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## **Public Should Be in the Know on Subsidies**

**By: Joel Rogers, Guest Editorial**

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We've mentioned before how extensively, if obscurely, Wisconsin provides subsidies to different sorts of business, or business practice. This is typically done without uniform standards, without consistent reporting requirements on how the money is spent, and without much public input or final accountability on whether the subsidy is good or bad for the public interest.

Often, it is not.

Take those subsidies in Wisconsin that effectively promote waste or environmental degradation - exactly what we'd like to avoid if we're to take the "high road" path to a high-wage, high-productivity and environmentally friendly economy.

Many of these are detailed in a recent COWS study called "From Stumps to Dumps: Wisconsin's Anti-Environmental Subsidies." They include the "tipping fee" structure, which regulates the cost of disposing of garbage; our forest tax laws, which effectively promote forest destruction by limiting industry property taxes; all sorts of loopholes and direct payoffs to the wrong sorts of transportation expansion, buried in our massive highway budget; and direct support for exploitation of limited energy resources, rather than renewable alternatives.

In this vast swamp of subsidies, take as just one example the "tipping fees," the price that people pay to dump their garbage. In Wisconsin, industries produce three-quarters of the waste that ends up in landfills - waste that is also much more toxic than the remaining quarter produced by Wisconsin residents. So you might think that industry would pay a lot more to dump this waste, right? Wrong. Pound per pound, residents pay about six times what industry pays, with the result that they wind up paying the lion's share of overall dumping fees. By Wisconsin law, high volume industrial waste is simply exempted from the state's landfill surcharge, which in turn is the source of funding for local recycling laws. Indeed, the state puts a limit of \$9,800 on the total recycling surcharge any business may be forced to pay.

This limit has bad revenue effects. If the recycling surcharge limit didn't exist, some \$29 million would have been added to state revenues in 1998. And curiously enough, at a time of budget shortfalls, the state seems to be heading toward making things ever easier for industry. In the last budget bill, the recycling surcharge was further amended to favor corporations and businesses with gross receipts exceeding \$4 million, producing an estimated revenue loss of \$15 million.

But the most immediate effect of these laws, of course, is on the incentives for business regarding the environment. If you're not going to be charged for producing more waste, even toxic waste, what's the incentive not to produce it? To ask the question is to answer it.

State policy to promote a high road would be quite different. It would charge industry its proportionate share of overall dumping costs, and within industry would charge more for those who dumped more. Only this way will industry get the message that it doesn't pay to pollute. Obvious, no? Now multiply all this a hundredfold and you'll get the idea of what we need to do to our tax system, beginning simply by pulling the plug on favored treatment of polluters.

But what's also obvious is that these and other subsidies need to come into public view. Otherwise the public is powerless even to form a view on them, much less act on that view. This is a point about our government process, which is very messed up when it comes to subsidies.

We should want a policy on subsidies with four key ingredients.

First, at a minimum, all people, including the fictitious "persons" otherwise known as corporations, should be treated equally. So that means that all private businesses that wish to apply for development grants, short-term loans and other public money programs should have to adhere to the same application standards, with their applications a matter of public record.

Second, the public should have an opportunity to comment on proposed subsidies in advance of their being made. Public hearing and comment processes, familiar in other policy areas, should be provided for subsidies as well.

Third, after subsidies are awarded, we need some enforceable reporting requirements on how they are used. Just as - ahem, ahem - any university researcher needs to account for how his or her government grant money is spent, so too should corporations. This is basic to ensuring their accountability.

Fourth and finally, if an employer fails to comply with such requirements, or the subsidy is not being used with the effect originally claimed, we need a mechanism to get the money back, a so-called "clawback" provision.

\* All four of these elements are already part of the public policy of some neighboring states. Minnesota, in particular, has a model statute incorporating all these elements. We don't even need to learn something new.

But will we act? Will Wisconsin finally come to its subsidy senses? We shall see. There seems to be growing momentum around this issue in the state, and in the Legislature, Rep. Mark Miller, D-Monona, is leading an effort to introduce legislation modeled on the Minnesota law. Let us hope that others join him.

But what's maybe most important to see, especially contemplating possible legislative action on this issue, is that it really shouldn't be a partisan one, or even controversial. That is, we can disagree on how subsidies are directed. You may, for example, disagree with me that our tipping fee structure is cockeyed; you might like to set up a tax system that encourages environmental destruction. But nobody could disagree that the public should at least know how its tax dollars are being spent, right?

And right now it does not.

Joel Rogers teaches at the University of Wisconsin-Madison and is founder and director of the Center on Wisconsin Strategy (COWS), which administers the Sustaining Wisconsin campaign. This is another in a weekly series of Capital Times columns he's writing on issues in the campaign. For more information, see [www.cows.org](http://www.cows.org) and [www.sustainingwisconsin.org](http://www.sustainingwisconsin.org).

On Jan. 29, COWS debuted "Sustaining Wisconsin," a statewide dialogue about the future of Wisconsin. The themes expressed in this view of the state of the state will carry through the next 18 months as COWS uses Sustaining Wisconsin to put the Wisconsin Idea into action.

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