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Actionline

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WRRDA on its Way to President

On May 20, the U.S. House of Representatives passed the Water Resources Reform and Development Act (WRRDA) conference report by an overwhelming vote of 412 to 4. The Senate followed suit on the 22nd, passing WRRDA by a 91 to 7 margin and sending it to the president for signature.

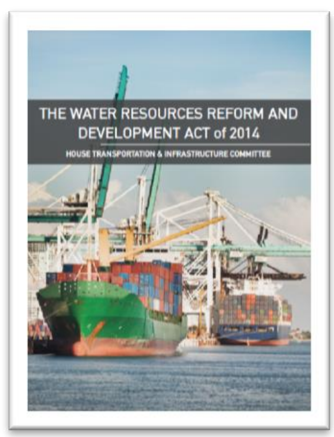
The legislation authorizes Army Corps of Engineers programs, including waterway and watershed management projects such as construction of locks and dams. Provisions in the final bill will accelerate Corps project delivery by streamlining environmental reviews, setting hard deadlines, and consolidating (or eliminating) duplicative studies.

In order to leverage private capital, WRRDA establishes a Water Infrastructure Finance Innovations Authority (WIFIA) to provide credit assistance for drinking water, wastewater and water resources infrastructure projects. The five-year pilot program will attract substantial private and non-federal investments to water infrastructure projects and is modeled after a highly successful program used in the surface transportation space (the Transportation Infrastructure Finance and Innovation Act [TIFIA] program).

The final bill also includes much needed reforms to the Clean Water State Revolving Fund (CWSRF), including adding greater flexibility to the program. The CWSRF has been the traditional mechanism for sewer infrastructure investment but hasn't been reauthorized since 1987.

According to the Congressional Budget Office (CBO), the final WRRDA bill authorizes \$12.3 billion in spending over ten years. This estimated total includes over \$4 billion in authorization for water resources infrastructure investment.

In addition to providing much needed funding for vital projects, the completion of the WRRDA bill is significant because it clears the way for House Transportation and Infrastructure and Senate Environment and Public Works (EPW) Committee members to focus their full attention on saving the federal highway program.



Click for bill overview

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Why Our Economy Limps Along

By Andrew Langer, President, Institute for Liberty

There are countless theories as to why the U.S. economy took a sharp downturn in 2007 and 2008. Between housing bubbles and the run-up in energy prices, American businesses took countless hits. What is clear, however, is that it has taken the United States far longer to recover from this recession than most – if not all – others. This is true despite the best efforts of leaders on all points on the political spectrum. The question becomes "why?"

Despite the president's efforts, and both major parties having run houses of Congress, leaders seem incapable of doing anything meaningful in terms of jumpstarting the economy. They have taken turns at both the Keynesian method of "priming the pump" through government spending as well as the Austrian approach of making targeted, middle-class tax cuts. That neither worked is evident in the fact that our economic growth has been weak, at best. The fundamental problem is that few understand just why both approaches failed.

The answer is the little-discussed and even less-understood problem of the impact of regulation on business. What do government-measured costs mean in terms of economic growth?

Every five years, the federal Small Business Administration's Office of Advocacy releases a report on the impact of regulation on the US economy. In 2005, direct regulatory costs on business were concluded to be $1.1 ***trillion***. By 2010, those costs had grown astronomically to $1.75 ***trillion!*** For America's smallest businesses, those with fewer than 20 employees, this means that the cost grew from $7,700 per employee…per year…to nearly $11,000 per employee. This is a rise in yearly cost burden of roughly 40% (so much for the myth of an anti-regulatory or de-regulatory Bush Administration!).

Those numbers represent data that concluded in 2008, which means that they are exclusive of new regulatory burdens created by the Obama administration. They also represent a sizable chunk of the American economy, which is roughly $16 trillion in size. Knowing that the Democrats were playing on the myth of an anti-regulatory Bush years, and given that for the first two years of the Obama White House the Democrats were in full control of Congress, the administration (and congressional Democrats) immediately set about to "re-regulate" businesses. They advanced new or previously-discarded regulatory initiatives in environmental protection, occupational safety and health, financial services, and a host of other areas where regulatory compliance is the most complicated (and therefore the most expensive).

Though the next SBA report on regulatory costs is not due out for another year, it is safe to assume that current regulatory burdens are somewhere north of $2 trillion (and, in all likelihood, close to $2.5 trillion). Recognizing this, the rest becomes simple comparative math – grade school comparisons of "less than," "greater than," or "equal to."

When talking about stimulus, President Obama and the Democrats were discussing about $600 billion in direct spending as well as paltry tax credits to the tune of about $225 billion. While one can debate the relative merits of each (and I do not support Keynesian economics in the slightest), $750 billion to $850 billion in a combination of infrastructure spending and tax cuts is less than half (or even a third) of the regulatory weight this nation faces.

The Institute for Liberty is a Washington, DC-based advocacy organization focusing on the American regulatory state. Andrew Langer has testified before Congress nearly two-dozen times on regulatory issues.

Even the brilliantly simple concept of giving every American a personal income tax “withholding holiday” (which had the merit of short-circuiting the possibility of cronyism and corruption) is dwarfed by this – personal income tax withholding puts only about $100 billion per month into the treasury. It would take approximately two years of such a holiday for that amount to equal the nation’s regulatory weight.

With this in mind, is it any wonder that the nation continues to hobble along? Any kind of stimulus – whether direct government spending or tax cuts on individuals or companies – is swallowed up by a regulatory environment that costs three, four, ten times as much as the proposed policy itself.
Rather than continue to add to these burdens, we must be looking at ways to reduce them: engaging in comprehensive regulatory review, removing conflicting or outmoded regulatory regimes, and looking at new ways to simplify and improve compliance. We can do this without sacrificing American’s health, safety, or general welfare, and the gains that could be produced would be enormous.

But we ignore these costs at our own peril – if we want to thrive, this is the problem that we must address.

Editor’s note: ACPPA periodically invites policy leaders to provide commentary in Actionline. The views expressed are those of commentators, not necessarily ACPPA.

Tax Extenders Hits Snag in Senate, Future Uncertain

During the week of May 12, the Senate began to deliberate the Expiring Provisions Improvement Reform and Efficiency Act (EXPIRE Act), but the process fell apart due to partisan bickering over amendment procedures.

The legislation, known inside the beltway as “tax extenders,” continues dozens of tax provisions that expired at the end of 2013, including important capital investment incentives such as bonus depreciation and the research and development tax credit.

Click to visit the Senate EXPIRE Act page.

Specifically, the bill includes a two-year extension of 50 percent bonus depreciation for qualified property purchased and placed in service before January 1, 2016. It also makes a conforming change to the percentage of completion rules for certain long-term contracts. The bill also extends for two years (through 2015) the 20 percent traditional research tax credit and the 14 percent alternative simplified credit.

Senate Majority Leader Harry Reid, D-Nev., currently insists the Senate vote on the EXPIRE Act without allowing Republicans the opportunity to amend the package. The GOP caucus doesn't want to allow a tax bill through the chamber without a chance for modification and the prospect of making vulnerable Democratic senators take tough votes on contentious issues, such as Obamacare. Without an agreement, the legislation could fall by the wayside until after November's midterm elections.

Highway Bill Easily Clears EPW Committee

On May 15, several days after its introduction, the MAP-21 Reauthorization Act (S. 2322) cleared the Senate Environment and Public Works (EPW) Committee by voice vote.

Click here to view the EPW Committee's legislative summary.

The six-year, $262 billion highway funding blueprint now awaits approval by the full Senate. However, before the upper chamber can act, the Senate Finance Committee (jurisdiction over revenue), the Senate Banking, Housing and Urban Affairs Committee (jurisdiction over transit), and the Senate Commerce, Science and Transportation Committee (jurisdiction over rail and road safety) must complete their respective portions of the legislation.

DOT HTF Tracker

Specifically, S. 2322 authorizes growth in the federal-aid highway program from $38.44 billion in 2015 to $42.59 billion in 2020. Of course, these modest funding levels are contingent on the Senate Finance Committee finding approximately $100 billion in new revenues to make up for the Highway Trust Fund's (HTF) shortfall.

The legislation also contains federal highway program reforms to speed project delivery, reduce delays, and increase transparency. While the original bill contained $1 billion for the Transportation Infrastructure Finance and Innovation Act (TIFIA), an amendment was accepted during markup to reduce that authorization to $750 million.

The recent activity on highways is good news, but the clock is quickly running out for Congress to save the federal highway program from the looming four-fold crisis (HTF running out of money this summer, HTF unable to support ANY new investment in FY 2015, MAP-21 expiration on Sept. 30, 2014, and projected $365 billion/20 year HTF revenue shortfall).

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Congress to fund a world-class transportation system.
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Senators Introduce Bipartisan Keystone XL Approval Bill

On May 1, a bipartisan group of senators, led by Sens. John Hoeven, R-N.D., and Mary Landrieu, D-La., introduced legislation (S. 2280) to grant final approval to the Keystone XL pipeline project.

Congressional action to approve Keystone XL gained momentum in April, when the U.S. State Department announced another delay in the pipeline's National Interest Determination (NID) phase due to the "uncertainty" created by a Nebraska judge's February decision to invalidate a law permitting the governor to authorize the project's construction in the Cornhusker state.

Click the image to read about a Canadian pipeline that KXL delay could build.

Lawmakers, including Democratic senators running tight re-election campaigns, have been pushing the White House to make a final determination as soon as possible. The administration's latest delay will only build momentum for legislative action to approve the Keystone XL pipeline. S. 2280 has 55 co-sponsors (the entire Republican caucus and 11 Democrats) and it could receive a binding vote on the Senate floor before the midterm elections, likely as an amendment to a larger bill.

Click the envelope to join ACPPA and show lawmakers the importance of the Keystone XL pipeline project.
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