but could provide tens of billions of dollars in important revenue. Existing leases in the Gulf of Mexico which currently operate without royalties could provide taxpayers with more than $50 billion in revenue alone in the next 25 years. Other reforms could provide billions more, including ensuring collection of a fair royalty on wind and solar development on federal lands and the application of a royalty on all existing and future hardrock mining on public lands.

We support the cuts to defense spending proposed by the co-chairs and would go further in several areas. Congress should double the cuts to defense contracting proposed by Defense Secretary Robert Gates and reduce defense procurement by 15 percent. The overhead savings Secretary Gates has promised should go to debt reduction. We should also shrink our expansive nuclear arsenal, which would allow us to eliminate delivery platforms such as submarines and missiles that would save more than $10 billion per year.

We support a robust federal transportation program, and remain deeply concerned about the recent transfers of billions of dollars of general revenues into the Highway Trust Fund (HTF) to keep it solvent. The gasoline tax that each of us pays at the pump to keep the system moving falls far short of the amount needed to maintain and improve the nation's road and transit systems. A gas tax increase is one tool of many that should be considered to meet the growing transportation needs of the nation, but it should be made clear that simply raising the gas tax would not solve the systemic problems that allowed the HTF to slip into the red in the first place. In addition, policy reforms must accompany any dramatic increase in funding to improve cost projections, assist in project prioritization, and measure outcomes to ensure taxpayers are deriving maximum benefit from their investment.

We support reform of wasteful agricultural subsidies and believe deeper savings can be realized with more significant cuts. A handful of commodity crops receive the majority of government subsidies, and the majority of these subsidies flow only to corporate farms. Corn, cotton, wheat, rice, and soybeans rack up 90 percent of the commodity crop subsidies. Instead of supporting a struggling family farm or promoting rural development, these subsidies end up as windfall profits for the wealthiest and largest agro-corporations and crowd out funding for agriculture-related conservation programs. Reducing commodity crop subsidies by 50 percent could save taxpayers more than $26 billion over the next five years.

We support the proposals regarding the U.S. Army Corps of Engineers to eliminate projects outside the agency's priorities that are duplicative of other federal programs. In addition, we support the cuts to the overall budget and shifting beach replenishment activities to state and local governments, as well as requiring the private sector to fully self-fund the construction and operation and maintenance of the inland waterway system.

We support the reforms to funding in aviation programs. Specifically, requiring airports to fund a greater portion of security costs and eliminating grants to the large and medium-sized hub airports. In addition, we urge you to review the Aviation Improvement Program expenditures on small and general aviation airports to ensure that they are truly necessary.

We support the reforms to the Economic Development Administration; the elimination of the regional subsidies provided through the Appalachian Regional Commission, the Denali Commission and the Delta Regional Authority; and review of the programs administered by the Rural Utilities Service for efficacy and need.

We support the reforms to the Forest Service and fire management operations. Specifically, requiring the Forest Service and applicable Interior agencies to implement cost containment measures and reduce duplicative funding operations across the agencies.

We support the proposal targeting wasteful and unnecessary earmarks. However, we would note that eliminating earmarks does not necessarily eliminate the overarching programmatic spending that was earmarked for specific projects. Therefore, eliminating $15.9 billion of earmarks in FY2010 would not reduce the budget by $15.9 billion, but by some smaller but significant amount. Additional savings would be reaped, however, by shifting funding decisions to merit-based, competitive, or formula systems which would increase efficiencies and ensure that funding is directed to higher priority, more critical projects.

We recognize that enacting any effective budget reform will be difficult. Criticism from policymakers and interest groups across the political spectrum has virtually every proposed reform under attack. However, this proposal touches on many of the hard decisions that Congress has to make if government finances are to be put on a more sustainable path.

We cannot afford to squander this opportunity to rid the budget of ineffective and wasteful spending – from energy and agriculture subsidies to wasteful defense spending practices to unnecessary tax expenditures to right-sized entitlement programs – and put the country in a better position to face the challenges ahead, whether from global economic shocks or threats from terrorism.

Taxpayers for Common Sense looks forward to working with the Commission to produce as strong a final proposal as possible.

Sincerely,

Ryan Alexander
President
Taxpayers for Common Sense