



B-271858

May 2, 1996

The Honorable Sam Brownback  
House of Representatives

Dear Mr. Brownback:

Because of your interest in opportunities to both reduce federal spending and protect the environment, you asked us to summarize previously issued work on federal subsidy and related programs that may affect the environment. Specifically, you asked us to summarize our recent work on spending programs that have been identified by the Green Scissors Campaign as both environmentally harmful and wasteful of taxpayers' dollars. The campaign is a joint effort by 23 private organizations representing environmental and taxpayer concerns. The campaign published a report in February 1996 that proposed reductions and other changes in 47 federal programs.<sup>1</sup>

In the enclosure to this letter, we summarize information and observations from our recent work on 23 of the Green Scissors proposals. It is important to note that on some of the Green Scissors proposals we have drawn no conclusions and made no recommendations, but have recently reported to the Congress information relevant to the proposal. In these cases, we indicate that we are reporting information pertaining to the proposals. In other cases, where we are on record with conclusions related to Green Scissors proposals, we summarize our conclusions pertaining to the proposals. Whenever we comment on a Green Scissors proposal, we list our most recently published work and provide the name and phone number of a GAO contact. Consistent with our recent publications on the budgetary implications of our work, we grouped our comments according to budget function categories.

We plan no further distribution of this correspondence until 10 days from the date of this letter, unless you publicly announce its contents earlier. At that

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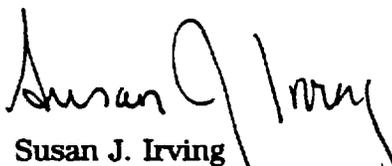
<sup>1</sup>Green Scissors '96: Cutting Wasteful and Environmentally Harmful Spending and Subsidies (Washington, D.C.: Friends of the Earth, February 1996).

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time, we will release copies to interested parties. Principals contributors were David Marwick of the Environmental Protection Issues group and Timothy L. Minelli of the Budget Issues group. If you or your staff have any questions about this information, please call Peter F. Guerrero at (202) 512-6111 or Susan J. Irving at (202) 512-9142.



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**Susan J. Irving**  
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Enclosure

GAO INFORMATION AND OBSERVATIONS ON "GREEN SCISSORS" PROPOSALSTable 1: National Defense (Budget Function 050)

Green Scissors proposal	GAO information and observations	Latest GAO report and contact
<p>Terminate Livermore Lab National Ignition Facility.</p>	<p>The Department of Energy's laboratory network is comprised of approximately 30 labs, with a budget of about \$8 billion. Recent shifts in national priorities raise questions about the need for all these labs. In a January 1995 report, we suggested that the Congress should reconsider the role and mission of the labs, which could be restructured in various ways. For example, in 1995 the Galvin Task Force examined a transfer of most of the nuclear weapons functions of Lawrence Livermore Laboratory to Los Alamos Laboratory.</p>	<p><u>Department of Energy: National Laboratories Need Clearer Mission and Better Management</u> (GAO/RCED-95-10, January 27, 1995).</p> <p>GAO contact: Victor S. Rezendes (202) 512-3841</p>

Table 2: International Affairs (Budget Function 150)

Green Scissors proposal	GAO information and observations	Latest GAO report and contact
<p>Terminate any U.S. government financial guarantees for the Temelin reactor.</p>	<p>In June 1995 we reported information on the Export-Import Bank's loan guarantee for the Temelin nuclear power plant. We reported that U.S. government officials believe that Western technology can make the Soviet-designed Temelin reactors safer, as well as provide more than \$330 million in U.S. export earnings. We reported that Export-Import Bank's General Counsel concluded that the chances are small that the Bank would be held liable in any court for damages in the event of a nuclear incident at the Temelin plant.</p>	<p><u>Nuclear Safety: U.S. Assistance to Upgrade Soviet-Designed Nuclear Reactors in the Czech Republic</u> (GAO/RCED-95-157, June 28, 1995).</p> <p>GAO contact: Victor S. Rezendes (202) 512-3841</p>

Table 3: Energy (Budget Function 270)

<b>Green Scissors proposal</b>	<b>GAO information and observations</b>	<b>Latest GAO product and contact</b>
Expedite termination of the Department of Energy's Clean Coal Technology Program.	In April 1995, the Congress rescinded \$200 million from the Department of Energy's \$2.75 billion in advance budget authority for its Clean Coal Technology Program. In its fiscal year 1997 budget request to the Congress, the Department is calling for another \$325 million rescission. The Department expects that enough approved projects will not go forward or terminate early to save the total of \$525 million in rescissions to date.	<u>Fossil Fuels: Lessons Learned in DOE's Clean Coal Technology Program</u> (GAO/RCED-94-174, May 26, 1994).  GAO contact: Victor S. Rezendes (202) 512-3841
Privatize U.S. Enrichment Corporation.	For many years GAO supported legislation to create a government corporation as an initial step toward the eventual privatization of the Department of Energy's uranium enrichment program. The Energy Policy Act of 1992 established the U.S. Enrichment Corporation and required that the corporation develop a plan to privatize the government's uranium business. The act also required that GAO review the plan before it is implemented. In a September 1995 report, we found that the net present value analysis used to develop sales price estimates in the corporation's privatization plan needed to be updated and improved to help the Congress and other decisionmakers considering the sale of the corporation.	<u>Uranium Enrichment: Process to Privatize the U.S. Enrichment Corporation Needs to Be Strengthened</u> (GAO/RCED-95-245, September 14, 1995).  GAO contact: Victor S. Rezendes (202) 512-3841
Reform Bonneville Power Administration.	In October 1995, we reported on operation and financial information on the Department of Energy's five power marketing administrations, including Bonneville Power Administration. We also provided information on competitive issues facing the power marketing administrations.	<u>Federal Electric Power: Operating and Financial Status of DOE's Power Marketing Administrations</u> (GAO/RCED/AIMD-96-9FS, October 13, 1995).  GAO contact: Victor S. Rezendes (202) 512-3841

<b>Green scissors proposal</b>	<b>GAO information and observations</b>	<b>Latest GAO product and contact</b>
<p>Stop site characterization at Yucca Mountain High-Level Nuclear Waste Respository.</p>	<p>Our 1994 report on the Department of Energy's nuclear waste disposal program repeated concerns that the Yucca Mountain Repository will not be ready to receive nuclear waste until at least 2015, and that the Department of Energy has no realistic prospects for developing a federal facility to temporarily store the waste.</p>	<p><u>Nuclear Waste: Comprehensive Review of the Disposal Program Is Needed</u> (GAO/RCED-94-299, September 27, 1994).</p> <p>GAO contact: Victor S. Rezendes (202) 512-3841</p>

Table 4: Natural Resources and Environment (Budget Function 300)

<b>Green Scissors proposal</b>	<b>GAO information and observations</b>	<b>Latest GAO product and contact</b>
<p>Implement rangeland reforms, including eliminating livestock subsidies and raising grazing fees.</p>	<p>In February 1994, we testified that obtaining a better return for the sale or use of natural resources on Forest Service lands could have environmental as well as economic benefits. For example, the Forest Service and the Bureau of Land Management are examining the potential for using an "incentive-based" grazing fee system to improve the condition of federal rangeland. Under this system, the agencies would base annual grazing fees on the market value of federal land forage but would then reduce fees for ranchers on federal lands in exchange for good land stewardship. We believe that such a system, if properly implemented, could reward ranchers whose land management practices improve the condition of the range. At the same time, the system could encourage other ranchers to emulate beneficial practices.</p>	<p><u>Forest Service Management: Issues to Be Considered in Developing a New Stewardship Strategy</u> (GAO/T-RCED-94-116, February 1, 1994).</p> <p>GAO contact: Barry T. Hill (202) 512-9775</p>
<p>Reform concession contracts held by businesses in national parks.</p>	<p>The federal government enters into agreements with private concessioners to serve as the principal operators of parks, forests, and other recreation areas. In 1991, we reported that concessioners generated about \$1.4 billion in gross revenues and paid the government about \$35 million in concession fees—an average return to the government of about 2 percent. Currently, the Congress is considering several bills that would reform concession policies.</p>	<p><u>Federal Lands: Views on Reform of Recreation Concessioners</u> (GAO/T-RCED-95-250, July 25, 1995).</p> <p>GAO contact: Barry T. Hill (202) 512-9775</p>
<p>Reform 1872 Mining Law.</p>	<p>The government receives no royalty or similar compensation for hardrock minerals extracted from federal lands. In 1990, hardrock minerals worth at least \$1.2 billion were extracted from federal lands, while known, economically recoverable reserves of hardrock minerals remaining on federal lands were valued at \$64.9 billion. The Congress may wish to consider receiving financial compensation for hardrock minerals extracted from federal lands.</p>	<p><u>Mineral Resources: Value of Hardrock Minerals Extracted From and Remaining on Federal Lands</u> (GAO/RCED-92-192, August 24, 1992).</p> <p>GAO contact: Barry T. Hill (202) 512-9775</p>

Green Scissors proposal	GAO information and observations	Latest GAO product and contact
<p>Institute or increase recreation fees on federal lands, and permit managers to retain and spend some or all funds locally.</p>	<p>Improved pricing of user fees at recreational sites could help defray direct costs to the government, shift the cost burden from taxpayers to the beneficiaries of services, and alleviate overcrowding at many sites. Entrance and user fees are charged at some sites, but the fees generally cover only a small portion of the costs for services provided to visitors.</p>	<p><u>National Parks: Difficult Choices Need To Be Made About the Future of the Parks</u> (GAO/RCED-95-238, August 30, 1995).</p> <p>GAO contact: Barry T. Hill (202) 512-9775</p>
<p>Reconfigure or terminate Animas-La Plata Water Project.</p>	<p>Our November 1995 report provides information on the history and status of the Animas-La Plata project, the legislative framework provided for the project by the 1988 Colorado Ute Indian Water Rights Settlement Act and the Endangered Species Act, the consultation between the Bureau of Reclamation and the Fish and Wildlife Service under the Endangered Species Act, and the project's relationship to another congressionally authorized project—the Navajo Indian Irrigation Project.</p>	<p><u>Animas-La Plata Project: Status and Legislative Framework</u> (GAO/RCED-96-1, November 17, 1995).</p> <p>GAO contact: Barry T. Hill (202) 512-9775</p>
<p>Limit logging in Tongass National Forest.</p>	<p>The Tongass Timber Reform Act of 1990 made a number of changes to the long-term (50-year) contracts of two companies—the Ketchikan Pulp Company and the Alaska Pulp Corporation—to harvest timber. These changes were designed to address perceived competitive advantages that the two companies had over timber harvesters with short-term (3- to 5-year) timber contracts. The act also added certain requirements aimed at mitigating the environmental damage stemming from timber harvests. In January 1995, we reported that Forest Service policy regarding the use of road credits continues to give Ketchikan Pulp a competitive advantage over timber harvesters who must use short-term contracts. (In September 1993, Alaska Pulp closed its pulp mill.)</p>	<p><u>Tongass Timber Reform Act: Implementation of the Act's Contract Modification Requirements</u> (GAO/RCED-95-2, January 31, 1995).</p> <p>GAO contact: Barry T. Hill (202) 512-9775</p>

Green Scissors proposal	GAO information and observation	Latest GAO product and contact
Cut all funding for new forest roads.	<p>According to the Forest Service, in fiscal year 1994 timber sale program costs exceeded revenues by about \$66 million when payments to states are considered as costs of the program.</p> <p>The Congress may wish to cease all below-cost federal timber sales unless there are compelling reasons not to do so, such as bug infestation, disease, or other forest health concerns. This action would also reduce Forest Service outlays for timber management, reforestation, engineering and construction of roads, and other program costs.</p>	<p><u>Forest Service: Distribution of Timber Sales Receipts Fiscal Years 1992-94</u> (GAO/RCED-95-237FS, September 8, 1995).</p> <p>GAO contact: Barry T. Hill (202) 512-9775</p>
Eliminate federal irrigation subsidies for the highest grossing 10 percent of farms.	<p>The 1982 Reclamation Reform Act limited to 960 acres the amount of land that any farmer could irrigate with federally subsidized water.</p> <p>Some farmers reorganized large farming operations into multiple, smaller holdings to be eligible for additional subsidized water. The flow of federally subsidized water to land holdings above the 960-acre limit has not been stopped and the federal government is not receiving revenues to which it is entitled.</p>	<p><u>Water Subsidies: The Westhaven Trust Reinforces the Need to Change Reclamation Law</u> (GAO/RCED-90-198, June 5, 1990).</p> <p>GAO contact: Barry T. Hill (202) 512-9775</p>
Adjust nuclear waste disposal fees.	<p>Utilities pay a fee to the Nuclear Waste Fund to finance the development of storage and permanent disposal facilities for high-level radioactive wastes. The amount of this fee has not changed since 1983, making the fund susceptible to future budget shortfalls. To help ensure that sufficient revenues are collected to cover increases in cost estimates caused by price inflation, the Congress should amend the Nuclear Waste Policy Act of 1982 to direct the Secretary of Energy to automatically adjust for inflation the nuclear waste disposal fee that utilities pay into the Nuclear Waste Fund.</p>	<p><u>Status of Actions to Improve DOE User-Fee Assessments</u> (GAO/RCED-92-165, June 10, 1992).</p> <p>GAO contact: Victor S. Rezendes (202) 512-3841</p>

Table 5: Agriculture (Budget Function 350)

<b>Green Scissors proposal</b>	<b>GAO information and observation</b>	<b>Latest GAO product and contact</b>
Terminate the Market Promotion Program.	The Market Promotion Program is an export program that subsidized overseas promotional activities for U.S. agricultural products. The Foreign Agricultural Service has no assurance that program funds are supporting additional promotional activities rather than simply replacing company or industry funds. In fiscal year 1996, the Congress reduced program funding to \$100 million from the fiscal year 1995 appropriated level of \$110 million. The Congress also encouraged the Department of Agriculture to better target assistance and to promote greater participation from small companies and other entities. The results of this direction are not yet known.	<u>Agricultural Trade: Competitor Countries' Foreign Market Development Programs</u> (GAO/T-GGD-95-184, June 14, 1995).  GAO contact: Benjamin F. Nelson (202) 512-4128
Phase out the cotton program.	The cotton program has evolved over the past 60 years into a costly, complex maze of domestic and international price supports that benefit producers at great cost to the government and society. The cotton program has tried to accomplish conflicting objectives, such as supporting farm prices through direct subsidies and import restrictions while subsidizing domestic mills and exporters to purchase higher-priced U.S. cotton. From 1986 through 1993, the cotton program's costs totaled \$12 billion, an average of \$1.5 billion a year. The Congress may wish to consider whether benefits from the cotton program are worth its costs and whether the program should be continued.	<u>Cotton Program: Costly and Complex Program Needs To Be Reassessed</u> (GAO/RCED-95-107, June 20, 1995).  GAO contact: Robert A. Robinson (202) 512-5138
Eliminate sugar import quotas and price supports.	In May 1995, we testified that the sugar program protected sugar producers from prevailing world prices, thereby costing U.S. sweetener users an estimated \$1.4 billion annually. Further, we pointed out that the benefits to producers were concentrated among a relatively small percentage of farms. We recommended that the Congress consider legislation to move the industry toward a more open market.	<u>Sugar Program: Impact on Sweetener Users and Producers</u> (GAO/T-RCED-95-204, May 24, 1995).  GAO contact: Robert A. Robinson (202) 512-5138

Green Scissors proposal	GAO information and observations	Latest GAO product and contact
<p>Phase out the peanut program.</p>	<p>The peanut program supports peanut prices and controls peanut supplies through a system of production controls and import restrictions. As we have reported, the peanut program has generally stabilized the U.S. peanut supply while supporting producers' income. Because of consolidations, a small number of farmers now receives more than three-fourths of the federal benefits. The peanut program increases peanut costs to U.S. consumers.</p> <p>The Federal Agriculture Improvement and Reform Act of 1996 (Public Law 104-27), enacted on April 4, 1996, provides some changes to the peanut program but keeps in place production controls and import restrictions.</p>	<p><u>Peanut Program: Impact on Peanut Producers, Users, and the Government</u> (GAO/T-RCED-95-215, June 8, 1995).</p> <p>GAO contact: Robert A. Robinson (202) 512-5138</p>
<p>Eliminate funding for unnecessary predator control.</p>	<p>In October 1995, we reported on the extent to which field personnel of the Department of Agriculture's Animal Damage Control Program were using nonlethal methods to control livestock predators. We found that field personnel in the four western states we reviewed (California, Nevada, Texas, and Wyoming) used lethal methods in essentially all instances to control livestock predators. We were told that nonlethal methods, such as fencing and the use of herders and guard dogs, are more appropriately used by livestock operators, have limited effectiveness in controlling livestock predators, and are not practical for field personnel to use.</p>	<p><u>Animal Damage Control Program: Efforts to Protect Livestock From Predators</u> (GAO/RCED-96-3, October 30, 1995).</p> <p>GAO contact: Barry T. Hill (202) 512-9775</p>

Table 6: Community and Regional Development (Budget Function 450)

<b>Green Scissors proposal</b>	<b>GAO information and observations</b>	<b>Latest GAO product and contact</b>
<p>Reject proposed Natural Disaster Protection Fund.</p>	<p>Under H.R. 1856, the Natural Disaster Insurance Corporation would be established to provide (1) primary insurance covering homeowners against damages resulting from earthquakes, volcanic eruptions, tsunamis, and hurricanes and (2) reinsurance for private insurers.</p> <p>In December 1995, we testified that the corporation would be an unregulated, privately-owned entity that could expose the federal government and taxpayers to significant losses. The corporation would resemble other government-sponsored enterprises in its public policy purposes and its powers, but it would not be subject to oversight of its risk-taking or solvency.</p>	<p><u>Natural Disaster Insurance: Federal Government's Interests Insufficiently Protected Given Its Potential Financial Exposure</u> (GAO/T-GGD-96-41, December 5, 1995).</p> <p>GAO contact: Thomas J. McCool (202) 512-8678</p>
<p>Prohibit new federal flood insurance for new development in coastal erosion zones.</p>	<p>In March 1994, we reported that the flood insurance program is intentionally not actuarially sound because the Congress authorized subsidized insurance rates to be made available for policies covering certain older structures. However, properties built since the program's inception are to pay risk-based premiums. We noted that increasing the premiums charged to subsidized policyholders to improve the program's financial health could have an adverse impact on other federal disaster-related relief costs. Increasing rates would be likely to cause some policyholders to cancel their flood insurance, and if flooded in the future, these people might apply for Small Business Administration loans or Federal Emergency Management Agency disaster assistance grants.</p>	<p><u>Flood Insurance: Financial Resources May Not Be Sufficient to Meet Future Expected Losses</u> (GAO/RCED-94-80, March 21, 1994).</p> <p>GAO contact: Judy England-Joseph (202) 512-7631</p>

Green Scissors proposal	GAO information and observations	Latest GAO product and contact
<p>Eliminate Rural Electrification Administration/ Rural Utilities Service.</p>	<p>Since 1989, our reports and testimonies have commented on problems in federal rural development programs. Most recently we found that approximately 689 federal programs provide rural development assistance in the United States. These programs cover a wide range of activities, including loans to small businesses, assistance to farmers, training of unemployed people, and assistance for infrastructure projects such as highway and wastewater treatment systems. The web of federal policies and regulations that accompanies these programs makes the delivery of assistance inefficient. To improve the effectiveness and efficiency of federal assistance to rural areas the Congress may wish to consider program consolidations where these are appropriate.</p> <p>For fiscal year 1996, the Congress consolidated three programs into one account and created the Rural Utilities Assistance Program. The Administration has proposed a program which would consolidate funds for 14 rural development loan and grant programs. The Federal Agriculture Improvement and Reform Act of 1996 (Public Law 104-127), enacted on April 4, 1996, also mandates numerous changes to rural development programs. For example, it requires the Secretary of Agriculture to establish and chair an interagency working group that will "...establish policy for, coordinate, make recommendations with respect to, and evaluate the performance of, all Federal rural development efforts."</p>	<p><u>Rural Development: Patchwork of Federal Water and Sewer Programs Is Difficult to Use</u> (GAO/RCED-95-160BR, April 13, 1995).</p> <p>GAO contact: Robert A. Robinson (202) 512-5138</p>

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