

Testimony

Thomas A. Schatz,
President,
Citizens Against Government Waste
before the
Senate Homeland Security and Governmental Affairs
Subcommittee on Federal Financial Management, Government Information, and
International Security
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The Obligation of Funds Transparency Act of 2005 (S. 1495)

Mr. Chairman, members of the subcommittee, thank you for the opportunity to testify today on behalf of the more than 1.2 million members and supporters of Citizens Against Government Waste (CAGW). We hope that this hearing will shed light on pork-barrel spending and why it is critical for Congress to move forward on S. 1495, the Obligation of Funds Transparency Act. In particular, we are grateful to Sen. McCain and Rep. Flake for introducing this legislation in the Senate and the House, and for the co-sponsors, including you, Mr. Chairman, who are supporting this bill.

CAGW was created in 1984 By J. Peter Grace and Jack Anderson after Mr. Grace presented to President Ronald Reagan the 2,478 findings and recommendations of the Grace Commission (formally known as the President's Private Sector Survey on Cost Control). If all of the Grace Commission's recommendations had been implemented, it would have saved \$424.4 billion over three years. In fact, savings from Grace Commission and other CAGW-proposed recommendations have saved \$825 billion over 22 years.

CAGW is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1954, has not received any federal money, and does not plan to receive any federal funds in the future.

In July, 2005 when S. 1495 was introduced, it languished on Capitol Hill like many other budget reforms in the past. But the scandal surrounding disgraced lobbyist Jack Abramoff, who pled guilty to three criminal felony counts in federal court related to the defrauding of Native American tribes, and the guilty plea on bribery and other charges by former Rep. Duke Cunningham, were enough of a shock to generate serious discussion of earmark reform. We believe the Obligation of Funds Transparency Act is a beginning, but not the end, of necessary reforms to restrict earmarks.

Mr. Chairman, you were correct when you said, "America's greatness was built on service and sacrifice, not the politically-expedient politics of pork. There is no lost Article of the Constitution or missing Federalist Paper that gives members of Congress a blank check to fund any project they desire."

Pork-barrel spending helps explain why spending is out of control and why we have a projected record deficit of \$423 billion for this fiscal year. While not large in dollars, earmarks are filled with symbolism, as the process lends itself to corruption and excess. Anyone who understands that process was not surprised when Jack Abramoff called the appropriations committees "earmark favor factories."

In 1991, CAGW published the first *Congressional Pig Book*, an unprecedented expose of pork-barrel spending. The seven-point criteria to classify a project as pork-barrel spending were developed in conjunction with the bipartisan Congressional Porkbusters Coalition. They are:

- The project was requested by only one member of Congress;
- The project was not specifically authorized;
- The project was not competitively awarded;
- The project was not requested by the President;
- The project greatly exceeds the President's budget request or the previous year's funding;
- The project was not the subject of a hearing; and,
- The project only serves a local or special interest.

Any project that meets one or more of these criteria is duly entered into CAGW's *Congressional Pig Book* database. In 1991, CAGW cataloged 546 projects that amounted to \$3.1 billion. Sadly, Mr. Chairman, under Republican leadership and the party that claims to be in favor of smaller government, pork-barrel spending has grown exponentially. In 1996, there were 958 projects that totaled \$12.5 billion. In fiscal year 2005, appropriators stuffed 13,997 projects into the 13 appropriations bills at a cost of \$27.3 billion, both record amounts and an increase of 31 percent and 19 percent, respectively, over fiscal year 2004. The 2005 figures amounts to almost \$100 for every man, woman, and child in the United States.

Since the first *Pig Book*, CAGW has documented 66,458 projects costing \$212 billion dollars. And of course, those are just the earmarks in the appropriations bills. When members of Congress claim their little project doesn't cost that much, they are not telling the American people the truth about the total cost of all the pork that makes its way into those bills.

The time is now ripe for reforming the earmark process. With an ongoing war on terrorism that is costing our country precious lives and billions of tax dollars, and with tens of billions going to the Gulf States for hurricane relief, taxpayers are demanding more than ever that their hard-earned dollars be spent judiciously.

As a direct result of your leadership concerning the "bridges to nowhere" in Alaska, hundreds of newspaper columns and op-eds have been written exposing the problems with the earmark process. In response, there has been renewed interest in the legislation you are considering today, and the president has presented a legislative proposal that hopefully will meet the necessary constitutional requirements to enable him to strike out special interest spending and earmarks in bills. Taxpayers are upset that their tax dollars have been spent on foolish programs such as the Punxsutawney Weather Discovery Center Museum, studying Goth culture, and an indoor rain forest in Iowa.

Today, lobbying reform is one of the top issues being undertaken by Congress. Earmark legislation has a direct correlation to lobbying and frankly, earmark reform is more important to our long-term fiscal health.

To that end, we would be remiss in failing to mention that we are concerned that every citizens' right "to petition the government for a redress of grievances" found in the First Amendment is unnecessarily under attack and in danger in the current version of the Lobbying Transparency and Accountability Act of 2005 (S. 2128). Ironically, at the same time you and this subcommittee are discussing earmark reform in S. 1495, the grassroots provisions of S. 2128 would make it essentially impossible for CAGW's lobbying arm, the Council for Citizens Against Government Waste, and other anti-waste grassroots organizations, to contact their members and the general public in a timely manner to support the passage of S. 1495, as well as every other bill before Congress. With more freedom to enact legislation without fear of grassroots mailings, it would lead to more abuse of the budget process, not less.

Mr. Chairman, a number of your colleagues like to talk about Article 1, Section 9, Clause 7 of the Constitution that says, "No money shall be drawn from the Treasury but in Consequence of Appropriations made by law." But that clause says nothing about the power to include unauthorized, wasteful earmarks. The argument that eliminating earmarks somehow will transfer spending authority from Congress to the executive branch's bureaucracy is specious at best.

The vast majority of projects funded by the federal government are based on formulas agreed to by lawmakers. Potential grant recipients are supposed to seek the funding through a competitive application process at the federal, state, or local level.

Now, far too many members of Congress are micromanaging where some of this funding should go by making decisions on where to place a pedestrian overpass or a fishing access road. If members are so concerned about "nameless bureaucrats" making these decisions, why bother with grant programs or formulas? Why not earmark every penny of federal spending? While some members say they can't get funds for a "needed" road or other project in their state or district, there are no parameters to determine if that project is in fact needed. And once a road is built, suddenly a great need appears for bicycle paths, museums, theaters, and wood utilization research. The explosion of pork-barrel spending over the last two decades has invited, at worst, corruption, and at best, conflicts of interest. It has become a form of legalized bribery.

Earmarks also invite compounded wasteful spending. The following are just three examples of why even a single pork-barrel project cannot be justified. In fiscal year 2004, \$3 million was provided to the First Tee program in two separate earmarks. According to its website, the First Tee program was created "To impact the lives of young people by providing learning facilities and educational programs that promote character development and life-enhancing values through the game of golf." The organization has developed a National School Program, described as "a safe, fun and effective way to introduce school children to the basics in golf skills, etiquette and play."

Supporters of this program include the Professional Golf Association (PGA) Tour, the U.S. Golf Association, the PGA, the Ladies PGA, Titleist, Callaway Golf, Nike, ClubCar, *Golfweek*, and Augusta National Golf Club. The First Tee program has sufficient spare funds to run ads during nationally televised professional golf events.

One earmark for first tee was for \$1 million from the Department of Education's Fund for the Improvement of Education and its Character Education Program. The qualifications for that program are clearly identified on its website. Funds are intended solely for state and local education agencies, and they are disbursed through a competitive grant program. In addition, the grants are supposed to be limited to a maximum of \$500,000. Based on these criteria, First Tee was not eligible for any of this funding.

The \$1 million in funds did not show up in either of the House or Senate versions of the fiscal 2004 Labor/Health and Human Services/Education Appropriations Act. They were added in the conference. That \$1 million meant fewer funds would be available for state and local education agencies for character education, to the detriment of students in other states. In addition, since the funds were not distributed within the parameters of an existing program, officials at the Department of Education could not determine whether or how First Tee spent the money in accordance with character education guidelines.

The other \$2 million for First Tee came from the Department of Justice's Office of Juvenile Justice Programs' Community Oriented Policing Services (COPS). The COPS program began under President Clinton with the goal of adding 100,000 more police to the streets. It is safe to say that First Tee would not put one cop on the street.

In addition to the private and profitable supporters of the First Tee program, First Tee itself is part of the nonprofit World Golf Foundation (WCF), which lists Shell Corporation as a founding partner. Other sponsors of the WCF include: Enterprise Rent-a-Car, IBM, Nextel, and Wachovia. The WCF also runs the World Golf Hall of Fame. In 2004, the WCF received \$37.8 million in revenue. Clearly, the WCF has the resources to find funding for First Tee programs without having to rely on handouts from taxpayers. Or perhaps First Tee could just run fewer ads on national television and use that money to pay for its own character education program.

One of the more absurd pork-barrel projects in CAGW's lengthy list was \$273,000 for the Blue Springs Youth Outreach Unit to combat Goth culture in Blue Springs, Missouri. This earmark was added in conference to the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act of 2002.

Rep. Sam Graves had requested the funds to study Goth culture in Blue Springs because he claimed his constituents had asked him to fight for it. At that time, some newspaper editorials suggested the federal government could save a lot of money by simply buying Goth kids bright clothes and happy music. Others took the subject matter

much more seriously. Rep. Graves issued a press release stating, "It is my hope that this funding will give the officers in the Youth Outreach Unit the tools they needed to identify Goth culture leaders preying on kids." Blue Springs Youth Outreach Unit officer Colby Lalli told the press, "It's not just the clothes they wear. We're seeing kids in the unit, whether it be suicide or homicide, they're just one more culture in our community that is at a big risk, and we need to deal with that." Carrying this rhetoric even further, a spokesman for Rep. Graves told the *Ledger-Enquirer* that "35 kids have been identified with the Goth culture," and "They're doing self-mutilation, animal sacrifices, the sort or violent behavior and drug use that possibly could lead up to what happened at Columbine in 1999 with Dylan Klebold and Eric Harris."

But then a funny thing happened. Blue Springs Youth Outreach Unit staffers finally admitted that many of the claims they made in their grant proposal were unfounded, so they returned \$132,000 of the remaining funds to the federal government.

Lastly, most Americans – hoping it was a joke – have probably heard about the \$50 million to build an indoor rainforest in Iowa. A recent editorial in the *Wall Street Journal* updated readers on the latest developments on the project and provides even more evidence why S. 1495 must become law. I am requesting that the editorial be submitted for the record.

In 2003, Senate Finance Committee Chairman Charles Grassley (R-Iowa) included \$50 million for an indoor rainforest project in Coralville, Iowa, in the Energy Policy Act of 2003 bill. When that bill failed to pass in December, 2003, Iowans for Responsible Development, critics of the project, celebrated: "It is good news for us, good news for Iowa City and Coralville," he said. "I am glad this was turned down because it was a very mistaken project."

Unfortunately, that victory was short-lived. Apparently, the rainforest was so indispensable that Sen. Grassley added it to the Omnibus Appropriations Bill in late January 2004. It soon became the most ridiculed federal project since Boston's Big Dig.

The original plan was for Iowa to have the world's largest enclosed rainforest, spanning five acres. The enormous 20-story enclosure was supposed to look like a giant foil-covered caterpillar bordering Interstate Highway 80. Scenery for the indoor natural wonder would include suspended wooden bridges 100 feet in the air, hundreds of towering Brazilian beauty leaf, and American mahogany trees. Tourists would be able to wander among a myriad of activity centers, such as an aquarium, the rainforest, learning stations, and possibly even an IMAX-style theater in what the *Des Moines Register* describes as "a kind of prairie-meets-the-Amazon setting."

A local businessman, Ted Townsend (heir to the Townsend meat-packing fortune), came up with this idea while contemplating his legacy on a treadmill. Since then, Townsend has worked to see that taxpayers will pay dearly for his dream to be realized. Original projections put the cost of the rainforest at \$300 million; the project was scaled back to a more "reasonable" \$225 million when it was included in the 2004

Omnibus Appropriations Bill. Townsend originally pledged a generous \$10 million. However, the project would still have been \$90 million short, and it must attract 1.1 million visitors annually to pay for itself. Coralville was ready to add \$15 million for land for the complex, but no local governments were financing the project.

Water recycling and energy conservation have been promised, once the project is completed. Other than claiming the project will be an “ecological inspiration” and will utilize “environmentally focused systems,” no environmental benefits of building an indoor rainforest have been outlined.

This tropical boondoggle has some big name supporters, such as former Iowa Governor Bob Ray (R), who is the chairman of the institute Townsend founded to oversee the production of the rainforest. Ray imagines that it will solve the state’s “demographic problems” by drawing more people to move to Iowa. Ray also believes that mass quantities of retiring baby boomers will “crisscross the country” to visit the indoor rainforest. Senator Grassley claims that it will somehow help the University of Iowa.

The Midwest tropical project was expected to pump \$187 million a year into Coralville’s economy, and turn Iowa into a “defining tourism destination” which the state currently lacks. David Oman, project director for the Iowa Environmental Project (the official name of the rainforest), hopes to attract travelers on “I-80 or I-380 en route to other destinations.” Oman’s plan is very ambitious since according to consultants, most travelers (57 percent) come to Iowa to visit relatives and friends; only a few (10 percent) come for entertainment.

Outside experts are dubious that Iowa’s rainforest will draw 1.1 million tourists per year to Coralville. According to the *Des Moines Register*, “Critic Eileen Robb wrote, ‘Perhaps the best that Iowans can hope for is that [the Iowa Environmental Project] will be purchased for pennies on the dollar in the future and put to a rational economic use, as happened in March 2003 to Colorado’s Ocean Journey. The bankrupt \$93 million Denver aquarium was recently purchased for just \$13.6 million by Landry’s seafood restaurant chain. Folks in Denver will now be able to watch their fish and eat them, too.’”

Raising the final \$90 million to begin work on the rainforest may be the least of Oman’s worries. According to industry officials, attractions need to continually expand or add new features else attendance will drop dramatically. Supporters say they haven’t focused on the next stages, though plans call for an expansion five years after the planned 2008 opening.

Andrew Grossman, editor of *Inside Magazine*, heavily criticized Grassley’s rainforest project, and warned taxpayers not to be surprised “if Texas wins funding for an indoor glacier park in the 2005 budget.” At the time this funding was approved, CAGW wrote that “this project will do nothing for Iowa’s population, energy industry, or the environment, but will soak the taxpayers.”

According to the article by Michael Judge in the Thursday, March 9 wsj.com Opinion Journal that I have submitted for the record, the “struggle to parlay \$50 million in federal grant money into a \$150 million ‘world class’ environmental-education complex continues.” That amount is half of the original estimate provided in 2003.

Given recent revelations of how lobbyists work in Washington, it is no surprise – nor is it illegal – that that lead lobbyist for Mr. Townsend was John W. Conrad III, who once worked for Sen. Grassley. Mr. Conrad, according to the article, was paid \$69,500 by Mr. Townsend to lobby his former boss for the \$50 million earmark.

The article further notes that no private financing has been provided for the indoor rainforest. Sen. Grassley, in November, 2005, froze outlays in the project until it raised \$50 million in matching funds. In fact, unless that occurs before December, 2007, the grant will be withdrawn. Included in that legislation was a provision that provided the project with portability. In other words, now the Environmental Project can shop the rain forest around the whole state, instead of just restricting the construction to Coralville. While Congress still seems intent on funding the indoor rainforest, Mr. Judge wrote that “Mr. Townsend is devoting more and more time to his ‘Great Ape Trust of Iowa,’ a research sanctuary he’s built in Des Moines to study the communications habits of primates – really.”

Mr. Chairman, taxpayers around the country understand that reforms to the earmarking process must be adopted by Congress. We are not sure that enough of your colleagues understand that message. In fact, some members of Congress argue that earmarking has not lead to corruption or increase federal spending. We believe earmarking is a natural result of too much centralized control of our daily lives in Washington.

Some members of Congress believe eliminating earmarks would simply be turning spending power over to federal bureaucrats. Yet, Congress designs and funds the programs that federal agencies are carrying out.

Some members of Congress claim that it is better that local officials, rather than Washington bureaucrats, make the decisions on where funding should occur. We agree but we think that doesn’t mean members of Congress get to decide. Instead, most of these programs should be paid for out of local taxes, or even private dollars, not federal tax dollars. After all, it is highly unlikely I will ever use a bike path in Montana.

S. 1495 represents a good beginning on getting a handle on pork-barrel spending. We would like to see, if possible, a similar approach extended to other bills, such as the transportation bill that was just re-authorized last year. In particular, we find the provisions in S. 2265, the Pork-Barrel Reduction Act, particularly worthy and these too should be pursued. On behalf of our members, I am gratified that these bills address several of the seven criteria that CAGW uses to identify pork-barrel spending.

In conclusion, S. 1495 is a worthy piece of legislation. No longer should funds be allocated to a program based on a member's seniority and clout. Instead, taxpayers should only fund government programs based on their merit and only if they have been proven to be effective.

I thank you for this opportunity to present our opinion on this legislation.



OpinionJournal

from THE WALL STREET JOURNAL *Editorial Page*

CROSS COUNTRY

The Incredible Shrinking Rain Forest

The strange odyssey of Sen. Grassley's earmark.

BY MICHAEL JUDGE

Thursday, March 9, 2006 12:01 a.m.

CORALVILLE, Iowa--Iowans are a proud and famously practical people. So when Des Moines millionaire Ted Townsend, heir to a fortune earned manufacturing meat-processing equipment (a practical endeavor), proposed creating a man-made, indoor, 4.5 acre "rain forest" in the heart of corn country (a somewhat impractical endeavor), many Iowans scoffed.

Despite an initial \$10 million donation by Mr. Townsend and his Iowa Center for Health in a Loving Democracy (Child) Institute, what is now called the Environmental Project bounced around the state for years without gaining much traction, let alone financial backing. That all changed in 2003, however, when Chuck Grassley, Republican chairman of the Senate Finance Committee and a self-described "fiscal conservative," tagged a massive energy bill with a \$50 million earmark to bring Mr. Townsend's dream here to Coralville, a thriving Eastern Iowa community near the University of Iowa and the Iowa 80 Truckstop (aka "The World's Largest Truckstop").

Overnight, Iowans found the "Coralville Rain Forest" and its backers the object of ridicule from pork-barrel watchdogs across the political spectrum. The "Iowa Pork Fest" made the network news. This newspaper quipped that for \$50 million in federal funds "we could send the whole town on a rain forest vacation." "Build it and they will come" became the new state motto.

As time passed, the spotlight faded. But here in Iowa the struggle to parlay \$50 million in federal grant money into a \$150 million "world class" environmental-education complex continues. Today, it's worth examining how this particular earmark came about, and why it's failed to make substantial progress on the ground, despite the largess of Mr. Townsend, Mr. Grassley and the American taxpayer.



It's public record that the lead lobbyist for Mr. Townsend's Child Institute was John W. Conrad III, an Iowa native and former "special assistant" to Sen. Grassley, as Mr. Conrad dutifully described himself when he filed his lobby registration form. What was not included is the fact that Mr. Conrad was paid \$69,500 by Mr. Townsend and the Child Institute to lobby his former boss to earmark funds for an unprecedented project described as "nonprofit education." There is, of course, nothing unlawful, or even unusual, in this. K Street is crawling with former congressional aides who are paid large sums to influence the politicians they once relied on for a relatively measly paycheck. What *is* unusual is the return on investment: \$50 million is, by any measure, a hefty earmark, right up there with the \$223 million in federal earmarks for Alaska's infamous (now abandoned) "bridge to nowhere."

Yet despite the high profile of the project and Sen. Grassley's generous boost, the Environmental Project has not raised a dime in private financial backing, at least none that has been announced publicly. Moreover, the management of the project has been widely criticized for missing numerous deadlines, switching architects in midstream and strong-arming the local government in Coralville over land-use and municipal-financing issues.

Meanwhile, the burn rate has been considerable. According to Department of Energy records, the Environmental Project has drawn down \$3,735,558 in federal funds, as well as, according to Environmental Project Director David Oman (a former AT&T executive and one-time Republican gubernatorial candidate who earns a salary of \$210,000), the entire \$10 million donation by Mr. Townsend.

The growing perception in the state that the project was, if not a boondoggle, then a money pit, led Sen. Grassley to pull the plug on federal funds in November last year, passing legislation that froze further outlays until the Environmental Project raised \$50 million in matching funds. If it fails to do so by December 2007, the grant will be withdrawn.

Mr. Oman says he welcomed Sen. Grassley's new conditions for the grant and that "putting a fuse on it" gave "everyone a sense of urgency." Beyond "urgency," Sen. Grassley's amendment, which was buried in another spending bill, also provided Mr. Oman and his team the "portability" they sought. Folded into the "matching funds" language was a clause that made the \$50 million in federal funds no longer site-specific. In other words, the money ceased to be linked to Coralville, as it was in the original law. This gave a certain leverage when dealing with local officials.

So instead of a slap on the wrist, the Grassley amendment has allowed the Environmental Project to once again shop the rain forest around. "A number of people concluded that the change made sense," Mr. Oman told me over the telephone from his office in Des Moines. "This is a good thing, it allows us to have a marketplace approach, to learn about and receive some great offers of land, and also some financial offers."



Once the amendment passed, Mr. Oman and his staff surprised Coralville officials (who'd already invested \$17 million to clear and prepare the site) by opening up the bidding to all Iowa cities. "We were very disappointed in that change," says John Lundell of Coralville City Council. "We didn't see it coming, but we had heard rumors

that they were looking elsewhere. But when we asked they would tell us that Coralville remained their No. 1 choice. We were surprised and disappointed." According to Mr. Oman, six Iowa cities, including Dubuque, Des Moines and Coralville, are in the running for what some Iowans are now calling the Incredible Shrinking Rain Forest. Mr. Townsend's initial vision of the project had a price tag north of \$300 million. That figure's dropped to somewhere between \$120 million and \$150 million. Nonetheless, Mr. Oman says he and his three-member site committee will make a major announcement regarding location, design and financing at the end of this month.

Councilman Lundell says Coralville hasn't given up on the Environmental Project yet. "Many of the folks involved are worn out. They don't want rhetoric or sound bites in the media. They want proof that sufficient funds have been raised." A practical request. Meanwhile, Mr. Townsend is devoting more and more time to his "Great Ape Trust of Iowa," a research sanctuary he's built in Des Moines to study the communication habits of primates--really.

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