



Super Cuts for the Super Committee

More than \$1.5 trillion in cuts for the Joint Select Committee on Deficit Reduction

Super Cuts for the “Super Committee”

The Joint Select Committee on Deficit Reduction is charged with giving the deficit a haircut of at least \$1.2 trillion. Taxpayers for Common Sense (TCS) has compiled \$1.52 trillion in “Super Committee Savings” cuts that would reduce spending and increase revenues against a likely budgetary baseline. We have also compiled an additional \$224 billion worth of “More Common Sense Cuts” that eliminating potential future spending that may not be included in the baseline. (See *Methodology*.)

For sixteen years, TCS has mined the budget to highlight wasteful spending -- whether exposing, naming, and killing the “Bridge to Nowhere” earmark, or going after wasteful spending in the tax code like the duplicative ethanol tax credit subsidy. Building on our earlier submissions to the Simpson-Bowles deficit commission and Congress, this paper represents the latest compilation of cuts that reflect the values of effectiveness and efficiency in managing taxpayer dollars. All these common sense cuts are real and possible if the committee has the political will.

We believe the programs listed here – whether funded through appropriations or the tax code – can be safely eliminated from the budget because they are an inefficient, ineffective, or wasteful use of taxpayer dollars. **By simply adopting these common sense recommendations, the Joint Select Committee on Deficit Reduction will be \$20 million beyond its goal** even before considering entitlement program reform, fundamental tax reform, or other spending cuts and revenue raisers.

It is clear that are cost-saving reforms are available throughout government, and positive, open ways to achieve them. While this committee will not be able to tackle all of them, the greatest legacy this committee should leave is an even-handed approach to achieving the targeted \$1.2 to \$1.5 trillion in deficit reduction and a record of being transparent and accountable to the American taxpayer and establishing mechanisms to achieve fundamental tax and entitlement reform in the near future.

Methodology

In most cases the **calculations are based on savings over a ten-year window**. Based on knowledge and previous history, TCS determined the likelihood that a discretionary appropriation or expiring tax expenditure would continue through the ten-year period. Tax expenditures and programmatic spending estimates were taken from Joint Committee on Taxation, Congressional Budget Office, or federal budget documents. If ten-year estimates were not available, TCS extrapolated the ten-year estimate from an average of available years. In the case of discrete project spending, TCS used the stated remaining construction costs to calculate savings.

Baseline: In order to calculate the deficit and deficit reduction, the Committee has to agree on the ten-year budget baseline, which is the predicted amount of spending and revenue for the next ten years and the

resulting deficit. Under current law many tax cuts and programs are going to expire in the next ten years and others are subject to annual appropriations. Realistically, though, some of the spending will continue as certain programs are going to be funded each year, Medicare payment cuts to physicians aren't going to materialize, certain expiring tax cuts are going to be extended, and legislated savings from efficiency and targeting waste, fraud, and abuse are more vapor than substance. For this reason, the Committee will work with CBO to develop a likely budget baseline to measure the deficit reduction against that projection.

Section I: Super Committee Savings contains spending and tax expenditures that TCS believes would be included in the likely budget baseline and would therefore result in deficit reduction according to the CBO.

Section II: More Common Sense Cuts contains cuts that may not be in the likely baseline budget, meaning CBO may not count them toward the deficit reduction target. For example, the Volumetric Ethanol Excise Tax Credit is scheduled to expire December 31, 2011. Although the credit has been extended in the past, the Senate recently voted to end it immediately, and proponents acknowledge that its extension is unlikely. Therefore, rather than extrapolate the ten-year cost of the tax break (\$64.7 billion) we did not include it in our likely budgetary baseline cuts. But we did include the \$1.3 billion in savings taxpayers are projected to lose over the next three months, before the tax credit expires. An abundance of budgetary caution (and hard won experience), however, led us to include the full cost of extending the credit in the second, additional section of potential cuts. This is because \$64.7 is the amount taxpayers will spend on this program if Congress chooses to extend the otherwise expiring tax break. Other items include liabilities for taxpayers that could add to the debt in catastrophic scenarios, projects authorized by Congress but that may or may not receive funding in the future, and other cuts whose costs against the baseline are uncertain. Despite that baseline consideration, we recommend that the Committee adopt these reforms as well.

Section I. Super Committee Savings

Agriculture	\$93.4 billion
Energy	\$131.4 billion
General Government	\$0.421 billion
Infrastructure	\$3.7 billion
National Security	\$583.2 billion
Public Lands	\$16.6 billion
Tax Expenditures	\$623.8 billion
Transportation	\$84.5 billion
Savings total	\$1.53 trillion

Section II. More Common Sense Cuts

Agriculture	\$77 billion
Energy	\$99.1 billion
Infrastructure	\$5.3 billion
National Security	\$2.9 billion
Transportation	\$23.1 billion
More cuts total	\$207.3 billion

SECTION I: SUPER COMMITTEE SAVINGS

Agriculture

Total Cuts: \$93.4 billion

Commodity Crop Subsidies

Cut: \$52.1 billion

Rather than subsidizing the bulk of foods commonly seen on grocery shelves, a majority of government subsidies are provided to a handful of commodity crops, and the majority of these subsidies flow only to corporate farms. Corn, cotton, wheat, rice, and soybeans rack up 90 percent of the commodity crop subsidies, while fruit, vegetable and nut producers are left picking the scraps. These subsidies end up as windfall profits for the wealthiest and largest agro-corporations, crowd out funding for agriculture related conservation programs, and do little for rural development or the struggling family farm. Because of high commodity prices the “counter-cyclical” payments – intended to support farmers when prices are low – are virtually non-existent. The vast majority of the subsidies are for so-called direct payments, which are based on historical plantings and simply line the pockets of big agriculture without any strings attached. According to the USDA, “Fixed direct payments are not tied to current production or prices and do not require any commodity production on the land.” Eliminating commodity crop subsidies could save taxpayers up to \$52 billion over the next ten years.

Crop Insurance Premium Subsidies

Cut: \$23.6 billion

Crop insurance is quickly becoming the most expensive part of the farm safety net, nearly outstripping the cost of all the other farm safety net programs combined. Though called “insurance,” it does not operate like any form of insurance most Americans have bought. In most places federal taxpayers pay 100% of the premiums for the farm’s basic catastrophic coverage while providing subsidies for additional coverage resulting in an average of 60% of the premium cost for private crop insurance being covered by taxpayers.

Unlike nearly all other federal agriculture programs, crop insurance will cover marginal land, so there is an incentive to plant where odds of success are slim, but the likelihood of environmental harm is great. Excluding taxpayer paid premiums, claims under the crop insurance program have exceeded premiums every year since 1994.

In a time of record deficits and near record commodity prices, taxpayers can ill afford yet another program that privatizes profits while socializing risks. This recommendation would eliminate premium subsidies while retaining the program as an interim step to developing a rational farm safety net.

Environmental Quality Incentives Program -- CAFO

Cut: \$14 billion

The Environmental Quality Incentives Program is a conservation program managed by the USDA’s Natural Resources Conservation Service. The program provides technical assistance, cost-share payments, and incentive payments to assist crop and livestock producers with environmental and conservation improvements on land used for agricultural production. The 2008 Farm Bill, however, removed the

limitation on the number of animals a producer could have and still qualify for EQIP, enabling many large-scale producers of Concentrated Animal Feeding Operations to receive taxpayer subsidies for cleaning up the waste that inevitably collects because of their operations. Taxpayers should not be shoveling subsidies to large agribusiness corporations to help them comply with inevitable costs of doing their business. EQIP should be eliminated and a program that better manages taxpayer dollars in meeting its original conservation goals should take its place.

Market Access Program**Cut: \$2 billion**

The Market Access Program should be cut entirely. Since its inception more than two decades ago, the Market Access Program has spent \$3.4 billion of taxpayer money subsidizing ad campaigns for corporations like McDonalds, Nabisco, Fruit of the Loom, and Mars.

Volumetric Ethanol Excise Tax Credit (VEETC)**Cut: \$1.3 billion**

VEETC is the largest direct subsidy to corn ethanol. The tax credit was created more than 30 years ago in response to U.S. oil shortages. VEETC exempts the ethanol portion of gasoline blends from gasoline excise taxes and establishes a tax credit for ethanol use. This massive subsidy, currently 45 cents per gallon of ethanol blended with gasoline, does not go to family corn farmers or even agro-businesses or ethanol producers. Instead, the benefits go almost entirely to oil companies, such as Shell Oil, that blend the ethanol with traditional fuel. VEETC is set to expire at the end of 2011, but for years expirations have come, and Congress has extended this tax break. This year, however, the Senate overwhelmingly voted to immediately eliminate VEETC. Eliminating VEETC immediately could save taxpayers billions in 2011 that would qualify for the deficit committee's deficit reduction target. This savings estimate does not include a more speculative ten year estimate (included in Section II) because it will not be in the likely budget baseline considered by the joint committee.

Production Tax Credit for Cellulosic Ethanol**Cut: \$738 million**

Cellulosic ethanol is one well-known advanced biofuel. The federal ethanol mandate requires cellulosic ethanol to reduce greenhouse gases by 60%. It is made from cellulosic matter in plants, including corn stover (the leaves and stalks of corn plants), switchgrass, wood chips, and other plant wastes. Companies receive \$1.01 for every gallon of cellulosic ethanol they blend with gasoline. Though this tax credit expires in 2012, Congress is very likely to extend it for future years. Taxpayers should not be subsidizing a technology that even the Congressional Budget Office has said isn't yet producible on a commercial scale.

Foreign Market Development Program**Cut: \$335 million**

The Foreign Market Development Program, or "Cooperator Program," is a USDA Foreign Agriculture Service (FAS) initiative that promotes export of agriculture products. The "cooperators" in this program are such groups as agricultural trade associations and commodity groups. The program should be eliminated because these groups can and should fund their own foreign trade promotions.

Volumetric Biodiesel Excise Tax Credit and Renewable Biodiesel Tax Credit**Cut: \$300 million**

The biodiesel tax credit gives \$1.00 to blenders for every gallon of biodiesel they mix with gasoline. The biodiesel tax credit expired at the end of 2009 but was reinstated at the end of 2010. It was passed retroactively for 2010 and will expire in 2011. This reflects the cost to taxpayers through the end of 2011.

Energy**Total Cuts: \$115.2 billion*****Alternative Energy***

Oil produced from tar sands, electricity produced from solid waste, coal turned into liquid fuel, alternative vehicle fuels, and other alternative forms of energy use all benefit from a web of tax subsidies thanks to an army of lobbyists pushing Congress to support the next big thing. But many of these technologies aren't market-ready, may not perform better than existing technologies, or simply act as a new way to funnel taxpayer money to old, established energy interests. Especially for subsidies that help fund new fossil technologies, these alternative energies should not be supported with taxpayer dollars, but rather by the companies that will benefit off of their success.

Election to expense 50 percent of qualified property used to refine liquid fuels (Oil Shale and Tar Sands Refineries) **Cut: \$5.4 billion**

Credit for Alternative Fuel Mixtures **Cut: \$1.8 billion**

Credit for Investment in Clean Coal Facilities **Cut: \$1.8 billion**

Tax Credit and Deduction for Clean-Fuel Burning Vehicles **Cut: \$1.6 billion**

Excess of Percentage Over Cost Depletion, Other Fuels **Cut: \$1.4 billion**

FutureGen 2.0 **Cut: \$1.3 billion**

Industrial CO2 Capture and Sequestration Tax Credit **Cut: \$1.1 billion**

Expensing of Exploration and Development Costs, Other Fuels **Cut: \$800 million**

DOE Fuel Technologies Program **Cut: \$200 million**

Municipal Solid Waste **Cut: \$200 million**

Biofuels

The biofuels industry has received government support for over thirty years, ever since the late 1970s. Corn ethanol has benefited from the trifecta of government support: tariffs to protect foreign competition, mandates to use ethanol, and subsidies to support its production. The industry is producing literally billions of gallons of ethanol every year now and it's time for taxpayer support to stop.

Biomass Crop Assistance Program	Cut: \$3.5 billion
Open Loop Biomass	Cut: \$800 million
Bioenergy Program for Advanced Biofuels	Cut: \$650 million
Re-Powering Assistance	Cut: \$350 million
Biodiesel Fuel Education Program	Cut: \$1 million

Coal

Coal, the driver of the industrial revolution and the most mature energy source around, still gets special taxpayer-funded subsidies. Whether its subsidizing their domestic manufacturing activities or allowing coal companies to treat royalties that they pay as capital gains, meaning they benefit from paying a lower tax rate, this hugely profitable industry costs taxpayers billions. Congress should end tax subsidies now for an energy source that's had literally hundreds of years to develop itself.

Domestic Manufacturing Deduction for Hard Mineral Fossil Fuels	Cut: \$2.3 billion
Expansion of Amortization for Certain Pollution Control Facilities	Cut: \$1.7 billion
Percentage Depletion Allowance (Coal)	Cut: \$1.3 billion
World Bank Capital Increase	Cut: \$1.2 billion
Capital Gains Treatment for Royalties on Coal	Cut: \$622 million
Expensing of Exploration and Development Costs	Cut: \$268 million
Certain Income and Gains Relating to Industrial Source Carbon Dioxide Treated as Qualifying Income for Publicly Traded Partnerships	Cut: \$67 million

Natural Gas

Natural gas couldn't have more excitement surrounding it if it won the next round of American Idol. With scores of analysts predicting huge natural gas booms and hundreds of members of Congress cosponsoring bills that will provide billions of new tax breaks for the industry, natural gas needs no help from the taxpayer. Yet the tax code hands out millions to natural gas, allowing them to depreciate distribution pipelines over 15, rather than 20, years or exempting them normal bond arbitrage rules. This industry does not need taxpayer money, and Congress should end the special treatment immediately.

Natural Gas Distribution Lines	Cut: \$1.2 billion
Exemption from Bond Arbitrage Rules for Natural Gas	Cut: \$85 million
Natural Gas Gathering Lines	Cut: \$10 million

Nuclear

The government provides cradle-to-grave support to the nuclear industry, an extremely mature and well understood technology that deserves to stand on its own two feet. Taxpayers help pay for basic nuclear energy research, new plant financing, production incentives, and nuclear waste management. On top of this, thanks to the Price-Anderson Act, taxpayers are the ones to foot what could be untold billions in the case of a catastrophic nuclear reactor event. It's time for nuclear power to pay for the cost of doing business and stop spending billions of taxpayer dollars.

Nuclear Waste Fund Liability Payments	Cut: \$16.2 billion
Mixed Oxide - Fissile Materials Disposition Construction	Cut: \$4.8 billion
Fusion Energy	Cut: \$4.6 billion
Non-Defense Environmental Cleanup	Cut: \$2.4 billion
Stand-by Support	Cut: \$2 billion
Modification to Special Rules for Nuclear Decommissioning Costs	Cut: \$943 million
Credit for Production of Advanced Nuclear	Cut: \$837 million
Nuclear Energy Enabling Technologies	Cut: \$737 million
Treatment of Certain Income of Electric Cooperatives	Cut: \$380 million

Demonstration Hydrogen Production	Cut: \$100 million
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Decommissioning Pilot Program	Cut: \$16 million
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Oil

There are a couple of basic truths about oil companies today--they are highly profitable, heavily subsidized, and well-connected in Washington. While this scenario makes for a very lucrative business model, it has and continues to needlessly cost taxpayers billions. The listed subsidies for the oil industry are outdated and must end now. Whether it's the oil industry benefiting from billions in mismanaged, royalty free leases in the late 90s, special tax subsidies when oil companies use "tertiary injectants" to get the most viscous oil out of a reservoir, or the "intangible drilling costs" provision which effectively allows oil companies to deduct to the cost of doing business, these subsidies must end.

Correcting 1990s Royalty Relief	Cut: \$20 billion
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Manufacturing Tax Deduction for Oil and Gas Companies (IRC Sec 199)	Cut: \$15.9 billion
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Percentage Depletion Allowance (Gas & Oil) (Excess of percentage of cost depletion)	Cut: \$10.8 billion
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Intangible Drilling Costs (Expensing of exploration and development costs)	Cut: \$8.3 billion
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Geological and Geophysical Amortization	Cut: \$1 billion
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Passive Loss Exemption	Cut: \$209 million
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Ultra-deepwater and Unconventional Natural Gas and other Petroleum Resources R&D	Cut: \$190 million
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Liberalize the Definition of Independent Producer	Cut: \$175 million
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Expensing for Tertiary Injectants	Cut: \$68 million
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Research and Development

The government spends billions every year doing research that should be done by private industry. Oil and gas companies have every financial incentive to explore new drilling techniques. Nuclear companies are well established and can fund their own research. Biofuels companies have benefited from thirty years of

government support and can fund their own research into the next phase of biofuels. Taxpayers should and do pay for basic research into the most nascent and least understood energy technologies, but these mature industries should pay for the research from which they will ultimately benefit.

Biological and Environmental Research - Biological Systems Science	Cut: \$3.4 billion
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Fossil Energy Research and Development	Cut: \$3.3 billion
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Department of Energy Biomass and Biorefinery R&D	Cut: \$2.1 billion
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Fuel Cycle Research and Development	Cut: \$1.5 billion
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Reactor Concepts Research and Development	Cut: \$1.5 billion
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Biomass Research and Development	Cut: \$320 million
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General

Total Cuts: \$421 million

Overseas Private Investment Corporation	Cut: \$421 million
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This corporation is a government-supported agency that subsidizes U.S. companies to invest in risky foreign markets by providing them direct and low-cost financing and insurance. While purported to help American small businesses compete in the global marketplace, the Overseas Private Investment Corporation (OPIC) actually provides subsidies to some of the largest multinational corporations in the world. In fact, many of the firms OPIC aids are large U.S. corporations, including McDonald's, DuPont, Citicorp, and Coca-Cola, all of which are very capable of obtaining loans and risk insurance in the private sector. Under current OPIC practices, Fortune 500 corporations gain healthy profits from their foreign investments while U.S. taxpayers are held financially responsible for any potential losses.

Infrastructure

Total Cuts: \$3.7 billion

Require Users to Cover 50% of Operations and Maintenance Costs on the Inland Waterways	Cut: \$3 billion
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Taxpayers cover a majority of the costs for building and maintaining the nation's inland waterways. This includes 100 percent of annual operations and maintenance expenses for such things as navigation dams and locks, which costs taxpayers nearly \$600 million per year.

Inland waterways users must begin shouldering more of the costs for constructing and operating the inland waterways system that makes their business possible. This can be done by requiring users to cover 50% of the annual operations and maintenance costs. Because not all rivers require the same amount of maintenance or receive the same amount of traffic, a sliding scale that modifies cost sharing requirements based on the national interest the specific waterway serves could be enacted. A net 50% cost share of operations and maintenance expenses will save taxpayers nearly \$3 billion over the next ten years.

End Army Corps of Engineers Beach Replenishment**Cut: \$702 million**

Beach replenishment projects are one of the most egregious examples of public dollars subsidizing private benefits. Beach nourishment is intended to address the problem of beach erosion. However, many experts concede that this process does not actually prevent erosion, but only provides a temporary solution to maintaining the width of a beach. Taxpayers thus pay millions every year to pump sand onto beaches; sand that inevitably and almost immediately washes back out to sea. The Army Corps of Engineers should be removed from providing this local benefit and its budget cut a corresponding amount.

Eliminate the Inland Waterways Users Board**Cut: \$3.9 million**

The Inland Waterways Users Board is a fully taxpayer funded advisory board that works against the interests of taxpayers. The Users Board is charged with making recommendations on the priorities for federal spending on Inland Waterways. Consisting solely of representatives of barge industry companies and Corps of Engineers personnel, however, the Board fails to take into account the interests of any other non-barge industry users of the nation's waterways or general taxpayers. The Users Board is an anachronistic entity that is no longer needed. Eliminating the Users Board will save more than \$3.9 million in administrative costs over the next 10 years, and untold billions in future savings from not having a taxpayer-funded advocate for many wasteful, overly complicated, and unnecessary projects.

National Security**Total Cuts: \$583.2 billion**

Reduce Spending on DoD Service Contractors by 15 Percent**Cut: \$300 billion**

Since 2000, the DoD has spent more than \$1.5 trillion dollars on service contractors, with the annual cost to taxpayers nearly tripling. In FY 2010 alone, DoD service contracts cost taxpayers more than \$200 billion, which is nearly \$50 billion more than the cost of all uniformed personnel (active duty, reserve, and national guard) employed by the DoD. Additionally, the GAO found that many contractors perform inherently governmental functions, and then-Secretary of Defense Robert Gates has said that he was "not satisfied with the progress to reduce our over-reliance on contractors," and in March he proposed cuts to contractor personnel that would save \$6 billion over several years. Similarly, the Senate Armed Services Committee has recommended cuts to DoD service contracts. Expanding and extending these cuts by reducing DoD service contractor spending by 15 percent would save taxpayers billions and was a priority initially championed by Gates himself. This 15 percent cut over the next ten years would save, at a minimum, \$30 billion per year and result in a total savings of approximately \$300 billion.

**Reduce Spending on Non-DoD
Federal Service Contractors by 15 Percent****Cut: \$72.5 billion**

Since 2000, the federal government has spent nearly a trillion dollars on non-DoD service contracting. In FY 2010 alone, national security non-DoD service contracts cost taxpayers more than \$48 billion (non-DoD national security agencies we are examining are the Department of Homeland Security, the State Department, U.S. Agency for International Development—however, there is national security spending in other agencies as well). This year, the White House proposed a 15 percent reduction in service contracting. Even greater efficiencies can be obtained based on an upcoming analysis conducted by POGO, which found that the average annual contractor billable rate was much more than the average annual full compensation for federal employees performing comparable services. Thus, national security non-DoD service contracts should be cut dramatically. A first step in that direction is capping non-DoD service contracts at \$41.1 billion, or roughly 85 percent of FY 2010 levels. This would save taxpayers \$72.54 billion over the next ten years.

Reform TRICARE**Cut: \$60 billion**

Healthcare consumes more than 8 percent of all DoD spending and is projected to explode in coming decades. Yet TRICARE premiums haven't risen in a decade. Every recent attempt by DoD to increase premiums or co-pays has been shot down by Congress and veterans' groups. Still, many fully employed military retirees opt for TRICARE over employer-provided care, which amounts to a government subsidy for employers. Reforming this system along the lines suggested by the Quadrennial Review of Military Compensation, a plan endorsed by former Defense Secretary Robert Gates, could save more than \$60 billion, based on estimates from the *Report of the Sustainable Defense Task Force*. The changes would mostly affect those ex-service personnel between the ages of 38 and 65 with other health insurance options available.

Replace the B and C Models of the F-35 with FA-18 E/F**Cut: \$ 43.6 billion**

The B and C models of the F-35 are the most expensive variants of the most expensive DoD procurement ever. The B model has been grounded due to technical problems and is the most complex of the three variants, which have driven cost overruns and schedule delays in the overall development phase of the program. Although the F/A-18E/F Super Hornets lack stealth and the F-35B's short takeoff and vertical landing capabilities, these F-35 models could be replaced by F/A-18E/Fs, which have many capabilities that rival the F-35 and—more importantly—cost far less, with a price of around \$42.7 million each versus the F-35's \$132.8 million each price tag. Additionally, according to a Naval Air Systems Command analysis, the F-35 will cost 40 percent more for operation and support (O&S) than FA-18s. From FY 2012 to FY 2021, a total of 422 B and C models are scheduled to be built. Replacing these with FA-18E/Fs would save \$38 billion in procurement costs alone, and the lower support costs of the FA-18 E/F would tack on another \$5.64 billion in savings.

Withdraw 20,000 Troops from Europe**Cut: \$30 billion**

Capping routine U.S. military presence in Europe at 35,000 troops and reducing force structure accordingly can save money through reduced personnel and operations & maintenance (O&M) costs such as military housing and transport, according to the *Report of the Sustainable Defense Task Force*. The U.S. has built a

unique capacity to deploy rapidly from offshore bases as needed, an approach which has both financial and strategic advantages. And in light of the low risk of conflict in Western Europe, taxpayer enthusiasm for subsidizing European countries' defense is eroding. Our estimate is based on CBO estimates of savings resulting from rolling back the "Grow the Force" initiative. This estimate is very conservative since DoD tends to underestimate outyear O&M costs.

**Downblend More Highly Enriched Uranium
and Sell as Low Enriched Uranium****Cut: \$23 billion**

The U.S. has an estimated 400 metric tons of excess highly enriched uranium (HEU). In 2010, the Project on Government Oversight (POGO) issued a report indicating that up to 300 metric tons of HEU was in excess of any possible security needs and could be downblended into low enriched uranium (LEU) and then sold to power nuclear facilities. This HEU is surplus material, not needed to maintain our weapons capability. The U.S. currently downblends only 2-3 metric tons per year. While there is a cost associated with increased downblending, it is a small investment compared to the amount we spend keeping this excess material secure. Both the jobs created by ramping up LEU production and the security risks associated with HEU are ample reason for downblending. With just a shoebox full of HEU, a terrorist could create an improvised nuclear device as powerful as the bomb dropped on Hiroshima. The POGO report estimates that if the U.S. downblended the 300 metric tons of HEU and sold the resultant LEU, it could make \$23 billion in revenue.

No Additional Production of V-22 Osprey**Cut: \$12 billion**

Procurement of V-22s should stop when the current multi-year procurement contract ends in FY 2012. As both the Fiscal Commission and the Sustainable Defense Task Force have noted, the 170 scheduled to be procured beyond that can be replaced by MH-60 or CH-53 helicopters, which would save approximately \$12 billion in procurement and operating costs. The V-22 is simply neither cost- nor operationally effective. Each V-22 costs \$122 million to build, and this cost has not translated into operational effectiveness. According to the Government Accountability Office (GAO), the V-22 costs over \$11,000 per hour to fly and had a full mission capability (FMC) rate of just 6 percent in Iraq.

Freeze Development of Military Space Program**Cut: \$11.3 billion**

Military space programs have a poor record of endemic cost and schedule overruns. The Space-Based Infrared System (SBIRS), intended to provide initial warning of a ballistic missile attack, is a classic example. Space development needs to adopt a "distributed architecture" approach that fields many smaller, cheaper satellites instead of mega-satellites like SBIRS. For that reason, the SBIRS program should be truncated after the current Block 4 development for a savings of \$2.1 billion. DoD has already stopped its involvement in another huge satellite system, the National Polar-Orbiting Environmental Space system (NPOESS), allowing DoD to eliminate the C-1 spacecraft platform used for the system's afternoon orbit for a savings of \$1.7 billion. Finally, terminating the Precision Tracking Space System (PTSS) because of redundancy with other missile defense and space programs would save \$7.5 billion, according to the CBO.

Freeze Development of the Ground-Based Missile Defense (GMD)**Cut: \$8 billion**

Several GMD (missile defense) technologies remain unproven or were tested under only highly managed conditions. CBO has suggested eliminating phases of the GMD program that would expand missile interceptors in Alaska and establish new ones in Europe until current systems are proven. This would still permit development of interceptors to protect the U.S. against missiles from Iran and North Korea, the main concern of the GMD program.

Cut Aircraft Carriers from 11 to 10 and Navy Wings from 10 to 9**Cut: \$7 billion**

The CBO estimates that from FY 2012 to FY 2021, about \$7 billion can be saved by retiring the USS George Washington in 2016 and accordingly reducing Navy force size by 5,600 sailors. This option also eliminates the administrative structure of the air wing associated with the carrier, but keeps the planes and redeploys the other ships in the carrier strike group to support other missions. For even further savings beyond the \$7 billion, these ships and planes could be retired out of service. The rationale for utilizing 10 aircraft carriers rather than 11 is within an acceptable margin of risk, according to the CBO: "Recent experience suggests that the Navy mobilizes 5 to 7 carriers to fight a major war, and the 10 carriers remaining in the fleet under this option would still provide a force of at least 5 or 6 carriers within 90 days to fight such a war." The CBO indicates that with 10 carriers, it is still possible for a seventh carrier to be deployed to an area of operations within 90 days and certainly within more than 90 days.

Cancel the Building of the Uranium Processing Facility**Cut: \$6 billion**

DOE is also looking to build the Uranium Processing Facility (UPF) at the DOE's Y-12 National Security Complex in Oak Ridge, Tennessee. The arguments to build the facility have been dwindling, while the cost has been climbing. For example, one of the proposed missions for the facility are LEPs for various warheads, yet most if not all of the scheduled LEPs are expected to be completed before the UPF is even built. A recent Army Corps of Engineers' assessment indicates that the project will cost \$6.5-\$7.5 billion. Several outside groups have questioned the need for the UPF, and suggested an investment in modernizing existing facilities to meet modern safety and mission requirements. While the facility was initially touted as a major advancement in technological readiness levels (TRL), a majority of these technological advances won't be attained by the time construction begins, according to the GAO. Thus, "NNSA may need to revert to existing or alternate technologies, possibly resulting in changes to design plans and space requirements that could delay the project and increase costs." Several hundred million dollars have already been appropriated for the facility, but at least \$6 billion in project costs can still be saved by cancelling the construction of this unnecessary facility. According to the Y-12 Ten Year Site Plan published in March 2009, a currently existing building, Building 9212, can safely accomplish the production mission intended for UPF for \$100 million in upgrades.

Halt Construction of the MOX Facility**Cut: \$4 billion**

Another wasteful DOE project, the mixed oxide fuel (MOX) facility at the Savannah River Site, has gradually grown more expensive and less justifiable since its inception. The cost is now estimated to be \$4.86 billion for the main and feedstock facilities, but is on the rise because of the high turnover of personnel. The facility is designed to recycle excess plutonium from dismantled weapons and turn it into MOX, which can

be sold to fuel nuclear power plants. Unfortunately, the materials required to create MOX (disassembled plutonium pits) aren't readily available and the only current buyer for MOX dropped the contract. The crisis at the Fukushima Dai-ichi power plant (which used MOX in one of its reactors) looks to be scaring potential buyers, possibly making the half-built Savannah River facility the manufacturer of a useless product. There's also a possible proliferation hazard, because recycling the plutonium could indicate to other nations that the U.S. approves of separated plutonium fuel programs, or could even lead to a reversal of the MOX process, allowing MOX fuel to be turned into weapons-grade material. As of January, nearly \$650 million had been spent on the facility. Eliminating further funding for this facility—which cannot make a product anyone will buy—could save taxpayers approximately \$4 billion.

Defer Development of Next-Generation Bomber**Cut: \$3.7 billion**

The DoD announced plans last year to begin developing a “next-generation” bomber aircraft to replace the Air Force’s B-52, B-1, and B-2 planes, which drop both nuclear and conventional bombs. The bomber is projected to cost at least \$55 billion over its lifetime, including development. The DoD claims that development needs to start now even though the B-52 can be operational until 2040 and the B-2 is undergoing continuous upgrades. In fact, Obama administration canceled a bomber program just last year, criticizing the original gold-plated design as unaffordable and pointing out that the current fleet was performing well and could meet foreseeable challenges with ongoing upgrades. CBO warned that the DoD’s weapons acquisition program, including the future bomber fleet, was in danger of breaking the military’s bank. Deferring development of costly next-generation weapons saves money and is low risk because of the robust nuclear delivery capabilities that will be available for several decades. The DoD estimates spending approximately \$3.7 billion on the new bomber from FY 2012 to FY 2016. (Savings would likely be greater, but we do not have estimates beyond FY 2016.)

Don't modernize B61 nuclear bombs in Europe**Cut: \$1.6 billion**

The U.S. bases 200 B61 nuclear gravity bombs in 5 European NATO countries— Belgium, Germany, Italy, Turkey, and the Netherlands. All of the U.S.’s B61 bombs are scheduled to be put through the Life Extension Program (LEP), including the 200 in Europe, and the overall cost of the B61 LEP is estimated to be about \$4.9 billion, according to the *Fiscal Year 2011 Stockpile Stewardship and Management Plan*. But, the U.S. is now in talks with NATO to remove all U.S. tactical nuclear weapons from Europe. Proceeding with removal of these bombs or having European NATO members fund the LEP program would save U.S. taxpayers approximately \$1.6 billion. Should NATO decide that the B61 bombs need to stay in Europe, it would be reasonable to ask that other NATO members pony up the money for putting the European bombs through the LEP process, as the bombs do little to improve American security. Secretary of Defense Robert Gates, before leaving office, called upon other NATO members to shoulder more of the cost burden for their own security, criticizing “those who enjoy the benefits of NATO membership—be they security guarantees or headquarters billets—but don't want to share the risks and the costs.”

Eliminate Funding for the M1 tank beyond the Pentagon's request**Cut: \$272 million**

In an effort to keep the M1A2SEP tank line “hot,” the House appropriated an additional \$272 million beyond the DoD’s request—this is the definition of an earmark for many Members of Congress and much of the public. The Army already has 1,547 of these tanks in active combat units and has not indicated a need for increasing production. This pork should be cut from the budget.

Cancel One Version of Littoral Combat Ship**Cut: \$160 million**

Based on Congressional Budget Office (CBO) estimates, the DoD could save approximately \$160 million in procurement costs from FY 2012 to FY 2021 by using just one LCS design. Also, a bipartisan group of Senators led by John McCain recently questioned the viability of the Austal variant. In addition, the Congressional Research Service notes that:

Managing the construction of two very different LCS designs could place increased demands on overall Navy program management capacities...factors that might increase the chances of program-management challenges in the LCS program or of the Navy not detecting in a timely manner construction-quality problems that might occur in one or both LCS designs.

The *Armed Forces Journal* has noted that, "With dozens of different systems on each design, sailors qualified to serve on one LCS or the other are no more qualified to serve on the other LCS class than an amphibious sailor." This will ultimately increase personnel costs and decrease military readiness.

Public Lands**Total Cuts: \$16.6 billion****Forests and Rangelands**

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

Special Tax Treatment for Timber Gain**Cut: \$4.4 billion**

Forest Products (Within Integrated Resource Restoration)**Cut: \$3.4 billion**

Amortization and Expensing of Reforestation Expenditures**Cut: \$2.4 billion**

Expensing of Timber Growing Costs**Cut: \$2.4 billion**

Money Losing Timber Sales**Cut: \$546 million**

Special Rules for Mining Reclamation Reserves**Cut: \$400 million**

Forest Service Timber Salvage Fund**Cut: \$280 million**

Use State Formulas to Set Grazing Fees	Cut: \$155 million
BLM Public Domain Forestry	Cut: \$97 million
Livestock Protection Program	Cut: \$65 million
Timber Purchaser Election Road Construction	Cut: \$20 million

Mining

Under the nearly 140-year old Mining Law of 1872, valuable taxpayer lands are virtually given away to international mining conglomerates that then amass enormous profits from mining, or simply turn around and sell the once taxpayer-owned land to the highest bidder. Also, unlike mining on private lands, mining companies pay no royalties for any minerals – gold, copper, uranium, etc. – removed from federal lands.

To add further insult to injury, these same mine companies often abandon their mines once they are no longer profitable, or declare bankruptcy, sticking taxpayers with the costly tab for mine cleanup. Taxpayer assets should be managed to the benefit of all taxpayers and extractive industries should be required to pay a royalty on extracted minerals and cover their costs of doing business on public lands.

Percentage Depletion Nonfuel Minerals	Cut: \$1 billion
1872 Mining Law Reform (royalty payment 12%)	Cut: \$866 million
Expensing and Exploration Nonfuel Minerals	Cut: \$600 million

Tax Expenditures

Total Cuts: \$624 billion

Modify the Mortgage Interest Deduction	Cut: \$390 billion
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The mortgage interest deduction enables homeowners to effectively deduct interest from up to \$1.1 million in debt used to buy, build, or improve their primary or second home. The Congressional Budget Office detailed a budget option that would, beginning in 2013, reduce the maximum mortgage eligible for the deduction by \$100,000 annually through 2019. This option would also convert the deduction to a tax credit and apply it only to interest on mortgages below this reduced limit (\$500,000). The deduction would convert to a 15% tax credit for interest paid under this cap and would better help achieve the purported goals of the existing deduction – making home ownership more affordable. The ten year total savings was calculated in 2009 at \$387 billion.

Foreign Tax Credit (FTC)

Cut: \$90 billion

The Foreign Tax Credit was established to prevent U.S. businesses—and U.S. citizens living abroad—from being double-taxed on income earned in foreign countries. The FTC allows U.S. companies and individuals to count foreign income taxes as a credit on taxes owed in the U.S. Unfortunately, the FTC contains a loophole that allows companies to shift income abroad to maximize the break. Companies have also obtained credits on “income taxes” that appear to be de facto royalty payments to foreign governments which would not be eligible for dollar-for-dollar credit against U.S. tax payments. Reforming the FTC by requiring companies to pool and report on all of their foreign income would provide more transparency for what is being counted as income tax that is eligible for a tax credit, and would reclaim an estimated \$51.4 billion in lost tax revenue from 2012-2021. Also, ending the practice of splitting foreign income and foreign taxes for accounting clarity would lead to \$37.7 billion in taxpayer savings over the same period.

Research and Development Tax Credit

Cut: \$60 billion

Companies doing research and experimentation in the United States receive a lucrative tax credit from this provision in the tax code. Companies that have benefited from this provision include Microsoft Corp., Boeing Co., United Technologies Corp., Electronic Data Systems Corp., and Harley-Davidson Motor Co.

Last In First Out Accounting (LIFO)

Cut: \$52.9 billion

Last-in, first-out (LIFO) accounting enables companies to move the most expensive inventory off of their balance sheets, and thereby reduce their taxable income, even though the actual movement of inventory occurs on a first-in, first-out (FIFO) basis in many industries. LIFO is already prohibited by International Financial Reporting Standards. The repeal of LIFO if applied to all industries would save \$52.9 billion over the next ten years. Oil and gas companies account for roughly half of the cost of LIFO.

Deduction of State and Local General Sales Taxes

Cut: \$28 billion

This provision was eliminated from the tax code in the 1986 reforms, but was brought back to life in recent years. It enabled taxpayers the option of deducting itemized state and local sales taxes from federal income tax, but only if they do not deduct state income tax. Therefore, the major beneficiaries are the residents of states that don't pay state income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

**Special Expensing Rules for
U.S. Film and Television Productions**

Cut: \$1.60 billion

In an effort to keep film and television production in the United States, filmmakers have the option of immediately deducting significant costs for most film or television productions. Under this provision producers can elect to expense in the current year the first \$15 million of production costs incurred in the U.S. (\$20 million if the costs are incurred in economically depressed areas in the U.S.). This can be used if at

least 75% of the costs are for services performed in the U.S. and is available for both blockbusters and those that go “directly to video cassette or any other format.”

Enhanced Charitable Deduction for Contributions of Food Inventory**Cut: \$920 million**

Congress has routinely extended an enhanced deduction for the charitable contribution of food inventory. Under this provision, the food must be “apparently wholesome food.” However, “wholesome” food isn’t necessarily healthful or even edible and is defined as “food intended for human consumption that meets all quality and labeling standards imposed by Federal, State, and local laws and regulations even though the food may not be readily marketable due to appearance, age, freshness, grade, size, surplus, or other conditions.”

Seven Year Straight Line Cost Recovery Period for Motorsports Entertainment Complexes**Cut: \$400 million**

Undercutting IRS rulings to the contrary, owners of motorsports entertainment complexes (aka NASCAR tracks) would be able to write-off the cost of their facilities on their taxes over seven years, instead of the standard 39 years for nonresidential property and 15 years for “improvements” (such as fences and roads), as long as the venue hosts an event within three years of its completion. Such an accelerated depreciation schedule increases the value of the yearly deduction for owners. Track owners have also gotten plenty of other tax breaks over the years from states and localities eager to get speedways. The provision encompasses all facilities including grandstands, parking lots, and concession stands.

Transportation**Total Cuts: \$84.5 billion**

General Revenue Transfers to Highway Trust Fund**Cut: \$72 billion**

In recent years, highway trust fund (HTF) balances have grown increasingly unstable due to reduced growth in vehicle miles travelled and increasing fuel efficiency. In a series of short-term fixes, Congress has made three transfers totaling \$34.5 billion since 2008 from the nation’s general revenues to keep the HTF in the black. Without changes to the funding levels established in the most recent transportation authorization, spending from the HTF is expected to exceed gas tax revenues by about \$72 billion over the next 10 years. The difference would have to be made up by additional transfers from the General Fund because federal law prohibits the HTF from incurring negative balances. This use of general revenues only adds to the nation’s trillion dollar deficits, undermines the ‘user-fee’ basis of the trust fund, and provides no incentive for the efficient building or maintaining of the transportation network. Congress should either locate new revenue sources to shore up the HTF or downsize the federal highway program so that spending matches revenues.

**Airport Improvement Program Grants
to General Aviation-Dominated Airports****Cut: \$10.9 billion**

The FAA's Airport Improvement Program — supported largely by airline ticket taxes — provides planning and development grants for large and small airports across the United States. The program has grown widely inclusive for general aviation airports that serve only recreational, cargo, and corporate jets: Not the airline passengers or airlines that ultimately pay the taxes. This cross-subsidy shifts money away from crowded commercial airports that struggle to expand under chronic congestion and outdated infrastructure. Congress should discontinue program grants for general aviation airports.

Essential Air Service (EAS) Program**Cut: \$1.6 billion**

The Essential Air Service (EAS) program was launched in the 1970s to ease the transition to airline deregulation by subsidizing commercial flights to the nation's rural airports. What exactly constitutes "essential" about this program remains a mystery; many of the cities served by this program can be found within reasonable driving distance from airports with unsubsidized flights. For example, the 50 minute flight from Lebanon, New Hampshire to Boston receives a subsidy of \$287 per passenger when it's only a little over an hour drive to another large airport, Manchester-Boston Regional Airport. Other EAS flight subsidies can amount up to \$1,000 per passenger. Eliminating this program from the FAA's budget has the potential to save \$1.63 billion over a 10-year period.

SECTION II: MORE COMMON SENSE CUTS

There are billions of additional dollars taxpayers can save if Congress implements cuts that may not technically qualify as cuts under Congressional budget rules. These common sense cuts include programs or policies that are technically ending but common sense, and history, show that they most likely will be extended incurring costs on taxpayers. Also included below are items for which Congress routinely underestimates their cost or uses accounting gimmicks to hide the real long term liabilities faced by taxpayers.

Agriculture

Volumetric Ethanol Excise Tax Credit (VEETC)

Cut: \$64.7 billion

VEETC is the largest direct subsidy to corn ethanol. The tax credit was created more than 30 years ago in response to U.S. oil shortages. VEETC exempts the ethanol portion of gasoline blends from gasoline excise taxes and establishes a tax credit for ethanol use. This massive subsidy does not go to family corn farmers or even agro-businesses or ethanol producers. Instead, the benefits go almost entirely to oil companies, such as Shell Oil, that blend the ethanol with traditional fuel. Under current law, VEETC is set to expire December 31, 2011, but that was also the case last year and it was extended. Currently worth 45 cents per gallon of ethanol blended with gasoline, eliminating VEETC instead of extending it ten years could save taxpayers nearly \$65 billion.

Volumetric Biodiesel Excise Tax Credit and Renewable Biodiesel Tax Credit

Cut: \$12.3 billion

The biodiesel tax credit gives \$1.00 to blenders for every gallon of biodiesel they mix with gasoline. The biodiesel tax credit expired at the end of 2009 but was reinstated at the end of 2010. It was passed retroactively for 2010 and will expire in 2011 unless Congress extends it again. This reflects the cost to taxpayers if the biodiesel tax credit is extended for the next decade.

Energy

Biorefinery Assistance

Cut: \$6.7 billion

Biorefinery Assistance is a loan guarantee program that helps develop new and emerging advanced biofuel technologies. The maximum loan guarantee for a single entity is \$250 million and can go towards development, construction, or retrofitting of refineries. Because it is a loan guarantee program, this total represents the total liability taxpayers could shoulder over the next decade.

End Title XVII Loan Guarantee Program

Cut: \$51 billion

The Department of Energy (DOE) Loan Guarantee Program was created to provide loan guarantees for innovative emerging energy technologies, yet mature industries like coal and nuclear are eligible as well. More than \$50 billion in taxpayer backed loan guarantee authority is available. There are several major taxpayer problems with the program: the massive scope and uncertain costs; high default rates and low recovery rates on capital intensive projects, like nuclear reactors; the weakening of taxpayer rights in the event of default; and the unclear administration of loans. In addition to the loan guarantee authority, the DOE also received \$4 billion in appropriated funds to pay the credit subsidy costs for renewable energy, energy efficiency, and electric power transmission projects in the 2009 Stimulus.

Correcting 1990s Royalty Relief

Cut: \$30 billion

Oil Royalty Relief

Cut: \$9.8 billion

Gas Royalty Relief

Cut: \$738 million

Oil and gas companies that drill on public lands or off-shore pay for the oil and gas they remove in the form of royalties. Because of out-dated energy policy and lax oversight, oil and gas companies often pay little or no royalties to the owners of the resource – U.S. taxpayers. Furthermore, generous royalty relief provisions enacted in the 1990s enabled many companies to avoid paying royalties at all on leases sold from 1996-2000. The total cost to taxpayers could exceed \$50 billion over the next 25 years. Since this is longer than the 10-year budget window considered by CBO, we have pro-rated \$20 billion in Section I and \$30 billion in Section II.

Price-Anderson Act

Originally enacted by Congress in 1957 as a temporary shield to the nuclear industry as it struggled to get off the ground, the Price-Anderson Act has become a near-permanent fixture of the federal government's support of nuclear power. The Act requires nuclear operators to maintain only roughly \$300 million in insurance and then requires taxpayers to bear any additional costs from a nuclear accident. If there were to be any problems at a nuclear reactor, taxpayers could be forced to pay tens of billions to cover cleanup and health impacts.

Liability Limitations for Offshore Drilling

Under the Oil Pollution Act, oil companies are responsible for all direct costs of containment and clean-up in case of an oil spill but are legally responsible for only \$75 million in federal damages from the oil spill. Any additional costs would be borne by the injured parties, or by taxpayers. The economic damages, including the loss of fishing and tourism dollars, could be tens of billions of dollars, as was demonstrated in the BP oil spill.

General

Shift Congressional Pensions to Defined Contribution

Congress benefits from an elaborate and lucrative pension system that is more generous than is available to government employees. While most Americans have a defined contribution system that they pay into like a 401(k) retirement plan, simply remaining in office is key to increasing the annual pension for lawmakers. Aside from the savings, shifting Congress from a defined benefit to defined contribution plan would more readily align lawmakers' interests with their working constituents.

Infrastructure

Upper Mississippi River Navigation Locks Project

Cut: \$ 2.1 billion

Despite continued decreases in barge traffic, cost-overruns, and a history of wildly exaggerated economic assumptions, the Army Corps of Engineers seeks to spend billions constructing new and enlarged navigation locks on the Upper Mississippi River-Illinois Waterway. The Mississippi River-Illinois Waterway Navigation Expansion Project is mainly just a fix for occasional barge transportation delays that occur at river locks during high traffic times. The Corps claims that seven brand new, longer locks, at the low, low price of more than \$2 billion, will solve our rush hour problem and also prepare for a ridiculously optimistic increase in barge transportation on these waterways. In 2000, the U.S. Army Inspector General found that Corps economists were ordered to exaggerate the demand for future barge traffic, and several Corps officials were slapped on the wrist. In addition, the National Academy of Sciences has consistently criticized the Corps' plans to build the new locks, saying that the Corps should pursue cheaper measures like scheduling, tradable lockage fees, and helper boats, before even contemplating spending money on new or expanded locks. By implementing these alternative solutions taxpayers could get improved efficiency of the Upper Mississippi River-Illinois Waterway at a fraction of the cost.

Eliminate the Environmental Infrastructure Program of the Army Corps of Engineers

Cut: \$1.4 billion

The Army Corps of Engineers' Environmental Infrastructure program duplicates and undermines other more cost-effective and accountable governmental programs. Under this program, Congress designates a state, city, or county for environmental infrastructure funding, which includes municipal water supply, drinking water treatment, and wastewater treatment projects. Congress then earmarks grants for 65-75% of the costs for unspecified water projects in these areas with no strings attached. The necessity, value, and effectiveness of these projects is difficult to determine because the program is fully earmarked and the projects are not subject to standard economic analyses. The water projects funded under this program are not the legislated primary mission areas for the Corps (navigation, flood and storm damage reduction, and environmental restoration), but instead directly compete with those missions for limited funding. The complete earmark nature of this program may preclude funding because of the current earmark moratorium. This program has never been included in any president's budget, and it should not be included in any Congressional budget either.

**Inner Harbor Navigation Canal (Industrial Canal)
Lock Replacement Project – New Orleans**

Cut: \$ 1.1 billion

The Industrial Canal is a manmade waterway running through New Orleans that connects the Mississippi River and the Gulf Intracoastal Waterway. For years Congressional representatives from Louisiana have earmarked federal funds to continue the Army Corps of Engineers' efforts to replace the existing lock with a longer, deeper lock suitable for ocean-going vessels. This in spite of the fact that increased barge traffic and traffic delays predicted by the Corps have not only failed to materialize, but traffic has actually decreased. In addition the original Corps economic analysis found the deep draft lock was not the most economically beneficial project for the lock, but recommended it be constructed because of the willingness of the Port of New Orleans to shoulder a higher share of the costs. The Port has since pulled out of this agreement, leaving federal taxpayers holding the bill. And recently a federal court ordered the Corps of Engineers to halt construction because the Corps failed to adequately consider whether a deep-draft lock would be viable.

Delaware River Deepening Project – New Jersey and Delaware

Cut: \$230 million

Despite opposition from the states of Delaware and New Jersey, the Army Corps of Engineers continues to pursue the uneconomical deepening of the Delaware River's main channel. The project, which would increase the River's depth to 45 feet from 40 feet for 105 miles, is intended to attract deeper draft cargo ships. In reality the ships aren't going to come and the reduced transportation costs for a handful of oil refineries does not offset the heavy price tag of the project. The Government Accountability Office (GAO) has repeatedly criticized the Corps' economic assumptions underlying this project.

Dallas Floodway Extension

Cut: \$ 160 million

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

Grand Prairie Area Demonstration Project – Arkansas

Cut: \$110 million

The Grand Prairie Area Demonstration Project is a subsidized pump to provide subsidized water to grow subsidized crops and would be a first-step by the Corps of Engineers into the agriculture irrigation business. A century of unsustainable irrigation for rice farming in eastern Arkansas has left the area's main irrigation aquifer severely depleted and is now threatening the region's deeper drinking water aquifer. Rather than promoting proven efficiency and conservation techniques on the area's farms, the Corps of Engineers proposes building a pumping station and 650-mile long canal and pipeline system to draw water from the White River.

Fort Worth Central City Project – Texas

Cut: \$81 million

The Central City project is just one portion of a larger project known as the Trinity River Vision, the total cost of which has increased to nearly \$1 billion. The Central City Project is an Army Corps of Engineers flood control effort to reroute the Trinity River in Fort Worth, Texas through construction of a new dam, a 1.5 mile long bypass channel, and numerous flood gates in order to create an urban waterfront community. The Army Corps of Engineers is slated to pick up \$110 million of the \$435 million Central City tab, with other federal and local taxpayer sources making up the rest. The Corps should better utilize its flood control dollars, rather than spending millions on speculative development.

St. Johns Bayou/New Madrid Floodway Project – Missouri

Cut: \$ 80 million

Any notion the *St. Johns/New Madrid Floodway* project was a good idea was washed away when the Corps responded to record flood heights threatening Cairo, Illinois by blasting the Birds Point levee on May 2, 2011, sending the Mississippi River cascading down the 130,000 acre natural floodway. The New Madrid Floodway is one of the last remaining natural floodways on the river, yet for years the Corps has sought to build levees and pumping stations to cut it off from the river. This flood protection project would actually increase flooding risks while inducing development in the floodway; costing taxpayers millions more in damages the next time the floodway is operated.

National Security

Halt Construction of CMRR Nuclear Facility at Los Angeles

Cut: \$2.9 billion

The Chemistry and Metallurgical Research Replacement-Nuclear Facility (CMRR-NF) is a new palatial building the National Nuclear Security Administration (NNSA) wants to build at Los Alamos National Laboratory. The CMRR project includes both the already-built Radiological Laboratory/Utility/Office Building (RLUOB) as well as the planned CMRR-NF. The project will cost \$3.7 to \$5.8 billion—at least by current estimates—but the cost has increased ten-fold since the project's inception, and final estimates are not due until 2013. There are serious questions about the risks associated with the CMRR-NF, not the least of which are that it will be storing six metric tons of plutonium in an active seismic zone. Several hundred million dollars have already been appropriated and excavation has begun, despite the fact that the design is only 50 percent complete.

Transportation

I-710 Tunnel Project – California

Cut: \$11.8 billion

The Interstate 710 tunnel outside of Los Angeles has been estimated to cost upwards of \$14 billion, though estimates vary so widely as to be essentially useless. The project claims to solve congestion on portions of LA's highway system, but those claims seem to be dubious at best. It is unclear for what portion of the

project federal taxpayers will be asked to pay, but the potential for extreme cost overruns and the questionable transportation benefits make this a project that should be scrapped.

Columbia River Crossing – Oregon and Washington**Cut: \$3.6 billion**

This project would construct a newly combined highway-transit bridge over Columbia River to ease Portland-bound commuter congestion. For such a costly undertaking, the new capacity is estimated to reduce morning commute times by only 60 seconds. Furthermore, state DOTs are justifying the project with an estimated 45 percent increase in vehicle crossings by 2030; a percentage based on 2005 fuel prices. With substantial portions of the project to be paid for with tolling the new bridge facility, it comes as no surprise that local leaders and stakeholder groups are sounding alarm over the project's faulty traffic projections. Federal taxpayers have already footed \$110 million to make these flawed analyses. Congress should deny state requests for one-third of the project's billion dollar price tag and require more cost-effective alternatives.

I-73 Project – South Carolina**Cut: \$2.4 billion**

Plans to connect the South Carolina's I-95 to the Atlantic coast with an interstate recently got a push forward when the state received \$300 million in stimulus funds to complete the project's first interchange. The \$2.4 billion interstate— no more than 50 miles from an existing, high-capacity U.S. highway — will be the most expensive transportation project in South Carolina's history and is estimated to shorten current travel times to the Myrtle Beach region by no more than 15 minutes. Furthermore, simply upgrading the parallel highway would meet every goal being outlined by the interstate proponents yet cost only \$150 million. With only 33% of South Carolina's existing roadways in "good" condition, taxpayers are left wondering why South Carolina is pushing to build this wasteful, federally funded interstate while neglecting long-needed repairs.

Knik Arm Crossing – Alaska**Cut: \$1.5 billion**

The sister project of the now infamous "Bridge to Nowhere" recently received the blessing of the U.S. Department of Transportation, which approved the final environmental assessment required before any additional work could continue. The project would link Anchorage to the sparsely populated area around Point McKenzie in the Mat-Su Valley. The project can only be built with a public-private partnership, which would be paid for through the collection of a bridge toll. But estimates of the amount of traffic that will use the bridge appear overly optimistic, and therefore the expected toll revenue is almost sure to fall short of paying for the project for many years after it is built. This would likely leave federal taxpayers on the hook for untold millions of dollars to make up the shortfall.

**Outer Bridge Portion of Ohio River Bridges Project
– Indiana and Kentucky****Cut: \$1.5 billion**

The outer, or eastern, bridge portion of this project would be a new interstate highway (I-265) and Ohio River bridge in the eastern suburban area of Louisville. It would connect the Gene Snyder Freeway in Kentucky (KY 841) to the Lee Hamilton Highway in Indiana (State Road 265). The project, which the

Environmental Protection Agency calls “redundant”, is a developer’s dream. It would open up vast quantities of land in Indiana for development.

Hartford-New Britain Busway - Connecticut**Cut: \$573 million**

This planned bus rapid transit system is aimed at providing congestion relief on I-81. But for the \$573 million, the new service will only add 5,000 additional riders by 2030 to the bus service already in place on the corridor. This small number is unlikely to have any impact on I-81’s congestion. It’s also unclear why the 10-mile stretch has become so costly considering the fact that Cleveland, Ohio, constructed a similar busway through a heavily urbanized area at far less cost. As evidence of this project’s shortcomings, the Federal Transit Administration has given the project both a project justification rating and overall project rating a medium.

Juneau Access Road – Alaska**Cut: \$500 million**

The Juneau Access project would consist of a new 50-mile road out of Juneau that would connect to a ferry terminal for the last 18-mile journey to connect to either Haines or Skagway, with driving access to the interior of the state. Due to the treacherous terrain, the road would be closed at least one month every year, and the journey would likely require several days of driving in each direction from most parts of Alaska. In addition, the challenging terrain makes the construction of this road a questionable proposition and raises significant questions about cost overruns and project feasibility. Most of the funding for this project has not yet been identified, but proponents assume that the vast majority will come from federal taxpayers.

**St. Croix River Crossing Project/Stillwater Bridge
– Minnesota and Wisconsin****Cut: \$400 million**

The historic, two-lane Stillwater Bridge spans the St. Croix River, connecting Stillwater, Minnesota and Houlton, Wisconsin, just east of Minneapolis-St. Paul. The Minnesota Department of Transportation (MnDOT) proposes to build a new four-lane, one-mile bridge between Oak Park Heights, Minnesota and Houlton, Wisconsin, about one mile south of the existing bridge. A large, new bridge is unnecessary because an already expanded Interstate 94 bridge crosses the St. Croix just to the south; a smaller project with a more appropriate scale and lower cost should be considered instead. The National Park Service recently put a hold on the project, after finding that a new bridge and tearing down the old bridge would have adverse impacts on the St. Croix, which is listed as a national Wild and Scenic River, and the project will now require an act of Congress if it is to be built.

Rail Line Relocation Program**Cut: \$350 million**

In the President’s FY2012 budget, he proposed cutting the Rail Line Relocation Program (which received \$34.5 million in FY2010 and FY2011) because a merit-based program exists that accomplishes the same end and allows states to decide how the money should be spent.

Gravina Island Access – Alaska**Cut: \$300 million**

Yes, the “Bridge to Nowhere” lives on. Though the bridge project was cancelled by then-Governor Sarah Palin in late 2007, the state completed construction of the \$26 million 3-mile Gravina Access Highway, which would have served as the bridge access if the bridge was built. To avoid having to pay back to the federal government the money it spent on this “highway”, the state is conducting an assessment of the project to show how it will utilize the newly constructed road. The assessment is underway, but this charade should be stopped once and for all, and taxpayers assured that this monstrosity is killed for good.

Charlottesville Bypass (VA)**Cut: \$197 million**

The proposed Charlottesville Bypass is a 6.2 mile, four lane limited access highway intended to act as a reliever route for the congested U.S. 29 corridor. This bypass is extremely expensive as compared to other similar projects and will cost almost \$40 million per mile. Furthermore, state transportation officials found that none of the bypass alternatives would have much, if any, impact on the “F level of service” rating on the existing U.S. 29 corridor. More fiscal responsible alternatives such as overpass and design improvements to U.S. 29 have shown promise of achieving the same goals without the local opposition that has developed against the bypass. Congress should block any federal funding for this wasteful roadway.



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Appendix: Cuts by Program Area, Alphabetical

SECTION I: SUPER COMMITTEE SAVINGS		
Proposed Cut	SAVINGS	Program Area
Eliminate Commodity Crop Subsidies	\$52.1 billion	Agriculture
Eliminate Crop Insurance Premium Subsidies	\$23.6 billion	Agriculture
Environmental Quality Incentives Program—CAFOS	\$14 billion	Agriculture
Foreign Market Development Program	\$335 million	Agriculture
Market Access Program	\$2 billion	Agriculture
Production Tax Credit for Cellulosic Ethanol	\$738 million	Agriculture
Volumetric Biodiesel Excise Tax Credit and Renewable Biodiesel Tax Credit	\$300 million	Agriculture
Volumetric Ethanol Excise Tax Credit (VEETC)	\$1.3 billion	Agriculture
Biodiesel Fuel Education Program	\$1 million	Energy
Bioenergy Program for Advanced Biofuels	\$650 million	Energy
Biological and Environmental Research - Biological Systems Science	\$3.4 billion	Energy
Biomass Crop Assistance Program	\$3.5 billion	Energy
Biomass Research and Development	\$320 million	Energy
Capital Gains Treatment for Royalties on Coal	\$622 million	Energy
Certain Income and Gains Relating to Industrial Source Carbon Dioxide Treated as Qualifying Income for Publicly Traded Partnerships	\$67 million	Energy
Correcting 1990s Royalty Relief	\$20 billion	Energy
Credit for Alternative Fuel Mixtures	\$1.8 billion	Energy
Credit for Investment in Clean Coal Facilities	\$1.8 billion	Energy
Credit for Production of Advanced Nuclear	\$837 million	Energy

Proposed Cut	SAVINGS	Program Area
Decommissioning Pilot Program	\$16 million	Energy
Demonstration Hydrogen Production	\$100 million	Energy
Department of Energy Biomass and Biorefinery R&D	\$2.1 billion	Energy
DOE Fuel Technologies Program	\$200 million	Energy
Domestic Manufacturing Deduction for Hard Mineral Fossil Fuels	\$2.3 billion	Energy
Election to Expense 50 Percent of Qualified Property Used to Refine Liquid Fuels (Oil Shale and Tar Sands Refineries)	\$5.4 billion	Energy
Excess of Percentage Over Cost Depletion, Other Fuels	\$1.4 billion	Energy
Exemption from Bond Arbitrage Rules for Natural Gas	\$85 million	Energy
Expansion of Amortization for Certain Pollution Control Facilities	\$1.7 billion	Energy
Expensing of Exploration and Development Costs (Coal)	\$268 million	Energy
Expensing of Exploration and Development Costs, Other Fuels	\$800 million	Energy
Expensing of Tertiary Injectants	\$68 million	Energy
Fossil Energy Research and Development Program	\$3.3 billion	Energy
Fuel Cycle Research and Development	\$1.5 billion	Energy
Fusion Energy	\$4.6 billion	Energy
FutureGen 2.0	\$1.3 billion	Energy
Geological and Geophysical Amortization	\$1 billion	Energy
Industrial CO2 Capture and Sequestration Tax Credit	\$1.1 billion	Energy
Intangible Drilling Costs (Expensing of Exploration and Development Costs)	\$8.3 billion	Energy
Liberalize the Definition of Independent Producer	\$175 million	Energy
Manufacturing Tax Deduction for Oil and Gas Companies (IRC Sec. 199)	\$15.9 billion	Energy
Mixed Oxide - Fissile Materials Dispositions - Construction	\$4.8 billion	Energy

Proposed Cut	SAVINGS	Program Area
Modification to Special Rules for Nuclear Decommissioning Costs	\$943 million	Energy
Municipal Solid Waste	\$200 million	Energy
Natural Gas Distribution Lines	\$1.2 billion	Energy
Natural Gas Gathering Lines	\$10 million	Energy
Non-Defense Environmental Cleanup	\$2.4 billion	Energy
Nuclear Energy Enabling Technologies	\$737 million	Energy
Nuclear Waste Fund Liability Payments	\$16.2 billion	Energy
Open Loop Biomass	\$800 million	Energy
Passive Loss Exemption	\$209 million	Energy
Percentage Depletion Allowance (Coal)	\$1.3 billion	Energy
Percentage Depletion Allowance (Gas & Oil) (Excess of Percentage of Cost Depletion)	\$10.8 billion	Energy
Reactor Concepts Research and Development	\$1.5 billion	Energy
Re-Powering Assistance	\$350 million	Energy
Stand-by Support (Nuclear Energy)	\$2 billion	Energy
Tax Credit and Deduction for Clean-Fuel Burning Vehicles	\$1.6 billion	Energy
Treatment of Certain Income of Electric Cooperatives	\$380 million	Energy
Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Resources R&D	\$190 million	Energy
World Bank Capital Increase	\$1.2 billion	Energy
Overseas Private Investment Corporation	\$421 million	General
Eliminate the Inland Waterways Users Board	\$3.9 million	Infrastructure
End Army Corps of Engineers Beach Replenishment	\$702 million	Infrastructure
Require Users to Cover 50% of Operations and Maintenance Costs on the Inland Waterways	\$3 billion	Infrastructure

Proposed Cut	SAVINGS	Program Area
Cancel the Building of the Uranium Processing Facility	\$6 billion	National Security
Cancel One Version of Littoral Combat Ship	\$160 million	National Security
Cut Aircraft Carriers from 11 to 10 and Navy Wings from 10 to 9	\$7 billion	National Security
Defer Development of Next Generation Bomber	\$3.7 billion	National Security
Don't Modernize B61 Nuclear Bombs in Europe	\$1.6 billion	National Security
Downblend More Highly Enriched Uranium and Sell as Low Enriched Uranium	\$23 billion	National Security
Eliminate Funding for the M1 Tank Beyond the Pentagon's Request	\$272 million	National Security
Freeze Development of Ground-Based Missile Defense (GMD)	\$8 billion	National Security
Freeze Development of Military Space Programs	\$11.3 billion	National Security
Halt Construction of the MOX Facility	\$4 billion	National Security
No Additional Production of V-22 Osprey	\$12 billion	National Security
Reduce Spending on DoD Service Contractors by 15 Percent	\$300 billion	National Security
Reduce Spending on Non-DoD Federal Service Contractors by 15 Percent	\$72.5 billion	National Security
Reform TRICARE	\$60 billion	National Security
Replace the B and C Models of the F-35 with FA-18 E/F	\$43.6 billion	National Security
Withdraw 20,000 Troops from Europe	\$30 billion	National Security
1872 Mining Law Reform (royalty payment 12%)	\$866 million	Public Lands
Amortization and Expensing of Reforestation Expenditures	\$2.4 billion	Public Lands
BLM Public Domain Forestry	\$97 million	Public Lands
Expensing and Exploration Nonfuel Minerals	\$600 million	Public Lands
Expensing of Timber Growing Costs	\$2.4 billion	Public Lands
Forest Products (Within Integrated Resource Restoration)	\$3.4 billion	Public Lands

Proposed Cut	SAVINGS	Program Area
Forest Service Timber Salvage Fund	\$280 million	Public Lands
Livestock Protection Program	\$65 million	Public Lands
Money Losing Timber Sales	\$546 million	Public Lands
Percentage Depletion Nonfuel Minerals	\$1 billion	Public Lands
Special Rules for Mining Reclamation Reserves	\$400 million	Public Lands
Special Tax Treatment for Timber Gain	\$4.4 billion	Public Lands
Timber Purchaser Election Road Construction	\$20 million	Public Lands
Use State Formulas to Set Grazing Fees	\$155 million	Public Lands
Deduction of State and Local General Sales Tax	\$28 billion	Tax Expenditures
Enhanced Charitable Deduction for Contributions of Food Inventory	\$920 million	Tax Expenditures
Foreign Tax Credit (Pooling and Dual)	\$90 billion	Tax Expenditures
Last in, First Out Accounting (LIFO)	\$52.9 billion	Tax Expenditures
Modify the Mortgage Interest Deduction	\$390 billion	Tax Expenditures
Research and Development Tax Credit	\$60 billion	Tax Expenditures
Seven Year Straight Line Cost Recovery Period for Motorsports Entertainment Complexes	\$400 million	Tax Expenditures
Special Expensing Rules for U.S. Film and Television Productions	\$1.6 billion	Tax Expenditures
Airport Improvement Program Grants to General Aviation-Dominated Airports	\$10.9 billion	Transportation
Essential Air Service Program	\$1.6 billion	Transportation
General Revenue Transfers to Highway Trust Fund	\$72 billion	Transportation

SECTION II: MORE COMMON SENSE CUTS		
Proposed Cut	SAVINGS	Program Area
Volumetric Biodiesel Excise Tax Credit and Renewable Biodiesel Tax Credit	\$12.3 billion	Agriculture
Volumetric Ethanol Excise Tax Credit (VEETC)	\$64.7 billion	Agriculture
Biorefinery Assistance	\$6.7 billion	Energy
Correcting 1990s Royalty Relief	\$30 billion	Energy
End Title XVII Loan Guarantee Program	\$51 billion	Energy
Gas Royalty Relief	\$1.6 billion	Energy
Liability Limitations for Offshore Drilling	-	Energy
Oil Royalty Relief	\$9.8 billion	Energy
Price-Anderson Act	-	Energy
Shift Congressional Pensions to Defined Contributions	-	General
Dallas Floodway Extension - Texas	\$160 million	Infrastructure
Delaware River Deepening Project - New Jersey and Delaware	\$230 million	Infrastructure
End the Army Corps of Engineers Environmental Infrastructure Program	\$1.4 billion	Infrastructure
Fort Worth Central City Project - Texas	\$81 million	Infrastructure
Grand Prairie Area Demonstration Project - Arkansas	\$110 million	Infrastructure
Inner Harbor Navigation Canal (Industrial Canal) Lock Replacement Project - Louisiana	\$1.1 billion	Infrastructure
St. Johns Bayou Basin/New Madrid Floodway Project - Missouri	\$80 million	Infrastructure
Upper Mississippi River - Illinois Waterway Navigation Expansion Project	\$2.1 billion	Infrastructure
Halt construction of CMRR nuclear facility at Los Angeles	\$2.9 billion	National Security
Charlottesville Bypass - Virginia	\$197 million	Transportation
Columbia River Crossing - Oregon and Washington	\$3.6 billion	Transportation

Proposed Cut	SAVINGS	Program Area
Gravina Island Access - Alaska	\$300 million	Transportation
Hartford-New Britain Busway - Connecticut	\$573 million	Transportation
I-710 Tunnel Project - California	\$11.8 billion	Transportation
I-73 Project - South Carolina	\$2.4 billion	Transportation
Juneau Access Road - Alaska	\$500 million	Transportation
Knik Arm Crossing - Alaska	\$1.5 billion	Transportation
Outer Bridge Portion of Ohio River Bridges Project - Indiana and Kentucky	\$1.5 billion	Transportation
Rail Line Relocation Program	\$350 million	Transportation
St. Croix River Crossing Project/Stillwater Bridge - Minnesota and Wisconsin	\$400 million	Transportation