An environmental war is being waged quietly in Congress, obscured within a larger issue called "unfunded mandates." An unfunded mandate is a federal program enacted by Congress, but which must be financed by state or local governments without federal assistance. Examples include requirements that public buildings be made accessible to the handicapped, and requirements for testing drinking water for pesticides. According to the WALL STREET JOURNAL (8/18/93, pg. A10), citing the Advisory Commission on Intergovernmental Relations (a federal agency), more than 100 new mandates were passed down from Washington to the states during the 1980s (compared to just 16 during the 1940s).

The JOURNAL said in an editorial last month (5/18/94, pg. A14) that, "Public anger about unfunded mandates has been building for years and is now reaching fever pitch. This year, all seven organizations representing the key nonfederal players in government -- the mayors, counties, governors, state governments, cities, school boards and state legislatures -- passed identical resolutions supporting "no money, no mandate" bills in Congress."

There are now some 20 pieces of legislation floating around Capitol Hill, all aimed in one way or another at outlawing the practice of passing legislation that imposes unfunded mandates. Most often the target is ENVIRONMENTAL unfunded mandates.

The "unfunded mandates" argument does have merit, from the standpoint of local government. Over the past 40 years, Congress has cut federal taxes on the wealthy and on corporations, thus pushing a larger and larger tax burden onto state and local governments. In 1950 all state and local tax collections amounted to 45 percent of federal tax collections. Eleven years later, in 1961, the figure had edged up to 50 percent. In 1980 all state and local tax collections reached 64 percent of federal tax collections; 11 years later, in 1991, that figure has surged to 82 percent.[1]

A new book by two investigative reporters at the PHILADELPHIA INQUIRER, Donald L. Barlett and James B. Steele, has documented how Congress has shifted the tax burden from the wealthy and corporations onto the middle class and the working poor. They document, for example, that Chase Manhattan Corporation, the parent corporation of Chase Manhattan Bank, in the 2-year period 1991 and 1992 had net income (after expenses but before taxes) of $1.5 billion. Chase paid $25 million in U.S. taxes, for a tax rate of 1.7 percent, even though the official corporate tax rate at the time was 34%. Texaco, the oil company, with before-tax net income of $2.7 billion in 1991 and 1992, paid $237 million in U.S. taxes, a tax rate of 8.8 percent. Ogden Corporation, which sells incinerators for solid waste (among other things), reported net income of $2.7 billion in 1991 and 1992, but Ogden paid less than $200,000 in U.S. taxes, for a tax rate below 1 percent.

Meanwhile, the average family making $30,000 to $40,000 per year paid federal taxes at an average rate of 10.6 percent in 1991 and 1992.[2] In 1954, corporations paid 75 cents in taxes for every dollar paid by individuals and families; in 1991 they will pay about 20 cents in taxes for every dollar paid by individuals and families.[3] As Barlett and Steele document thoroughly, Congress has created two tax laws -- the privileged person's tax law, and the common person's tax law.

As we have seen, Congress's welfare-for-the-wealthy tax program, combined with unfunded mandates, has had the effect of increasing the tax burden on state and local governments.

Unfortunately, state and local governments have mimicked Washington and have provided their own tax breaks for the wealthy and for corporations -- thus saddling the middle class and the working poor with an increasing share of the costs of government. At the state level, corporate taxes have dropped during the last 30 years. The difference has to be made up from property taxes, sales taxes, wage taxes, and other levies that strike hardest at the middle class and the working poor. For example, in New York in 1961, corporate income taxes accounted for 13 percent of all tax revenues; by 1991, it had fallen to 7 percent. In Wisconsin in 1961, corporate income taxes accounted for 13 percent of the state's total tax revenues; in 1991 it was only 6 percent. In 1961, South Carolina derived 9 percent of its state tax collection from corporate income tax; by 1991, it derived less that 4 percent.[4]

The only real winners in this picture are the wealthy and corporations who have found their tax burden lifted. Cynically, the wealthy and corporations are the most vocal proponents of federal legislation to end "unfunded mandates." Do they really want federal funding for federally-mandated government programs? No. THEY SEEK AN END TO GOVERNMENT PROGRAMS.[5] They are betting that, if a law were passed requiring the feds to ante up the full cost of every federally-mandated program, the feds would cut programs rather than raise taxes on those who can best afford higher taxes, namely wealthy individuals and corporations. Congress is unlikely to raise taxes on the wealthy because it costs millions to get re-elected and the only reliable source for that kind of money is the wealthy and corporations: you don't bite the hand that feeds you, at least not if you hope to get fed again.

This is a point worth emphasizing, because it is the chief means by which the wealthy control politics in the U.S. In 1992, the average U.S. senator spent $3.9 million campaigning for re-election.[6] This means that each senator had to raise an average of $12,600 each week for 312 straight weeks (6 years) to pay for his or her re-election bid. Where do you get that kind of money without becoming beholden to wealthy individuals and corporations? You don't.

Unfortunately, the "unfunded mandates" argument has now been seized by the anti-environmental movement in the U.S., a movement funded by global corporations who convince embattled and befuddled grass-roots citizens to become advocates for their corporate views. You first read about it in the NEW YORK TIMES March 24, 1993: "After the city [of Columbus, Ohio] issued a report on its problems, all of a sudden Columbus's leaders were joined by hundreds of city officials, state leaders, and many private homeowners across the country as they advocate a cause that until now big business has been arguing most forcefully: that many of the nation's environmental regulations bring enormous expense for little real benefit." The TIMES went on: "Now nearly 1000 other cities have asked to see the report. And prompted by the Columbus study, the National League of Cities has made updating the nation's environmental laws -- and through that reducing costs -- one of its top five political priorities in Washington..." [pg. A16].

The Columbus Report was written by Michael J. Pompili, an official with the Columbus health department, and published in May 1991. The Ohio League of Cities promptly put Mr. Pompili in charge of a larger project to study the costs of unfunded environmental mandates in eight Ohio cities. In September 1992 this project produced The Ohio Report, as it has come to be known.[7] The Ohio Report has become famous, at least among anti-environmental activists and politicians.

The Ohio Report says that unfunded environmental mandates were killing local governments in Ohio, or that's what people THINK the Ohio Report says. The Ohio Report says. The report estimated that unfunded environmental mandates would cost 8 Ohio cities a whopping $2.82 billion during the decade 1991-2001. This enormous cost-projection was picked up enthusiastically by the "sagebrush rebellion" (followers of James Watt, who was Ronald Reagan's first secretary of interior) and its descendants, the so-called "wise use" movement (the anti-environmental movement that cynically uses grass-roots people as shills for corporate mining, ranching and logging interests in the western states). The Ohio Report has been widely quoted because it is chock full of numbers, charts, and graphs. It appears to be factual. Unfortunately, until recently almost no one seems to have actually read the Ohio Report.

Now a well-known researcher has looked carefully at the Ohio Report and has found that it badly misrepresents the costs of...
environmental unfunded mandates. "The 'Ohio Report' is more fiction than fact," says David Sarokin of the Public Data Project in Washington, D.C.[8] The Public Data Project is an advocacy organization promoting citizen access to information about social and environmental impacts of corporations. "The conventional wisdom on unfunded mandates is all wrong," says Sarokin. In his analysis of the Ohio Report, Sarokin reveals that report really shows that environmental unfunded mandates are costing people at the local level anywhere from $8 per person per year to a maximum of $103 per person per year --not thousands of dollars per person per year.

The Ohio report presented its data in terms of "costs per household per decade." In most Ohio cities, a household was taken to mean 3 people. This way of presenting the data multiplied the annual per capita costs by 30, making them appear huge. Aggregating the cost data has been used effectively by others promoting an anti-environmental message: "The tab for unfunded mandates is staggering," NEW YORK NEWSDAY'S Glenn Kessler said recently.[9] For instance, Kessler says, in 1993 New York City spent about $475 million to comply with seven federal laws including the Clean Water and Clean Air Acts. What Kessler fails to point out is that New York has 13 million residents, so $475 million represents only $37 per person per year --not a huge price to pay for 7 major laws protecting the environment, if imperfectly, from uncontrolled dumping by corporate polluters.

--Peter Montague

[5] Paul A. Gigot, writing in the WALL STREET JOURNAL 10/22/93, pg. A14, points out that Republican House leader Newt Gingrich of Georgia has targeted "unfunded mandates" as a key issue. Gigot said of Gingrich: "He doesn't want merely to defeat Democrats. He wants to defeat their vision of how America should be governed. 'We are the reform threat to the welfare state,' Mr. Gingrich says."