

# Eliminate Subsidies for Power Marketing Administrations (PMAs)

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
\$86	\$87	\$87	\$88	\$90	\$92	\$94	\$97	\$98	\$100	\$438	\$919

## Heritage Recommendation:

Eliminate subsidies for Power Marketing Administrations (PMAs). This proposal saves \$86 million annually, and \$919 million over 10 years.

## Rationale:

The DOE's Power Marketing Administrations (PMAs) consist of four power entities that sell electricity that stems primarily from hydroelectric power. Formed in the early 1900s, PMAs were set up to provide cheap electricity to rural areas, mostly small communities and farms. PMAs originated as federal water projects currently operated by the Army Corps of Engineers and the Bureau of Reclamation. PMAs use the revenue generated from electricity sales to reimburse taxpayers for construction and operation costs, but PMAs can sell the electricity at below-market rates because of favorable financing terms—they receive federal tax exemptions and receive loans at below-market interest rates. The PMAs' construction, rehabilitation, operation, and maintenance costs are financed through the main DOE budget, offset collections, alternative financing, and a reimbursable agreement with the Bureau of Reclamation.

PMAs are an outmoded form of providing rural areas with electricity, yet they still enjoy tremendous special privileges that interfere with market competition. The DOE should restructure PMAs to sell electricity at market rates by eliminating the subsidy for federal electricity rates. Congress should eliminate subsidies for PMAs.

## Additional Reading:

- Nicolas Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012, <http://www.Heritage.org/research/reports/2012/03/departement-of-energy-budget-cuts-time-to-end-the-hidden-green-stimulus>.

## Calculations:

Savings are expressed as budget authority and were calculated by using the FY 2014 enacted spending levels as found on page 1 of U.S. Department of Energy, "Funding by Appropriation," March 2014, [http://science.energy.gov/~media/budget/pdf/sc-budget-request-to-congress/fy-2015/FY\\_2015\\_Budget\\_SC\\_Overview.pdf](http://science.energy.gov/~media/budget/pdf/sc-budget-request-to-congress/fy-2015/FY_2015_Budget_SC_Overview.pdf). Both spending levels were increased at the same rate as discretionary spending for 2016-2025 according to CBO's most recent August 2014 baseline spending projections.