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Report Highlights Need for Additional Revenue Options

The current top federal income tax rate is 35 percent. But what would the top rate have to be in order to raise enough federal revenues to cover spending? A recent paper from the Tax Policy Center (TPC) and the Pew Fiscal Analysis Initiative sets out to answer that question, but its answer is incomplete. To bring federal revenues up from their current historic lows, Congress needs to consider more revenue options than just raising individual income tax rates.

The TPC-Pew report looks at what level income tax rates would have to be in order to bring the debt-to-Gross Domestic Product (GDP, a measure of the economy) ratio to 60 percent, a target used by some economists to measure fiscal sustainability. (Currently, federal revenues are at their lowest levels since the Truman era.) The report estimates the tax rates Congress would need to set to hit this deficit reduction goal, using three policy options: Option 1, raise all individual income tax rates, including those on capital gains and dividends; Option 2, raise the top three income tax rates without touching capital gains or dividends rates; and Option 3, raise just the top two income tax rates. With Congress debating the fate of the upper-income Bush tax cuts, this report gives policymakers a sense of the budgetary impact they could see from raising taxes on only the nation's wealthiest.

If all income tax rates were raised, as well as the capital gains and dividends rates, the TPC-Pew report estimates that individual tax rates would need to be moderately increased to hit the debt target. Assuming the expiration of all the Bush tax cuts, the current lowest tax rate would rise from 10 percent to 15 percent, and to reduce the debt, it would increase more – to 16.9 percent. On the other end of the income scale, those earning over $398,600 would see their rates increase from 35 percent to 44.5 percent, and the top capital gains rate would rise to 25.8 percent, up from its current modern low of 15 percent.

2011 Tax Rates Current, with Bush tax cuts			2015 TPC-Pew Tax Rates Option 1: Expire Bush tax cuts, raise all rates, meet debt target in 2020		
Taxable Income Over	Taxable Income But not over	Marginal Rate	Taxable Income Over	Taxable Income But not over	Marginal Rate
$0	$17,000	10%			
$17,000	$69,000	15%	$0	$60,600	16.9%
$69,000	$139,350	25%	$60,600	$149,450	31.5%
$139,350	$212,300	28%	$149,450	$223,200	34.8%
$212,300	$379,150	33%	$223,200	$398,600	40.4%
$379,150	and over	35%	$398,600	and over	44.5%
Top capital gains rate		15%	Top capital gains rate		25.8%

The study suggests that if the Bush tax cuts do not expire and only high-income tax rates are raised, taxes on all income over $146,450 would have to rise to at least 100 percent to meet the 60 percent debt-to-GDP ratio in 2020, an unrealistic proposal.

2011 Tax Rates Current, with Bush tax cuts			2015 TPC/Pew Tax Rates Option 2: Raise top 3 rates, keep other Bush tax cuts Option 3: Raise top 2 rates, keep other Bush tax cuts			
Taxable Income Over	Taxable Income But not over	Marginal Rate	Taxable Income Over	Taxable Income But not over	Marginal Rate, Option 2	Marginal Rate, Option 3
$0	$17,000	10%	$0	$17,850	10.0%	10.0%
$17,000	$69,000	15%	$17,850	$72,600	15.0%	15.0%
$69,000	$139,350	25%	$72,600	$146,450	25.0%	25.0%
$139,350	$212,300	28%	$146,450	$223,200	100%*	28.0%
$212,300	$379,150	33%	$223,200	$398,600	100%*	100%*
$379,150	and over	35%	$398,600	and over	100%*	100%*
Top capital gains rate		15%	Top capital gains rate		15.0%	15%

*The TPC/Pew report caps these rates at 96.2 percent, since that rate, in addition to other taxes, would mean a total marginal tax rate of 100 percent. Without the cap, the marginal rate would likely be higher.

However, the target date for debt reduction is arbitrary, and there are other revenue options. For example, tax brackets could change. In 1991, the top tax rate covered all income over $135,000 (for married couples, in inflation-adjusted dollars), but today, it only covers income over about $380,000. This means that, today, $245,000 more of income is sheltered from the highest tax rates. Changing these brackets to subject more income to higher rates, which Congress has done many times in the past, would drastically change the shape of the individual income tax and help bring in more revenue.

Another option would be to tax capital gains as ordinary income, instead of giving it a preferential rate. Taxing such income just like wages could raise close to a trillion dollars over the next ten years.

A financial transactions tax is another alternative. This is a tiny tax placed on the trading of Wall Street financial instruments, including stocks, bonds, derivatives, futures, options, and credit default swaps. Many products are taxed at the point of sale, and taxing the sale of stocks and bonds would bring these transactions in line with other elements of the tax code. In fact, the United States had a financial speculation tax in place between 1914 and 1966, when the federal government levied a 0.02 percent tax ($2 on every $10,000 traded) on all sales or transfers of stock. If Congress enacted a financial speculation tax, the country could raise between $391 billion and $1.8 trillion over the next 10 years, depending on which financial products policymakers chose to tax and at what rates.

Finally, Congress could limit a wide variety of tax breaks, instead of only raising rates. Recently, President Obama has called for limiting itemized deductions for those earning over $250,000 a year. When filing a tax return, a household may subtract, or deduct, some expenses (including gifts to charity and mortgage interest) from the income on which they must pay taxes. These itemized deductions essentially shield a certain amount of income from taxation, thus lowering the taxes owed. Because tax rates are graduated, though, the more money you make and the higher your tax rate, the more beneficial itemized deductions become. Capping the amount of itemized deductions allowed for upper-income taxpayers would increase tax fairness, while bringing in as much as $584 billion over ten years.

[For more information on revenue choices, see OMB Watch's revenue project, We Have Choices.]

In addition to returning the top two or three rates to their pre-Bush tax cut levels, these other revenue options could do a great deal to bring federal revenues up from their current historic lows. Congress should examine all of the options on the table and choose those that increase the progressivity of our tax system and reduce debt over a reasonable time period.

GOP Candidates' Tax Plans Reduce Taxes on Wealthy, Increase Deficits

As the media focuses its attention on the Republican Party’s presidential nominating contest, several tax and budget organizations have taken turns examining the candidates’ tax proposals. In January, Citizens for Tax Justice (CTJ) released a report looking at the costs of each of the GOP contenders’ plans, and, just recently, the Tax Policy Center (TPC) scrutinized the distributional impacts of the candidates' proposals. Both reports found that all of the contenders' tax plans would disproportionately benefit the highest-income households and exacerbate budget deficits.

All four of the candidates left vying for the GOP nomination – Newt Gingrich, Ron Paul, Mitt Romney, and Rick Santorum – have tax plans that would slash taxes below their current modern lows. These tax cuts would cost the federal government trillions of dollars in revenue over the next decade, forcing deep and severe cuts to government services and likely undermining Social Security and Medicare. Although CTJ found that some of the contenders' planned tax cuts would go to middle- and low-income families, the financial benefits would be "meager" and "would almost surely be offset by the huge cuts in public services that would become necessary as a result" of enactment of the candidates' proposals.

Former House Speaker Newt Gingrich (R-GA) would significantly alter the federal tax code by introducing a flat tax option. Under the plan, a taxpayer could choose to pay according to the current system (with an assumption that Congress extends all the Bush tax cuts at the end of the year), or the individual could pay a flat 15 percent rate. Importantly, the alternative flat tax would exempt capital gains, dividends, and interest income from taxation, the benefits of which would overwhelmingly flow to the wealthy. According to CTJ, this plan would provide an average tax cut of over $391,000 to the richest one percent while providing an average tax cut of $1,990 to the middle fifth of Americans.

Gingrich would also reduce the corporate income tax rate from 35 to 12.5 percent and would allow corporations to fully expense their capital purchases. Also, his proposal would not eliminate any of the existing 250 or so tax expenditures currently written into the corporate tax code. Thus, the Gingrich tax plan would dramatically reduce tax revenues. In all, TPC finds that close to 42 percent of the benefits in Gingrich's plan would go to the top one percent, and CTJ places the total cost of plan at $18.1 trillion in lost revenue over ten years.

Rep. Ron Paul's (R-TX) tax plan proposes to repeal the 16th amendment to the Constitution, which created the income tax. Paul supports either a national sales tax or a flat tax but would not support either until Congress repeals the 16th amendment. According to CTJ, while the representative's exact "position is unclear, it would seem to limit the federal government to the size it was in 1913, when the 16th amendment was adopted and made possible the taxes that fund our current defense apparatus, Social Security, Medicare, Medicaid and many other public services." Currently, about 47 percent of the nation's revenue comes from the individual income tax. Implementation of either a national sales tax or a flat tax would flip the progressivity of the country's current income tax-based tax code on its head, handing large tax benefits to the wealthiest members of our society and raising taxes on the poorest.

In late February, former Massachusetts Governor Mitt Romney presented his most recent tax plan, which economist David Cay Johnston has described as the Bush tax cuts "on steroids." The proposal would not only lock in the former president's tax cuts, but would also provide an additional 20 percent tax cut across the board.

In practice, this means those earning under $60,000 a year would see their tax rates fall from 10 percent to eight percent, while tax rates for the highest income households would fall from 35 to 28 percent, providing significant benefits to households earning over $398,600 a year. In fact, the Tax Policy Center estimates that over 32 percent of the benefits of Romney's proposal would flow to the top one percent and provide them with an average tax cut of close to $238,000. The top 0.1 percent of the income scale, which includes the former governor himself, could expect an average tax cut of over $1.1 million under the plan. Importantly, Romney would allow several provisions of the tax code enacted under the Recovery Act, which largely benefit middle- and low-income folks, to expire in order to pay for some of his tax proposal. These provisions include the American Opportunity tax credit, which helps families defray the cost of college, the expansion of the child tax credit, and the expansion of the earned income tax credit (EITC).

Romney would make two significant changes to the corporate tax code: he would reduce the corporate income tax rate from 35 percent to 25 percent, and he would make the research and experimentation tax credit permanent. His proposal also calls for a "repatriation holiday" for corporate profits held overseas, which would increase deficits over the long run and could push more investment overseas. The former governor is mum on whether those repatriated profits would face any taxes at all.

The Center on Budget and Policy Priorities (CBPP) concluded that mathematically, it would be "hard, if not impossible" for Romney to achieve all of his intended goals – "cut tax rates deeply, keep [a] low capital gains rate, raise current levels of revenue, and maintain [the] progressivity of [the] tax code" – at the same time. The Romney campaign is basing much of its plan on "dynamic scoring" – the belief that tax cuts will boost economic growth and, in turn, federal tax revenues. Without such scoring, the TPC estimates that the country would lose close to $5 trillion in revenue over the next ten years through the Romney tax plan, greatly expanding future deficits.

Like Romney, former Sen. Rick Santorum (R-PA) has also proposed doubling down on the Bush tax cuts. In fact, he would eliminate four of the current six tax brackets, leaving only a 10 percent and 28 percent bracket. This plan would significantly reduce taxes on large incomes, since it removes the top two tax rates. According to CTJ, the former senator's tax plan would provide an average tax break of $217,500 to the wealthiest one percent and provide an average tax cut of $2,160 to the middle fifth of Americans. Santorum would also triple the exemption for dependent children while lowering capital gains and dividends tax rates from their current historic low of 15 percent to 12 percent. The benefits of the capital gains reduction would overwhelmingly go to the wealthiest households.

Santorum would halve the corporate tax rate to 17.5 percent – with a zero percent rate for manufacturers. Like Romney, the former senator has called for a repatriation holiday for overseas corporate profits in his proposal. Santorum's tax plan, according to estimates from CTJ, would result in roughly $9.4 trillion in lost revenue over the next decade. Over 56 percent of the benefits of the plan would go to those making more than $200,000 a year, while those making under $50,000 a year, or roughly 74 percent of taxpayers, would have to share 6.3 percent of the benefits of his plan.

All of the GOP candidates' tax plans share some aspects. They all include repeal of the estate tax, which Congress enacted in the early twentieth century to prevent the over-concentration of wealth. Each would repeal the Affordable Care Act and all of the taxes associated with it. Each would also abolish the alternative minimum tax (AMT), which Congress originally enacted to prevent high-income earners from using special tax benefits to pay little or no tax (but because it wasn't indexed to inflation, the AMT now has the potential to affect large numbers of taxpayers).

To pay for these tax cuts, the candidates would dramatically cut spending. Gingrich has proposed block granting and cutting funding by $2.4 trillion over the next nine years for over 100 federal means-tested programs. He has also called for eliminating most federal education spending, a cut of roughly $550 billion over nine years. Paul has proposed slashing some $7.5 trillion from federal spending over the next nine years. In addition to block granting federal entitlement programs like Gingrich, he would cut another $4.4 trillion in non-defense discretionary spending. This would affect everything from food and product safety, to air and water quality, as vital government services would likely be cut.

Romney would cut roughly $1.8 trillion from the federal budget over nine years by capping federal spending at 20 percent of gross domestic product (GDP). Santorum has proposed cutting some $8.3 trillion from federal spending over the next nine years by block granting federal social programs, cutting Social Security and Medicare, and reducing federal spending by $5 trillion over the first five years.

Each of these plans would have significant consequences, both by reducing tax rates and cutting the resources available to programs and services like Social Security, Medicare, environmental protection, and public health and safety.

Sunshine Week: A Celebration of Transparency

Sunshine Week, the annual celebration of transparency in government, will be held this year from March 11-17. A number of events and activities are planned across the country to raise awareness of the importance of open government.

About Sunshine Week

Sunshine Week was started as Sunshine Sunday by the Florida Society of News Editors in 2002. The American Society of News Editors (ASNE) expanded the event into a national, week-long celebration in 2005. Sunshine Week is always scheduled to coincide with James Madison's birthday, March 16. Madison is recognized as the Founder most dedicated to creating a governmental system monitored through checks and balances. A wide variety of good government organizations, including OMB Watch, partner with ASNE each year to present Sunshine Week.

During the week, public events are held across the country to highlight various aspects of transparency in government. There will often be congressional hearings, film screenings, public proclamations, newspaper editorials, and reports published, as well as awards given to those who have dedicated their work to transparency efforts.

Here are some highlights of upcoming events planned for Sunshine Week 2012:

Monday, March 12

The National Archives and Records Administration (NARA) will host an event at 12:30 p.m. featuring a viewing of the original Freedom of Information Act (FOIA) and remarks by the Archivist of the United States. The FOIA law was passed in 1966 and has become a fundamental component of open government in the United States. The signed law will be on display in the East Rotunda Gallery from March 9-18.

The Department of Justice (DOJ) is hosting a Sunshine Week Celebration with Attorney General Eric Holder from 2-3 p.m. The event will spotlight FOIA achievements made across government in improving proactive disclosures, the use of technology, and reducing request backlogs. Registration is required.

The Advisory Committee on Transparency will host a discussion of legislative transparency and congressional appropriations for transparency efforts from 2-4 p.m. in the Rayburn House Office Building. Experts will discuss rule changes, funding for legislative branch support agencies, and internal processes that effect congressional transparency and legislative capacity. RSVPs are requested.

Tuesday, March 13

The Senate Judiciary Committee will hold a hearing titled "The Freedom of Information Act: Safeguarding Critical Infrastructure Information and the Public's Right to Know." The hearing will begin at 10:30 a.m. and will be webcast. Witnesses scheduled to testify include the directors of DOJ's Office of Information Policy, which sets FOIA policy for the executive branch, and NARA's Office of Government Information Services, the government's FOIA ombudsman.

Local transparency in Washington, DC, will be the focus of the Open Government Summit, hosted by the DC Open Government Coalition and the National Press Club's Freedom of the Press Committee from 6:30-8:30 p.m.

Wednesday, March 14

The U.S. Public Interest Research Group (U.S. PIRG) will release a report titled, *Following the Money 2012: How the 50 States Rate in Providing Online Access to Government Spending Data*. The report evaluates the 50 states on the online accessibility of their spending information, updating U.S. PIRG's assessments from 2010 and 2011.

A coalition of organizations will host a networking happy hour from 6-8 p.m. at the National Press Club in Washington, DC. Registration is required.

Thursday, March 15

New York Public Library will host a Freedom of Information Day celebration from 10:30 a.m. to noon at its Science, Industry and Business Library in Manhattan. Public Citizen's Robert Weissman will speak.

Friday, March 16

The First Amendment Center and OpenTheGovernment.org will host a National Freedom of Information Day conference at the Newseum in Washington, DC. The morning sessions will feature experts on First Amendment rights, journalism, and free expression. The afternoon panels will focus on the role of whistleblowers and the press in accountable government and whether national security claims trump the open government commitments of the Obama administration. Additionally, the American Library Association will present its annual James Madison Award for achievements in promoting access to government information. Registration is required.

The Collaboration on Government Secrecy will host its fifth annual Freedom of Information Day Celebration at American University's Washington College of Law. The event will include panels discussing the future of the Office of Government Information Services (OGIS), FOIA litigation, FOIA legislation, and the potential overuse of key FOIA exemptions. The OGIS panel discussion will feature OMB Watch’s Gavin Baker. Registration is required.

Getting the Truth about Safe Drinking Water

The U.S. Environmental Protection Agency (EPA) is reviewing the Consumer Confidence Report (CCR) rule, a policy mandating that public water systems provide annual reports to consumers on the quality of local drinking water. The resulting reports have been criticized for being overly technical, complex, and difficult for the general public to understand or act upon.

The CCR rule is a landmark policy meant to inform Americans about possible risks to their water supply so that they can be empowered to demand safe drinking water. EPA's review is an opportunity to reform the rule so that it can better realize its reason for being.

The Impetus

The Safe Drinking Water Act of 1974 (SDWA) requires public water systems to notify their customers of violations of federal drinking water standards. However, a 1992 General Accounting Office (now the Government Accountability Office) study found that only 11 percent of public water facilities with violations actually did so. And, while consumers had to be notified of violations, the law contained no requirement to disclose the general performance of the water system.

A 1993 incident where more than 400,000 people were sickened and more than 100 died due to contamination in Milwaukee's public water supply prompted Congress to amend the SDWA in 1996. Among the most significant changes were revisions to the public notice requirements. Congress added more stringent requirements to rapidly notify the public of violations and established the mandate to produce annual Consumer Confidence Reports, in which public water companies must detail the overall performance and quality of a given water system. In 1998, EPA issued the standards required to implement the law.

About Consumer Confidence Reports

Consumer Confidence Reports describe a system's water sources, risks to the water system, contaminants detected in the water supply that violate EPA's health standards, and the potential effects of any violations. The reports also list other violations that occurred in the past year and provide educational information about water contaminants.

Water companies prepare the reports annually and typically deliver them by mail, stuffing them into customers' water bills. Water companies are required to make good-faith efforts to notify consumers who do not directly receive water bills, such as apartment tenants and workers in an office building. Large water systems are required to post their report online, as well.

However, a 2003 report by the Natural Resources Defense Council surveyed 19 cities and found several problems with the reports, including misleading claims and omitted information. A 2007 book by professors Archon Fung, Mary Graham, and David Weil called the rule "a missed opportunity with serious consequences," saying it "impairs public health" and "undermines one of democracy's central tenets – that citizens can trust their government as a source of reliable, timely information."

Instead of Making the Report More Customer Friendly, Industry Wants the CCR Rule Removed

In January 2011, President Obama issued an executive order, "Improving Regulation and Regulatory Review," that tasked every federal agency with conducting a "retrospective analysis of rules that may be outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned."

EPA solicited input on which of its rules to review and received several comments from water systems criticizing the administrative requirements of the CCR rule. In August 2011, EPA included the CCR rule in the 35 rules it prioritized for review, saying it would "look for opportunities to improve the effectiveness of communicating drinking water information to the public, while lowering the burden on water systems and states."

EPA held a public meeting on February 23 to discuss the rule and is hosting an online conversation about the rule through March 9. The agency has asked for feedback on how to make the reports clearer.

Moving Forward on the CCR Rule

OMB Watch believes EPA should begin by investigating whether the reports currently produced actually communicate effectively to citizens. How many consumers receive the reports? When? In what form? How many read the reports? How accurate, complete, and comprehensible are the reports? Many of these questions could be answered with a survey of consumers around the country.

After identifying the barriers to understanding, EPA should set standards for the content and format of the reports. For instance, the agency could develop indicators and overview graphs on water quality. Other government information programs use simple and straightforward indicators that facilitate faster understanding of complex technical information, such as color-coded air quality warnings, energy usage labels for appliances, and mileage ratings for cars. Similarly, EPA needs to develop a water quality indicator that is easy for the general public to understand.

To achieve such reforms, EPA may need to revise the rule and update the report templates that water systems use. It should also assess compliance with the rule and consider ways to ensure water companies are consistently delivering accurate and comprehensible information. Finally, EPA should raise public awareness about the reports to help consumers understand why this information is important to them.

Please Weigh In

You can contribute your views by participating in the online discussion before March 9. Users must register for a free IdeaScale account to view the discussion.

Environmental Justice Advances into Federal Policymaking

On Feb. 27, several federal agencies released environmental justice strategies that outlined steps they will take to address and reduce the disproportionate health and environmental harms that affect low-income, minority, and indigenous communities. This release is part of the Obama administration's ongoing efforts to integrate environmental justice into all areas of federal policymaking, including transportation, labor, health services, and housing.

Background

Environmental justice emerged as a policy issue in the 1980s as indigenous, minority, and low-income community groups witnessed an increasing number of hazardous and polluting industries locate in their neighborhoods. In 1994, President Bill Clinton issued an Executive Order (E.O. 12898, "Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations") that called for federal agencies to make environmental justice part of their missions and to develop a strategy for implementation.

Environmental justice, as defined by the U.S. Environmental Protection Agency (EPA), is the:

> fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies...It will be achieved when everyone enjoys the same degree of protection from environmental and health hazards and equal access to the decision-making process to have a healthy environment in which to live, learn, and work.

However, under President George W. Bush, even the EPA failed to integrate environmental justice issues into its policymaking. In fact, a 2004 report of the EPA's Inspector General charged that the Bush administration had watered down the definition of environmental justice so much that it excluded minority and low-income populations.

The Obama administration has tried to reinvigorate the issue. In 2010, for the first time in more than a decade, the White House reconvened the Interagency Working Group on Environmental Justice. The administration also organized an Environmental Justice Forum, which brought more than 100 environmental justice leaders from across the country to meet with cabinet secretaries and senior administration officials.

Most recently, in August 2011, 17 federal agencies signed a "Memorandum of Understanding on Environmental Justice and Executive Order 12898" (MOU EJ). The MOU EJ committed each agency to finalizing and releasing an environmental justice strategy by February 2012.

The Release of Agency EJ Strategies

Seven federal agencies hit the target and released their environmental justice strategies in February 2012, including the Department of Labor, Department of Housing and Urban Development, and Department of Transportation. The EPA published its Plan EJ 2014 and an annual implementation plan in September 2011. The Department of Energy, which had released an EJ strategy and a five-year implementation plan in 2008, published a second progress report in August 2011. Both agencies are still accepting public comments.

Here are selected highlights of a few of the agency initiatives that will help improve outreach, participation, and planning for environmental justice:

- The Department of Labor is translating educational materials and hazard alerts into Spanish, Chinese, and Vietnamese to ensure that minority workers have access to information to avoid environmental hazards on the job.
- Through its Pueblo Project in Los Alamos, NM, the Department of Energy will enable four tribal governments to run pollution monitoring programs and provide technical input on the National Nuclear Security Administration's decisions.
- The Centers for Disease Control and Prevention, part of the Department of Health and Human Services, is using Health Impact Assessments to evaluate the potential impacts its policy or projects might have on disadvantaged communities.

However, despite the February deadline, some agencies do not have final strategies or implementation reports. The EPA hosts a website containing a listing and links to all the agencies' policies, strategic plans, and implementation reports.

Federal agencies were required to gather public input when developing their strategies, so in 2011, more than 15 listening sessions with stakeholders were held across the country asking how the federal government should work with communities to strengthen public processes designed to improve environmental health and safety.

Reactions

Environmental justice, environmental, and public health organizations welcomed the administration's efforts to elevate these issues. "The Administration deserves praise for recognizing that these complex problems require a holistic approach," said Elizabeth C. Yeampierre of the United Puerto Rican Organization of Sunset Park.

Jeannie Economos of the Farmworker Association of Florida called last week's release a first step but said there is still "a long way to go." Economos "hopes the administration's environmental justice efforts do more to address communities at risk of pesticide exposure, specifically those most vulnerable, which includes farmworkers."

House Appropriators Begin Debating FY 2013 Funding Levels for Federal Agencies

Currently, federal officials are being called to explain how the president's FY 2013 budget request would impact our public protections. As it moves forward with the appropriations process, Congress should refrain from using spending bills to enact ideological policy measures.

Last week, the House Committee on Appropriations kicked off a series of hearings to examine President Obama's FY 2013 budget request for federal agencies. On Feb. 29, U.S. Food and Drug Administration (FDA) Commissioner Margaret Hamburg and U.S. Environmental Protection Agency (EPA) Administrator Lisa Jackson testified before each agency's respective subcommittee. If last week's hearings are any indication of those to come, agency officials will have to defend against attacks on substantive regulatory actions and respond to questions about the "tough choices" that were made in the budget. House Appropriations Committee Chairman Hal Rogers (R-KY) said that Congress must work to cut out "unnecessary, ineffectual, and problematic spending in this budget."

Over the next month, agency heads, including those from the Department of Health and Human Services (HHS), the U.S. Department of Agriculture's Food Safety Inspection Service (FSIS), and the Department of Labor (DOL), will appear before appropriations subcommittees to discuss the FY 2013 budget proposal for their agencies. Administrator Jackson has already been in the hot seat twice, appearing before two House Energy and Commerce subcommittees at a joint hearing on EPA's budget the day before she testified for the appropriations subcommittee. At both hearings, Jackson said that the $8.344 billion request "focuses on fulfilling EPA's core mission of protecting public health and the environment, while making the sacrifices and tough decisions that Americans across the country are making every day." The request is $105 million below EPA's enacted budget level for FY 2012 and includes a $50 million savings from eliminating "EPA programs and activities that have either met their goals, or can be achieved at the State or local level or by other Federal agencies."

Some members expressed concern about cuts to the Superfund program and State Revolving Funds for clean water and drinking water. However, hydraulic fracturing was arguably the most popular discussion topic. At both hearings, several members argued for more drilling (through the hydraulic fracturing, or fracking, method) to increase the country’s natural gas supply. Jackson explained that $14 million is requested to support studies on the environmental impacts of fracking, with $6 million to support a study of the relationship between fracking and drinking water contamination and $8 million going toward a $45 million request for new interagency research between EPA, the Department of Energy, and the U.S. Geological Survey. While fracking was touted as an essential and safe energy production method by some, Rep. Diana DeGette (D-CO) pointed out at the Energy and Commerce hearing that a thorough study is needed because of the potential risk to human health. Members also criticized EPA clean air rules and argued for defunding the agency’s Community Action for a Renewed Environment (CARE) program, which provides grants to help communities address sources of toxic pollutants.

While one appropriations subcommittee debated funding for environmental programs, another questioned Hamburg on funding for FDA’s food and drug programs. One of the most contentious issues was the proposed $220 million in industry-paid registration fees to increase the agency’s funding for food safety. While increased funding is necessary to implement the Food Safety Modernization Act (FSMA), there is a debate over whether the money should be appropriated to the agency or should come from fees paid by food companies, similar to those paid by the drug industry. In her testimony, Hamburg argued that "[t]he federal investment in FDA is small compared to the breadth of [its] mission and the $2 trillion in products that [it] regulate[s]." She also cautioned that a failure to increase FDA funding in one way or another would have disastrous consequences, including more outbreaks of foodborne illness.

The 2013 budget and appropriations process has just begun, yet it seems that a contentious battle over agency funding lies ahead. Congress should not repeat last year’s mistakes by using the appropriations process to push bills rife with misplaced ideological policy riders. Rather, it must ultimately provide the agencies responsible for protecting the public with the resources they require to effectively fulfill their objectives.

A Bad Idea Inside and Out: Dissecting a British Regulatory Scheme in the American Context

As myriad proposals for reforming the American regulatory system churn through Congress, at least one senator has chosen to look across the Atlantic for inspiration. Unfortunately, the

British "one in, one out" regulatory scheme would not travel well. In fact, enacting such a regulatory scheme in the United States could undercut the public protections on which all Americans depend.

On its surface, the system sounds simple enough: under "one in, one out," federal agencies would be required to rescind an existing regulation before they could issue a new one "of the same approximate economic impact." Sen. Mark Warner (D-VA) has referred to "one in, one out" as a "regulatory pay-go" system because it centers on the idea that regulations should be measured by the compliance costs paid by businesses.

At base, regulatory pay-go is predicated on a belief that the economic recovery is being held back by outdated, overly burdensome, and duplicate rules. However, the results of the Obama administration's retrospective review of existing regulations demonstrated that agencies could identify relatively few examples of rules that fit this description.

Warner frequently refers to the British experience with their "one in, one out" system as a reason to believe that regulatory pay-go would be successful in improving the American regulatory system. However, experts on the British system suggest that the analogy is not precise.

Jitinder Kohli, who led the United Kingdom's Better Regulation Executive from 2005 to 2009, told the Senate Budget Committee that "international comparisons in this area are difficult. Not only is the institutional context different . . . [b]ut we also have a very different regulatory culture with broad, bipartisan acceptance of the importance of regulation in safeguarding the public at large." Moreover, the "one in, one out" system was enacted under a government-wide effort to "find ways to simultaneously maximize regulatory protection while minimizing unnecessary regulatory burden." This stands in obvious contrast to the struggle between the anti-regulatory zeal of America's conservative politicians and major corporations and those who seek to preserve our system of public protections.

Britain's "one in, one out" system is administered by a central governmental body. Agencies that wish to issue a new regulation submit an analysis of the regulation and the one they suggest be scrapped for this central body to consider. That central body can take weeks or months to consider whether the agency's analysis is correct and whether the offset is appropriate. In the meantime, the newly proposed safeguards cannot be enacted – meaning that more than one hundred regulations that have been issued by British regulators and would otherwise be protecting people against acknowledged hazards have not yet taken effect, illustrating that the system is far from perfect.

Keeping our food free from pathogens, our air and water free from pollutants, and the things we buy and places we work free from hidden dangers are things on which all Americans should be able to agree. We should also be able to agree that we should not have to trade away or wait for these safeguards, under regulatory pay-go or any other system.

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