AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. Hrg. 109–965

WHAT YOU DON'T KNOW CAN HURT YOU: S. 2590, THE FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT OF 2006

HEARING

BEFORE THE

FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, AND INTERNATIONAL SECURITY SUBCOMMITTEE

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

JULY 18, 2006

Available via http://www.access.gpo.gov/congress/senate

Printed for the use of the Committee on Homeland Security and Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE

29–512 PDF WASHINGTON : 2007

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

SUSAN M. COLLINS, Maine, *Chairman*

TED STEVENS, Alaska
GEORGE V. VOINOVICH, Ohio
NORM COLEMAN, Minnesota
TOM COBURN, Oklahoma
LINCOLN D. CHAFEE, Rhode Island
ROBERT F. BENNETT, Utah
PETE V. DOMENICI, New Mexico
JOHN W. WARNER, Virginia

JOSEPH I. LIEBERMAN, Connecticut
CARL LEVIN, Michigan
DANIEL K. AKAKA, Hawaii
THOMAS R. CARPER, Delaware
MARK DAYTON, Minnesota
FRANK LAUTENBERG, New Jersey
MARK PRYOR, Arkansas

MICHAEL D. BOPP, *Staff Director and Chief Counsel*
MICHAEL L. ALEXANDER, *Minority Staff Director*
TRINA DRIESSNACK TYRER, *Chief Clerk*

FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, AND INTERNATIONAL SECURITY SUBCOMMITTEE

TOM COBURN, Oklahoma, *Chairman*

TED STEVENS, Alaska
GEORGE V. VOINOVICH, Ohio
LINCOLN D. CHAFEE, Rhode Island
ROBERT F. BENNETT, Utah
PETE V. DOMENICI, New Mexico
JOHN W. WARNER, Virginia

THOMAS CARPER, Delaware
CARL LEVIN, Michigan
DANIEL K. AKAKA, Hawaii
MARK DAYTON, Minnesota
FRANK LAUTENBERG, New Jersey
MARK PRYOR, Arkansas

KATY FRENCH, *Staff Director*
SHEILA MURPHY, *Minority Staff Director*
JOHN KILVINGTON, *Minority Deputy Staff Director*
LIZ SCRANTON, *Chief Clerk*

CONTENTS

	Page
Opening statements:	
Senator Coburn	1
Senator Collins (ex-officio)	3
Senator Carper	4

WITNESSES

TUESDAY, JULY 18, 2006

Hon. John McCain, a U.S. Senator from the State of Arizona	5
Hon. Barack Obama, a U.S. Senator from the State of Illinois	6
Gary D. Bass, Ph.D., Executive Director, OMB Watch	14
Eric Brenner, Director, Maryland Governor's Grants Office	16
Mark Tapscott, Editorial Page Editor, *The Washington Examiner Proprietor*	18

ALPHABETICAL LIST OF WITNESSES

Bass, Gary D., Ph.D.:	
Testimony	14
Prepared statement	31
Brenner, Eric:	
Testimony	16
Prepared statement	47
McCain, Hon. John:	
Testimony	5
Prepared statement	27
Obama, Hon. Barack:	
Testimony	6
Prepared statement	29
Tapscott, Mark:	
Testimony	18
Prepared statement	50

APPENDIX

Article submitted by Senator McCain from the *Washington Post* dated July 18, 2006	56
National Taxpayers Union, prepared statement	63

WHAT YOU DON'T KNOW CAN HURT YOU: S. 2590, THE FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT OF 2006

TUESDAY, JULY 18, 2006

U.S. SENATE,
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,
GOVERNMENT INFORMATION, AND INTERNATIONAL SECURITY,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:31 p.m., in room SD–342, Dirksen Senate Office Building, Hon. Tom Coburn, Chairman of the Subcommittee, presiding.

Present: Senators Coburn, Collins (ex-officio), and Carper.

OPENING STATEMENT OF SENATOR COBURN

Senator COBURN. The Federal Financial Management, Government Information, and International Security Subcommittee of the Homeland Security and Governmental Affairs Committee will come to order.

I would put in this note that we have three stacked votes at 3:45, so we are going to try to move through this to not delay anyone.

Two-thousand-six marks the 40th anniversary of the Freedom of Information Act, also known as FOIA. The essence of FOIA is to give the average citizen access to nearly all government documents simply by asking for them, in the hope that with more information would come more accountability. But FOIA requires government staff to respond to requests for information, and as the government has grown through the years, the Act has proven woefully inadequate at providing citizens timely and complete information on their government.

Today, the government continues to grow at a tremendous pace. We now spend nearly $3 trillion each year to keep it running. This includes $460 billion in grants and subgrants, $340 billion in contracts, and hundreds of billions of dollars more in loans, insurance, and direct payments. With this kind of spending, transparency is more important now than it was when FOIA was first passed.

This is why I, along with Senators Obama, Carper, McCain, Sununu, and DeMint, have introduced a bill that we believe will go a long way towards equipping citizens with the information that they need. The Federal Funding Accountability and Transparency Act of 2006 (S. 2490) would require the Administration to operate

a website—that anyone can access for free—disclosing every recipient of Federal grants, contracts, and loans. This would include how much money was given and for what purpose, extending to subcontractors and subgrantees. On the issue of tracking subawards, I believe it is vitally important to know where the tax dollars are ultimately spent. Oftentimes, grants and contracts are given to initial recipients, but the money ultimately goes to organizations farther down the line. I don't think it is too much for the American people to ask that if they are going to supply the money, they should know where the money is ultimately spent.

I like to think of this bill as "Google for Government Spending." The concept behind the bill is really quite simple: Put information on government spending out there for all to see and greater accountability will follow. It will also change expectations of those receiving funds that they will know in advance that the information will be public.

This is not a new concept by any means. It was espoused first by Thomas Jefferson, who in 1802 had this to say about the subject: "We might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every member of Congress and every man of any mind in the Union should be able to comprehend them, to investigate abuses, and consequently to control them."

The Founding Fathers believed in transparency for government because even back when budgets were much smaller, the possibility of abuse, waste, and malfeasance was just as real. But with transparency comes accountability. Those who we envision using this information would be everyone from the man on the street to the watchdog organizations to media outlets to government auditors. The hope of our bill is to harness the power of an eager citizenry wanting to know where tax money is spent by arming them with information.

No business or household could operate the way the Federal Government does. Every entrepreneur knows that transparent accounting and budgeting information is critical to keeping the business afloat and knowing the decisions that need to be made. I note that our government is not exactly afloat, and maybe the shroud of secrecy around how money is actually spent is partly to blame.

Federal agencies have access to money and power often without the needed transparency or accountability, and so it is not a mystery why abuses occur. Without the level of transparency called for in the bill, the potential for waste and abuse is enormous. Consider the following examples of outrageous spending that we have uncovered:

- half a million dollars for a Teapot Museum in North Carolina;
- half a million dollars in defense money for the Arctic Winter Games—that is money designed to defend this country;
- half a million dollars for the Museum of Glass in Tacoma, Washington;
- half a million dollars for the Fort Dupont Ice Arena in Washington, DC;
- more than $2 million for the Appalachian Fruit Laboratory in West Virginia; and

- $5 million for the St. Louis Zoo.

All at the time that we are running record deficits. It is fine that we have done that, but we should be held accountable for it.

Each of these items was buried deep within a report not readily accessible to the public or even to Members of Congress who had to vote on them. The American public should know that its Members of Congress are spending their money on these things.

Some have argued that the government already operates some databases and, therefore, this bill is unnecessary. Let's talk about some of those.

For example, the Federal Procurement Data Base, which tracks Federal contracts, does not provide details on what Federal contractors are doing with the money they get, nor is the system very easy to use. Or, again, the Federal Assistance Awards Data System, which tracks grants, loans, and other awards, while giving more details than FPDS, only provides quarterly data and is not searchable. Even the President's annual budget to Congress, which gives the most comprehensive picture of what the Federal Government spends, is only an estimate.

OMB does not collect this information. Congress does not collect this information. Nobody collects this information. The bottom line is there is no single source of information available to the taxpayers and Members of Congress and the auditors explaining where Federal money is spent and there should be.

When I tell people about the bill, the response I usually get is, "You mean, that doesn't already exist?" Most people are astounded to hear that there is not a website available now disclosing everyone who gets Federal money. The idea is just so common sense that it is hard for anyone to oppose—that is, unless they have something to hide.

As of today, the bill has been endorsed by over 100 organizations spanning the entire political spectrum and under normal circumstances would not be able to agree on much. Liberal and conservative organizations have come together around this idea of sunshine. If they can agree, so can Congress.

I look forward to hearing from our witnesses today, and I want to thank them for what they have done for us thus far.

I would next recognize the Chairman of our full Committee, Senator Collins.

Senator CARPER. Madam Chairman, go right ahead, please.

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. OK. I know, Mr. Chairman, that you are eager to hear from our witnesses, so I am going to just make a few comments.

First, I want to applaud your leadership, Senator Carper, Senator McCain, and Senator Obama, for introducing this bill. It is astounding in this age of the Internet that we do not already have an easily accessible, searchable web-based site that the taxpayer can go to to see how our money is being spent. And I think your proposal will increase accountability. As you have often said, transparency is the first principle of accountability. If people have no idea how their tax dollars are being spent, then it is very difficult

for them to hold us all accountable. So I think this is an excellent concept.

I have been working very closely with you to refine the bill, and I want to give you my personal commitment to moving this bill out of Committee as soon as possible.

Thank you for your leadership.

Senator COBURN. Thank you, Madam Chairman. Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. I have a statement I would like to give. I want to refrain from doing so until we have heard from our two witnesses.

Mr. Chairman, you quoted our third President, and just sitting here, Senator Collins, I just thought, we heard a quote from our third President. It is possible in this first panel we may have a future President, maybe two future Presidents, to tell us why this is such a good piece of legislation.

I have heard Senator McCain say that in the United States, everybody is assumed to be running for President unless—what is it? You are indicted?

Senator MCCAIN. Unless you are under indictment or detoxification, you automatically consider yourself a candidate for President.

Senator CARPER. I consider that Senator Obama throwing his hat in the ring as well. [Laughter.]

I am going to hold off. One thing I would say—you quoted Thomas Jefferson. One of the things that—I think it was Jefferson who said, "If the people know the truth, they will not make a mistake." And I really think this is what it is about, trying to make sure that the folks around this country know the truth, and if they do, they and hopefully we will not make a mistake.

And with that having been said, maybe I can give the rest of my statement once we have heard from our witnesses. But to our colleagues, Senator McCain and Senator Obama, it is great to see you sitting side by side, and it is good to hear from you.

Thank you.

Senator COBURN. Let me first recognize Senator McCain. He is known by his reputation as being one of the lone voices in the Senate championing the cause of fiscal restraint and his crusade against earmarks. His support of this bill is vital, and he recognizes its importance to us as a Nation to control spending that otherwise is out of control.

I have had the great pleasure of working with Senator Obama on many issues in a bipartisan fashion to make government spending more transparent, more accountable, and, therefore, doing the proper job of oversight which we are entrusted with. I am delighted to be working together with him on this bill, and I thank both of our Senators for being here, and I would recognize Senator McCain first, and then following that, Senator Obama.

TESTIMONY OF HON. JOHN McCAIN,[1] A U.S. SENATOR FROM THE STATE OF ARIZONA

Senator MCCAIN. Thank you very much, Mr. Chairman, and I want to thank you, Senator Obama, Senator Carper, and Chairman Collins for your involvement in all these issues, and including this specific one.

Mr. Chairman, I am going to make my remarks brief because some of it would be repetitious from what you and Senator Collins already said, so I would ask that my complete statement be made part of the record.

Senator COBURN. Without objection.

Senator MCCAIN. I will summarize by saying, as you mentioned, Mr. Chairman, this bill would create a searchable database, available to the public at no cost, that lists each entity receiving Federal funding. It would show the amount of Federal funds the entity received in each of the last 10 fiscal years, an itemized breakdown of each transaction, the location of the entity, and a "unique identifier" for the entity and its parent entity. They would be very important, all of those provisions, Mr. Chairman.

I think critics of this bill have suggested that the requirements are too burdensome and that it would be too costly and take too much work to collect and post this data. I do not buy that argument, Mr. Chairman. In fact, if you looked at—and I know you did—the front page of this morning's *Washington Post*—and if you don't mind, I would just quote briefly from it: "On a clear, cold morning in February 2003, Nico de Boer heard what sounded like a clap of thunder and stepped outside his hillside home for a look. High above the tree line, the 40-year-old dairy farmer saw a trail of smoke curling across the sky—all that remained of the space shuttle Columbia.

"Weeks later, de Boer was startled to learn that he was one of hundreds of East Texas ranchers entitled to up to $40,000 in disaster compensation from the Federal Government, even though the nearest debris landed 10 to 20 miles from his cattle.

"The money came from the U.S. Department of Agriculture as part of the Livestock Compensation Program, originally intended as a limited helping hand for dairy farmers and ranchers hurt by drought." By drought. "Hurriedly drafted by the Bush Administration in 2002 and expanded by Congress the following year, the relief plan rapidly became an expensive part of the government's sprawling system of entitlements for farmers, which topped $25 billion last year."

Mr. Chairman, the important point—and I would ask that this entire article be made part of the record.[2]

Senator COBURN. Without objection.

Senator MCCAIN. But the interesting thing is sometimes you and I are derided because we talk about $75,000 for the Cowgirls Hall of Fame, $50,000 for this. Mr. Chairman, this was $1.2 billion that were given to cattle ranchers even if the debris from the space shuttle landed 20 miles away from the place where their cattle were kept.

---

[1] The prepared statement of Senator McCain appears in the Appendix on page 27.
[2] The article referred to appears in the Appendix on page 56.

Now, how did we find out about it? Because there were some enterprising reporters who dug it up, who found it out. I did not know about it. I doubt if any of us here knew about such a program. And so why don't we have a way that people, average citizens, would know about the program? That is the question about these incredible excesses. The only way I think, Mr. Chairman, as Senator Collins mentioned, the first step is transparency. And I believe that your proposal needs to be enacted. It needs to be enacted quickly.

As you know, Mr. Chairman, in 1994, there were 4,126 earmarks. In 2005, there were 15,877. The list goes on.

Finally, Mr. Chairman, a recent editorial in the *Tennessean* stated, "Congress needs to open up and shed light on its business in many ways. With an accessible database of grants and contracts, the public may see spending it despises, and it may see spending that it approves of, down to the last penny. The only reason to oppose compiling the information for public use is if the government has something to hide."

I thank you, Mr. Chairman, and I want to again thank the bipartisanship that is associated with this bill, including Senator Carper and Senator Obama. I thank you, Mr. Chairman.

Senator COBURN. Thank you, Senator McCain. Senator Obama.

TESTIMONY OF HON. BARACK OBAMA,[1] A U.S. SENATOR FROM THE STATE OF ILLINOIS

Senator OBAMA. Thank you very much, Mr. Chairman, Senator Carper, and Senator Collins. It is a great privilege to be testifying with Senator McCain, who has worked so tirelessly in shedding light on some of the problems that we have seen here.

I want to personally thank Senator Coburn, who I think has, since he and I entered the Senate at the same time, been a constant thorn in the side of those who want to waste our money. It has been a pleasure to work with him consistently.

Senator Collins has done terrific work on the Governmental Affairs Committee, and so I am really appreciative that you have taken an interest in this bill, and I think your support makes all the difference.

And, Senator Carper, thank you for your outstanding work on it as well.

This year, the Federal Government will spend about $2.7 trillion. The overwhelming share of this spending will go to fulfill America's commitments and to support our public priorities. So not all money in the Federal Government is waste. A lot of it is good spending. We have a whole bunch of seniors who are going to be getting their Social Security checks on time, as they should. We depend on government spending to ensure our national defense, our homeland security, to safeguard our environment, to help our children receive a quality education, provide an adequate safety net for our seniors and the poor. So I strongly believe that much of the money that we spend here is well spent.

But as Senator McCain pointed out, if even a small percentage of Federal spending is wasteful or lost to fraud or abuse, we should be concerned. Unfortunately, based on what I have seen in my rel-

[1] The prepared statement of Senator Obama appears in the Appendix on page 29.

atively short time in the Senate, we are not talking about a small percentage of waste, fraud, and abuse. It is unacceptable, particularly at a time when this country's most vulnerable citizens need to see government at its best, at a time when we are running up the credit card for our children and our grandchildren, to be wasting money. But I think all of us have seen evidence just from reading the papers every day that waste is taking place.

It is embarrassing to hear about the government paying 15 times more than the market price for plastic tarps to cover damaged roofs in New Orleans, or paying five times too much for debris removal or contracting with vendors for ice or transportation services who do not have the relevant equipment or experience.

How can we expect the American people to have confidence in us when they hear about overcharging and overpayment, when they hear about pork-barrel projects like the "Bridge to Nowhere," when they hear about money being wasted on frivolous expenses? How can we expect them to have confidence when the Administration and Congress seem unwilling or unable to hold people accountable?

Now, remarkably, as Chairman Coburn and I have discovered, it is often not possible to get good information about Federal grants and contracts, even when you are a U.S. Senator. There are several different databases of Federal spending information, and some who have opposed or expressed doubts about this legislation have suggested that it would be duplicative of existing databases. But the fact is that all these databases work differently. They are all incomplete. There is no way to see the full picture of government spending, and they are extraordinarily hard to access, even for professionals whose job it is to monitor Federal spending. It is certainly difficult for the average citizen. And the lack of transparency over the use of Federal resources is, to my mind, and I know to the minds of Senator McCain and all of you, unacceptable.

If we, as Senators, cannot get this information, we can be sure that the American people know even less. And the fact of the matter is that the taxpayers have a right to know how the Federal Government is managing its fiscal resources. We have the right to insist upon answers to reasonable questions about where and how our tax dollars are used.

Let me just make a few more points. This is not a partisan issue, as reflected by the sponsorship of this bill. Every single dollar that is wasted is a dollar that cannot be used for reducing the deficit, investing in health and education, or eliminating child poverty. So I think it is important for us to realize that whatever our priorities, whether Republicans or Democrats, those priorities are compromised and shortchanged when Federal funds are not prudently managed. It also should not matter whether you think that government ought to spend more money or less money. We can all agree that we should spend money efficiently and transparently. Democrats and Republicans can all agree that wasteful spending is unacceptable, whether it is by FEMA or HUD or DOD or any other Federal agency, and one of the pleasures that I have had in working with Senator Coburn and Senator McCain, observing the work they do on the floor, is that sometimes it is our own favorite agencies that need to be taken to task. And I think that is important.

So the first step in solving this problem has already been mentioned. It is shining a little light on the issue. And to me, at least, this should be a no-brainer. If government spending cannot withstand public scrutiny, then the money should not be spent. If a government agency is not willing to be held accountable for the grants or contracts it awards, then that agency should not have control over Federal resources.

Now, it is important to emphasize, because I have heard this argument as well, and I am trying to anticipate a few, because I know our time is short, that transparency by itself is not enough, but it is necessary. It may not be sufficient, but it is an important place to start. Transparency would not have stopped FEMA from spending $880 million on temporary housing trailers that are now sinking and rusting away in Arkansas. Transparency by itself would not have prevented Federal relief monies from being used to perform sex change operations or to take Caribbean vacations. But transparency is a prerequisite to oversight and financial control. And my sense is that once agencies get a sense that somebody is watching them and the taxpayers are watching them, they start asking some tougher questions before money is spent.

So, in closing, Mr. Chairman, I just want to thank you for your extraordinary leadership on this issue. I think that anybody who doubts that this is a sensible proposition should take a look at the enormous spectrum of support that this bill has generated. I rarely have seen so many editorials from such diverse outlets and such diverse organizations as on this issue. So I think it is time for this bill to pass the Senate. I applaud the Subcommittee for holding this hearing. Again, I thank you very much, Madam Chairman, and the Subcommittee, as a whole, for helping hopefully to shepherd this bill through.

Senator COBURN. Thank you, Senator Obama.

I just want to ask both of you, some of the critics of this bill have claims that the Federal Government has no business collecting information on subcontractors and subawardees. Do you believe it is important for the government to track Federal spending down to the point of actual use? For example, most grant money actually just goes to the State, but the State subgrants the money to other organizations. What is your feeling on that?

Senator MCCAIN. Well, Mr. Chairman, if I could just respond briefly, it is the taxpayers' dollars. I think we should track the taxpayers' dollars to its ultimate end. I know you know there are burgeoning scandals associated with a lobbyist and a group and a member and a committee, and one of the things that we have seen is that entities now feel, particularly small towns and cities across America feel, that they must hire a lobbyist who is well connected in order to get money for projects that they feel they need.

I am not saying they should not do that. But I am saying that we should know where the money went and the entity that got the money, all of it.

Senator COBURN. Senator Obama.

Senator OBAMA. Well, I think Senator McCain summarizes it appropriately. Look, if the city of Chicago receives a CDBG grant and it is going to be using those Federal dollars to fund a wide range of organizations, then it should be fairly simple for the city of Chi-

cago to gather up the information about how this money is going to be spent and report it back to this website so that all Federal taxpayers can know, folks in Maine can see, whether this money is being well spent in Chicago. And if we cannot defend how that money is being spent in Chicago, then the people of Maine or Delaware or Oklahoma have a right to say this is a bad use of Federal dollars.

I think those objections particularly make no sense to me given that, as it is, anybody who is applying for Federal grants is already providing this information to somebody. And simply making sure that it is transmitted to OMB I don't think is going to be a tremendous burden on their part.

Senator COBURN. If they are not already supplying that information or don't know the information, they should be.

Senator OBAMA. Absolutely. I mean, I don't know who is getting Federal money no questions asked. If they are, then we should probably stop that practice.

Senator COBURN. We have quite a bit of that. We are going to be outlining that in this Subcommittee.

A couple of the concessions that we have made as this bill has worked through: We have proposed a pilot program for subaward reporting so we can streamline that to make it easy; we have added a study on how best to implement a governmentwide program to collect and report subaward data; we have added provisions to minimize the burdens to grantees and contractors of reporting subaward data; and, we have delayed the requirement of subaward reporting from 2007 to 2009.

So we have answered all the questions that the subgrantees and subawardees and subcontractors have had with this bill by providing the mechanism where sunshine can flow and it will be easily accomplished.

One of my thoughts when we came up with this bill was that we need help doing oversight. We can have 300 million Americans helping us do oversight. And the real question for Congress, in declining revenues and increasing obligations that we have already committed to, is how do we make the priorities? How do we put what is first, what is second, what is third?

What are your thoughts on how this bill, if enacted and when enacted, will help us do those priorities? Senator McCain.

Senator MCCAIN. Well, Mr. Chairman, I just think that it is the heart and soul of what government should be all about. The more our constituents and our citizens know about how we do business, the greater their trust will be in us. And as I am sure you know from recent polls, not a lot of Americans have a very high opinion of us, and I think this is one of the reasons, because they do not know what we do with their tax dollars.

I would like to make one additional point, Mr. Chairman. Maybe 10 years ago this would have been a very onerous task to set up this kind of a database and have everyone have access to it. I am not a computer expert, but smart people have told me that this is a relatively easy operation and one that is not too difficult nor expensive.

So let's say it costs maybe a couple hundred thousand dollars to set this up. Compare that with the knowledge of some of the ways

that this money is spent so that it will be a caution to people who want appropriate money that is not for useful purposes because they will know that their constituents will know and not appreciate the way their tax dollars are being spent. I will bet you that it justifies whatever expense is associated with it in the first 5 minutes.

Senator COBURN. Senator Obama.

Senator OBAMA. I concur. Look, not only do I think that it is a basic principle of self-government, as articulated by Thomas Jefferson, that taxpayers should know where their money is going; frankly, I also think this will help us Senators because I think even given the vigilance of some of the Senators who are here in this room, there is a lot of stuff that slips by that we do not know about. None of us have the time, even with our staffs, as able as they are, to track down every dollar of spending. And, I think we are all constantly surprised at what shows up after we have voted for a bill. This website will empower citizens and organizations. It is one of the wonderful democratizing aspects of the Internet that we can empower a lot of people to do what maybe a few individuals would have difficulty doing.

Senator COBURN. Senator Collins.

Chairman COLLINS. Thank you, Mr. Chairman.

I think that Senator McCain hit on an issue that is very important, and that is the lack of public trust in government. And certainly the kinds of wasteful spending projects that have been discussed today contribute to that lack of trust.

I think there is an upside also from this website, and that is in some cases people may be pleased to see what money is going for. I wonder if our witnesses might comment on that as well. I see this as helping to give the public more information on what their taxpayer dollars are used for, and also helping us to sort out the proper role of government at the Federal level, what kinds of projects and programs should the Federal Government be paying for as opposed to the State or local level, or perhaps projects that should not have any government involvement at all.

So I would like to ask our two witnesses to comment on that issue, too. Senator McCain.

Senator MCCAIN. I certainly agree, Madam Chairman, and I would also like to point out that eventually, perhaps, you could have this listing of what the money was spent for and all the entities and subentities, but also you could have a link to the department of government that is responsible for this money, and they could have a website explaining exactly what that program does.

I think it could be a tremendous educational factor for our constituents, so they would know not only the name of what that program is, but link up with the various agencies of government who would give them a full and complete explanation.

Chairman COLLINS. Senator Obama.

Senator OBAMA. Well, I think you are right, Senator Collins. To the extent that people know where dollars are going that can actually serve a useful purpose. For example, I serve on the Senate Foreign Relations Committee. If you were to poll the average person, they might think that 25 percent of the Federal budget is going to foreign aid. And when you let them know that actually it

is less than 1 percent, then they have a better perspective in terms of why we might want to provide assistance to other countries.

Now, they then may take a look at where some of the foreign aid is going to and question whether it is appropriate or not. The point, though, is that it can create better understanding, a more robust conversation within our democracy.

I will be honest with you. One of the things that I have always found to be helpful in my own office—and this was true when I was a State legislator—is the more transparency there is, sometimes that helps me fend off constituents who want questionable projects from me. And when I explain to them that we are going to have to defend this and that I have to explain why this would be a higher priority than something else, it helps me do my job better.

Chairman COLLINS. Thank you.

Senator MCCAIN. It is always easy to explain to Dr. Coburn, I have found.

Senator COBURN. Senator Carper.

Senator CARPER. Sitting here this afternoon listening to the testimony and the responses from our colleagues, I am reminded of an older reporter, now deceased, who used to write for the *News Journal* paper in our State. We only have one statewide newspaper called the *News Journal.* He was a crusty old reporter who became a columnist. His name was Ralph Moyed. He died about 5 years ago. We used to say when I was a Congressman and then governor that when we are faced with an issue about whether or not to go forward and do something or not and it is sort of a close call, we would always say, "Imagine a front-page article in the News Journal written by Ralph Moyed above the fold about this particular issue." And we would say, "Well, maybe we should not do that." [Laughter.]

Or we would say, "Well, maybe we should."

In a way, I think of the legislation that we have all cosponsored, and Senator Coburn has authored, is a little bit like having a whole lot of Ralph Moyeds alive and well, looking over our shoulder, and ready to blow the whistle, and then whether people want to pay attention or not, that is up to them.

I don't know that there is any silver bullet out there in the fight that I think we all share, and that is a fight to try to restore some fiscal sanity in this Nation of ours, at least for our Federal Government. But the thought occurs to me that most of what we are talking about is domestic discretionary spending. And if you actually look at the budget deficit we have, I think, for the last year, we could eliminate entirely domestic discretionary spending, and I think we would probably still have a budget deficit. So while it is part of the answer, getting rid of the wasteful spending in domestic discretionary, it is not the whole answer.

One of the things that Senator Coburn and I have been working on is trying to figure out where improper payments are occurring, and we have learned that there was roughly $50 billion or so, maybe more, in improper payments last year. Mostly overpayments—that does not include the Department of Defense. And among the things that we have learned is that financial controls at the Department of Defense are so haphazard at best that we do not know really what their improper payments are.

I would just ask both of you, in addition to taking a step like this, which I think we all agree is important, what might be some other steps that we should take to rein in the deficits that we all abhor and want to curtail.

Senator MCCAIN. Senator Carper, I think about that all the time. I think that the package of reforms that has recently been proposed by Senator Gregg and cosponsored by many Members of the Senate is probably a good idea. It is a package of budgetary controls ranging from the line-item veto to various other provisions that would enforce budgetary discipline.

Senator CARPER. Does that include two-way PAYGO discipline?

Senator MCCAIN. I think it does, but——

Senator CARPER. I think it is one-way.

Senator MCCAIN. Is it one-way? Do you know, Senator Collins?

Chairman COLLINS. Yes, it is one-way. It exempts taxes.

Senator MCCAIN. I think it should be two-way myself, but anyway, I do think that at least it is a good framework of a package of reforms. But I think the other aspect of this, as you mentioned, this may be a small part of the budget we are talking about, but we all know that when we have to fix Social Security and Medicare, we are going to have to ask the American people for some sacrifice in order to fix these systems. How can you do that if we are spending their tax dollars in the most profligate and obscene fashion, as we did for people who had cows 10 miles from where the Columbia crashed?

So that is why I think we hear so much from our constituents, because they just do not get it. I am sure you have the same experience that I do when I mention the Bridge to Nowhere. Everybody knows—they may not know the name of their Senator, but they know the Bridge to Nowhere, and they are offended by it. And so I think one of the reasons why we need to focus on this is so that we can go to the American people with clean hands.

Finally, could I mention, Senator Carper, I think that this issue of Defense Department financial controls is really something that we have to get on. As you know, the largest part of the budget is defense appropriations, appropriately so. But it and procurement are totally out of control, and it has to be one of our highest priorities.

Senator CARPER. Thank you. Senator Obama.

Senator OBAMA. I would echo what Senator McCain says. I think all of us are aware that at some point, in order to get our deficit under control, there are going to be revenue issues that we have to bring up, and there are going to be spending issues, and we are going to have to talk about entitlements. We are going to have to control costs. And it is very difficult to have that conversation, particularly at a time when Americans are feeling squeezed and more vulnerable, if they think that the money is being wasted.

Now, once the waste has been identified and some confidence has been restored that we know where the money is going, then I think the American people are responsive to calls to sacrifice. They want to do the responsible thing for their children and their grandchildren. But right now the levels of cynicism are so high that it is very difficult to have these meaningful conversations. And so, my hope is that this would be a first step.

One other aspect that I would add to this—and I think this dovetails into some of the legislation that has been proposed to shed light on what is happening with earmarks and so forth—is that we do not have what I think most Americans would consider a budget or a budget process. I mean, it is this sort of loose, haphazard stew in which it seems like sometimes the purpose is to make things obscure. And it is very hard from my perspective to step back and see if we are spending each dollar in accordance with our priorities since we cannot do everything.

This kind of effort can hopefully build on other reform efforts to get an overview of the budget. It may help the Administration to start thinking about how we can change our practices at the administrative level in order to have a better overview of spending. And I think it will help put pressure on Congress as a whole to defend or change those practices. As you know, I am a big supporter of PAYGO as an example of a way to at least stop the bleeding, but I think that this ends up being just one more brick in that structure of accountability that I hope we are going to be building over the next several years.

Senator CARPER. Mr. Chairman, as our colleagues prepare to go back to work, I just want to express my thanks for their being here and for the leadership that they provide. I would just add maybe one concluding thought.

I think Senator Obama made a very telling point here. As we get serious in the months and years ahead about reining in these budget deficits, it is going to call for some difficult decisions with respect to revenue and with respect to spending, both on the discretionary side and on the entitlement side.

One of the other things is that a lot of people in our country are surprised to find out that there is a tax gap of over $300 billion in revenues that are owed. In some cases, the IRS has a pretty good idea who owes the revenues, but they are not being collected. And for us to be able to convince the American people to join us in making some of the tough decisions, they want to make sure that we are doing a better job in controlling discretionary spending. They want to make sure that we are getting a handle on what is going on at the Department of Defense, which we desperately need to do. I think they want to make sure that the folks who actually owe taxes are paying their fair share before anybody else is asked to pay any more.

Again, our thanks to each of you.

Senator COBURN. I want to thank the Senators for testifying.

If the next panel will please come forward. Just to clarify the record, only 18 of the 32 agencies of the Federal Government reported improper payments. Of the 18 that reported, they documented $38 billion in overpayments in only 57 programs out of the 100 programs. The biggest problem is lack of compliance of the agencies with the improper payments law.

I would also note that it is estimated that there is a $30 to $35 billion improper payment in Medicaid, and their improper payments are not being tracked.

I want to welcome our second panel: Gary Bass is the Executive Director of OMB Watch. He has been with OMB Watch since he founded the organization in 1983 to serve as a watchdog for Fed-

eral policies on issues of transparency, openness, and good government. Prior to his work at OMB Watch, Dr. Bass was President of the Human Services Information Center and received his doctorate in psychology and education from the University of Michigan.

Next is Eric Brenner, Director, Maryland Governor's Grants Office, the office of Governor Bob Ehrlich. Mr. Brenner became Director of the Maryland Governor's Grants Office in February 2004. He worked with four governors in three States for both Republicans and Democrats. He even worked for the Governor of Illinois during Senator Obama's tenure in the Illinois State Senate. He has a degree from Harvard John F. Kennedy School of Government.

And, finally, Mark Tapscott, Editorial Page Editor of the *Washington Examiner*. In February of this year, he was named editor of the Editorial Page at the *Washington Examiner*. Prior to taking this position, he was Director of the Center for the Media and Public Policy at the Heritage Foundation. He has worked as a journalist for more than 20 years and will discuss with us today the effects our bill will have on the world of journalism.

I would like to thank each of you for being here. Dr. Bass, you are recognized first.

TESTIMONY OF GARY D. BASS, PH.D.[1] EXECUTIVE DIRECTOR, OMB WATCH

Mr. BASS. Thank you, Mr. Chairman. I would ask to have my written statement put in the record.

Senator COBURN. Without objection, all of your written statements will be placed in the record.

Mr. BASS. Let me begin by making very clear that with absolutely clear and unambiguous language, OMB Watch supports S. 2590. It is the right bill to do, as we heard from the last panel. The timing is right. This is a good thing to do. It would be great to move this bill quickly through markup and then directly to the Senate floor and try and get something done, hopefully with unanimous consent, and have this behind us and then work on the implementation.

I also want to thank you and other Subcommittee staff for working with OMB Watch to improve the bill as we have moved along. I think this has been a very cooperative and constructive process, and I thank you for that.

At the same time, I think that I am going to advocate as much as I can for improvements in the bill as we move along. But I want to make very clear that we support the bill as it was even introduced, even before you have added some changes. We want this bill to pass, and we want it to pass soon. And our objective is to strengthen it if we can, but we want it done. So I want to be very clear about that.

I also want to note that we support this bill, as the two Senators who spoke on the last panel did, for reasons of the most importance to this country. This is about democracy. This is about openness. It is not just simply a right-left coalition. This is a coalition that cares about openness and accountability and encourages a strengthened democracy. And as you have said, Senator Coburn, all

[1] The prepared statement of Mr. Bass appears in the Appendix on page 31.

along, strengthened accountability leads to a stronger democracy. And we believe that. We believe that fundamentally.

At the same time as we believe this is a theoretical or philosophical view, we are also very frustrated. You cannot get the information. It is just not able to be obtained. And so something needs to be done immediately to get this information in the hands of the public. And I construe "public" in the broadest sense. It is Congress. It is policymakers at the State and local level. It is the news media. It is the citizenry. This is going to be used by a number of people in many different ways.

Now, having said all this, I want to raise four areas where I would hope we give some concentration, as the bill is already enacted, we get more and better implementation. And I want to point out four areas.

One is the challenge is going to be getting this data up in a user-friendly, searchable format. I know, because OMB Watch is now in the throes of trying to put up the two key databases—and we will do acronyms, since you have already mentioned it—FAADS and FPDS. Contracts and the data that deals with grants, loans, insurance, subsidies, we are trying to put it all available through an online service by October 1. And so we are wrestling with this issue of how to do it.

I would encourage that we create some kind of citizens panel, require some kind of data testing from OMB so that we ensure that we are getting it in the way that it can be used.

The second concern I have is the data quality. All the conversation in the last panel was about obtaining information that is so critically important, I would encourage in the bill we start to ask OMB to make recommendations how to improve the data quality.

The third area is to make sure we are getting all the data we need. The issue is, as Senator McCain talked about—a Livestock Compensation Program—we need to be sure we are going to get all of that data. The way the bill might be structured, we need to look at it carefully to make sure we are not going to exclude certain key elements like farm subsidies or flood insurance, because they go to individuals.

And the fourth point I would make, which you have already addressed, Senator Coburn, and that is make sure it is implemented. And the thorniest issue will be this issue of subrecipient. I think we are strongly supportive——

Senator CARPER. Say that again? Make sure it is what?

Mr. BASS. Subrecipient reporting, subgrants, subcontracts. And I think the Chairman has identified some improvements already talked about, and I think those go a long distance in getting us there. The real issue is to touch base with the players who are going to have to implement this and to make sure it can be done in a way that makes sense. We just need to make sure this can be done. I want to emphasize we are supportive of subrecipient reporting.

Let me conclude with a notion that this bill is a building block. It is not the be-all and end-all in transparency. A number of things the last panel talked about, like earmarks, mismanagement, are not going to be obtained by just simply legislation that calls for greater disclosure of Federal spending. Similarly, there are many

other important issues like tax expenditures. These are all things that need to be done, and they should be added after this bill is passed. And I am hoping that you, Mr. Chairman, and you, Senator Carper, will lead in the efforts to enhance transparency once we move beyond this.

So I am very excited about this bill, and I thank you for letting us testify today.

Senator COBURN. Thank you, Dr. Bass. Mr. Brenner.

TESTIMONY OF ERIC BRENNER,[1] DIRECTOR, MARYLAND GOVERNOR'S GRANTS OFFICE

Mr. BRENNER. Thank you, Mr. Chairman and Senator Carper. As you heard, my name is Eric Brenner, Director of the Maryland Governor's Grants Office, created less than 3 years ago by Governor Ehrlich and Lieutenant Governor Steele, and in a short period of time, we have been recognized by the National Governors Association as a "best practice," and we just won a Special Achievement award from the National Grants Management Association.

I think I can sort of cut to the chase pretty quickly here. We just came out with our third annual report. It lists every single Federal grant received by State agencies in Maryland. This past year, 499 Federal grants went to all of our State agencies, approximately $7 billion. We know from census data that the State of Maryland receives approximately $9 billion in Federal grants, so obviously $9 billiion minus $7 billion, there is another $2 billion floating around that goes to universities, nonprofits, and local governments.

As the legislators, governors, and mayors become increasingly familiar with the detail we can give them on the money that flows through us, there is a lot of interest in where the rest of the money going. And there is also a timing aspect.

So the first year they were happy to have anything. The second year the interest picked up. And this latest report, the Federal fiscal year 2004 is the most recent data we have. The census produced this December 27, 2005. They came out with Federal fiscal year 2004 data. So it is almost a year and a half late. There are reasons why it took so long, but only 3 weeks later, my little office of three people was able to come up with State fiscal year 2006 and even estimates for 2007 data on Federal funds coming through State Government. And as I am working with legislators in front of the General Assembly, they ask me what is the deal here? Why can't I get this information sooner? And Senator Obama hit on a real-life example from this past legislative session. There was a small nonprofit, and I am going to call it a YMCA. It was not, but it was something like that with national recognition in the county looking for funds. And the legislator said, Can you tell me if this little YMCA is getting any direct Federal grants? Because if they are, maybe we want to give them more money if the Feds trust them to manage the money well. Maybe that is a good thing. Or maybe we want to go to another group and give them money. Or maybe we want to stiff them and we do not want to give them anything, but we would love to help them find out what other YMCAs are getting funds out there. And you are telling me you cannot do

[1] The prepared statement of Mr. Brenner appears in the Appendix on page 47.

this. OK. Once the session is done, go work with your friends in the Federal Government and see if you can move this stuff along a little bit faster, because it really is valuable. There are real live policy decisions that ride on things like this.

This was not the first time I was told by legislators or a governor to go back and talk to the Federal folks to get more and better data. Back when I was working for the prior governor in Illinois and Senator Obama was in the General Assembly, I was charged with setting up an Illinois Federal clearinghouse, and at that time the main issue was access to grant notices. At the time I was charged with cobbling together a website that could pull in all new Federal grants notices so State agencies and nonprofits could see what the Feds were offering up.

That was about 7 years ago, and at that time I said, Wait a minute, why are we doing this? Shouldn't this all be in one place? And a couple years later of lobbying and cajoling and work from Congress, Grants.gov is now working beautifully and no State has to devote staff to identify what new Federal grants are available. It is out there on the website. Every day you flip on the machine in the morning, and you see what new grants are out there. It was a real big step forward. And yet even in Illinois, when we used to pull the data together, the timing issue would come up all the time. Why do we only know what we are getting through us? Why can't we see what else is going on out there?

I think Governor Ehrlich is flattered that other States are beginning to copy our grants office. There really are just five or six or seven like this out there, but there are new ones popping up all the time.

I got a call from Delaware in the last 3 months. A woman named Maureen Querey, whom I had never met before, was charged with setting up this office. She is working with Joe Hickey, whom I know really well. He did the training when you were a governor, and he is supposed to help her do training programs on grants management. But first she has got to ask, "What are we getting? Help me pull the numbers together." And that is going to eat up a lot of time. So as much as Governor Ehrlich loves the fact that people are copying our stuff, we would love to see every State have this information and free up my time so I can work more with nonprofits and local officials to better match resources with policy goals.

The last question that was addressed a bit—this is the first time I have seen the revisions here, and I am speaking just for the Ehrlich-Steele Administration and one State. But I do work pretty closely with the State associations on this and the handful of other States that have grant offices. And there is a real concern that what is so close to a terrific idea can somehow get bogged down on the issue of the subgrantee reporting. And so many folks have wanted this for so long, and even senior officials at OMB sort of went out on a limb to push for this initially, and this was not popular with some of the Federal agencies. I think they realized a little push was a good thing. In our 499 grant programs, each one is managed differently in a different statute, and we do not have a statewide grants management system, nor does any State. Michigan, I think, will be the first to get there in a year or two, and to

merge 25 different grants management systems into one to get this data is going to be difficult.

So I would urge continued consultation with the bill's sponsors in the House and OMB. There is a legitimate issue here, and I think speaking for the people on this panel and a lot of the State governments, the bill is terrific and we really want to support it and would hate to see someone who does not like the core concept of the bill use a little detail like "you mean you want every Medicaid recipient, the amount of the money they got"—there are little ways you could pick at this if you wanted to bring it down, and a little bit of consultation I think can get over those rough spots.

Senator COBURN. I assure you we are already seeing that.

Senator COBURN. Mr. Tapscott.

TESTIMONY OF MARK TAPSCOTT,[1] EDITORIAL PAGE EDITOR, THE WASHINGTON EXAMINER PROPRIETOR

Mr. TAPSCOTT. Thank you, Senator. I appreciate very much the opportunity to be here, and I just want to point out that, as one of your fellow Oklahomans, it is especially great to see you doing all of the things that you have been doing this past year on earmarks.

I want to also say, particularly to my colleagues over on the press table, that normally I would be over there with them getting ready to ask you guys questions rather than sitting at this table, hopefully answering questions from you all. But this is on an issue that, like the Freedom of Information Act, I believe is fundamentally important, both as an American citizens and to my profession, my chosen profession. And I think what is going to be possible as a result of the passage of this bill is of sufficient importance that I have encouraged all of the professional journalism organizations to become very vocally in favor of this bill as well.

I want to just address the basic question that I was asked to talk about, and that is, What effect would passage of this legislation have on journalism? And I think the closest analogy that I can think of is the effect of having campaign finance data widely available to journalists and to the general public. This began about 20 years ago.

As you all well know, there is really no such thing as an anonymous donor these days, and that is very much as a result of the fact that data on who is giving what to whom and which special interests are doing what with their money has become so widely and easily available.

One of the effects of that in journalism, obviously, was that it enhanced the public interest in and the power of political reporting specifically. But even more important than that, it empowered investigative journalism about government in a way that had not been previously possible, except on an anecdotal basis.

Senator McCain mentioned the fine piece of reporting by that other newspaper in town, the *Washington Post.* That was basically done as a result of inside sources and anecdotal reporting. It probably would have been done as a matter of course if this database was in existence. And "as a matter of course" is a good phrase for

[1] The prepared statement of Mr. Tapscott appears in the Appendix on page 50.

what I think would be an accurate description of what would happen to government reporting when this database becomes widely available.

We get no comprehensive, systematic daily reporting on where tax dollars are going simply because, as has been documented in abundant detail, it is basically impossible to get much of the information and extraordinarily difficult to get the rest of it. We are in an era when most journalism organizations are cutting costs, unfortunately, cutting staff, editorial staff, unfortunately, and frankly there are just not enough people nor enough time to do the kind of rigorous investigative reporting that government deserves and the American people deserve.

This would make a profound difference in that because it, frankly, would make it so much easier to get so much more of the data. And I think that you would see every basic major beat in a newsroom, from the cops beat where the junior reporters start, right up to the investigative staffs, incorporating as a matter of course data from this database.

Speaking as a professional journalist of 20 years, that excites me. Speaking as a blogger, which I am also, I am even more excited about what the potential effect on the new media will be of this database.

One of my blogging colleagues, Ed Morrissey of Captain's Quarters, has predicted that very soon after this database becomes available, he believes there will be 10,000 blogs coming into existence specifically for the purpose of exploring Federal spending with regard to their particular States or their particular congressional districts. I think, based on my own experience with the Porkbusters bloggers in the blogosphere, that Ed probably is underestimating the number of blogs that will come into being as a result of this.

To summarize, I think that just as nobody who is in politics or journalism today can afford to ignore Opensecrets.org, the website where campaign finance data first was made available, we are very close to a time when the Federal spending database will also be of that much importance. And I am sure there will be at least one website called Spendingsecrets.org, and I hope I will have something to do with that. Thank you very much.

Senator COBURN. Thank you.

I want to ask each of you, the bill that came out of the House excluded contracts. I personally believe that is a fatal error in the bill, and I would like each of your comments on that.

Mr. TAPSCOTT. I think having covered Federal contracting on a waste and fraud beat, it makes no sense to me at all to not include contracting data. As a journalist, of course, I want as much information as I can get. But the point of this database is to enhance the public's ability to know where the Federal dollars are going. And in order to understand that, you have to have information about the contracts.

Senator COBURN. Mr. Brenner.

Mr. BRENNER. The State of Maryland gets about $20 billion in Federal procurement each year. We only get about $9 billion in grants. Most States it is the reverse. They get a lot more grant money than procurement and contracts.

Two years ago, we did do a real brief document showing which counties it goes to, which companies, and there was incredible interest. We have an intern working hard this summer to try to recreate it. That is all he is doing. He is working really hard to pull this stuff together, and, again, it still will be old data. The need is great. And it is important to recognize that within the Federal Government, the grants world and the contract procurement world are really different. I am not sure how they grew up to be as different as they are. But when you are trying to do some of the things that you and the various sponsors have proposed, it really works very well right away on the contract side. The grant side might take a little more tweaking, but the value of the information is absolutely there. I have got an audience hungry for anything I can give them.

Senator COBURN. And that is to make good decisions at the State level. You do not want the data just for the data. You want the data so that you can make a better decision at the State level.

Mr. BRENNER. Right. Practical example with the base closure, the BRAC process, concluding the more we know where the Federal contract dollars are going, the better counties can prepare school systems, the better they can do roads, the better they can do job training with the welfare-to-work programs. There is a real need for this so we can efficiently use our money, and the longer we have to wait to get that information, the more we are set back.

Senator COBURN. Dr. Bass.

Mr. BASS. I concur with my colleagues. You must have all venues for expenditures. I would say down the road we also need to add in tax expenditures. But one thing to keep in mind is when we look at GAO and other audits that have occurred, the bulk of the patterns of mismanagement are all identified in the contract side. There have been no systemic patterns on the grant side, although I will say there have been some questions about allocations of funds under various forms of subsidies, particularly in light of Hurricane Katrina. And so I think it is an obvious piece to have both contracts and grants.

Senator COBURN. With the recent revelations of congressional contracts and favors, that seems to make no sense that we would not want contracts to be—to have sunshine on the contracts since there is this potential conflict of interest between fundraising and contracts. You all would agree with that?

Mr. BASS. Absolutely. If I could just add, Senator, I hate to use a term that I have used in other settings, but what the objective should be is a real accountability matrix to bring all these sources together.

Senator COBURN. Right. I have worked in a lot of areas. Under grants, we have had flirting classes and clown demonstrations and all sorts of things. So I think they are both equally liable, although the vast majority of the dollars have been in the contract area.

One final question, and then I will turn it over to Senator Carper. We have worked hard to try to make the U.N. accountable for our contributions in terms of both the Oil for Food scandal and all the other—we had a hearing here not long ago where they showed one-third of their expenditures were in waste, fraud, and abuse. It is pretty hard for this government to demand the U.N. be account-

able in how they spend their money when we are not. And so that is another reason for it. We cannot claim to want to know how our money is spent elsewhere if we don't know how we are spending our money. So I would make that comment.

Senator Carper.

Senator CARPER. Thank you, Senator. And, gentlemen, thank you very much for joining us and for your testimony, and, frankly, for your interest and involvement in these issues for some time.

Mr. Brenner, thank you for your comments about Joe Hickey. When I was privileged to be governor for 8 years, I worked with Joe. Joe was in charge, as you suggested, of training in our personnel area. He traveled more abroad in that role. Mr. Chairman, I don't know how he parlayed that position into as much foreign travel as he made, but he made me look like a stay-at-home Mom or something, a stay-at-home Dad, with regards to his travel. We should have a hearing on him. I do not think he does that anymore, but——

Senator COBURN. Well, we will later. [Laughter.]

Senator CARPER. He was also a lot of fun. He was fun and he was quite good in his job. I will tell him his name came up in vain here in this Subcommittee.

Dr. Bass, I want to come back to you. You were making four points. The second I think involved data quality. The third was getting all the data we need. Would you just review those with me, with us again, please?

Mr. BASS. The first one is a user-friendly site, and the problem——

Senator CARPER. Even go back before that, but these are four points you made with reference to?

Mr. BASS. To strengthening as we move along to either implementation or in the final stages of marking up this bill, there are things that are—I should rephrase this to say you can always improve a bill, but we do not want tweaking and improvements to delay the passage of S. 2590. So the comments I am making are in the notion of a constructive element of how can we strengthen in minor ways this bill as it is moving forward to achieve unanimous consent.

Senator CARPER. OK, good. Go ahead. Just run through those again, if you would.

Mr. BASS. Yes. The four, very quickly, are: A user-friendly website, and one of my biggest concerns is this is very complex data, and as we have found in trying to put up the data, you have Federal shares, you have non-Federal shares, you have obligations versus what is actually spent. It is not easy to penetrate. The objective is we need to do it in a way that the public can really understand what our government is spending money on.

It strikes me that one way to do that—and there may be many other ways, but some suggestions I had was create some kind of a citizens panel to watch how OMB is doing this and to give feedback to you on whether this is meeting the need. It might be temporary. It might be during the creation of it. Or it may be every 3 years to assess it. A second would be to data test, to test with users before the site goes live with different kinds of users to make sure it is meeting the need. So that is sort of one.

The second is the——

Senator CARPER. Well, would you say that is the most important of the four, or is there one that is more important than the other?

Mr. BASS. Well, I think they are all equally important because, in order to have it in a user-friendly way, you want to make sure the quality of the data is good. If the data itself is not expressing the kinds of things that you two have said today you want, and the Senators before us talked about, then it lacks utility.

I can tell you the data quality needs improvement, and I do think that the public disclosure, the bill itself in passage, will help to improve the quality of the data because, as Mr. Tapscott talks about, there are going to be a lot of reporters and others using this data. And so the government will have to clean up the data.

Senator COBURN. Yes, that is a component of the bill. Public feedback is required in the bill, and a response to that is required as well.

Mr. BASS. Indeed, and I think that is a critical element to retain. I do think maybe one notion in that response to the public comment, maybe we should ask OMB to comment in its annual report how they will proceed to improve the data quality year after year. That might be a sub-piece of their report.

The third thing I talked about, which is really to the heart of what the two Senators in the last panel spoke to, is making sure we are getting all the data we expect we—what we say in the bill, we want to make sure what we are getting. An example: The Livestock Compensation Program that Senator McCain mentioned we may not get because it is going to individuals, or we may not get information about flood insurance that goes to, say, Hurricane Katrina victims where there are some allegations of abuse. So we need to find the balance here to ensure we are getting all the information we definitely want, without harming personal privacy.

And the last point I was making is really an issue about the subrecipient reporting. It needs to be done in a way—it should be done, and it should be done in a way that does not create an overwhelming difficulty to have it done. I tend to think of it——

Senator CARPER. I am sorry. Say that again? Make sure it is done in a way?

Mr. BASS. That it does not create an impossibility to implement. Let me break it into maybe three components. One issue of this bill deals with contracts and subcontractor reporting, which I think can relatively easily be done. Contracts have for-profit motivate built in. You can require the contractor to notify about subcontractors and on down the line.

A second kind of category of subreporting is a subgrant to a nongovernmental entity, like a nonprofit. In some of those cases, it may be relatively easy to do that. However, there are paperwork and other kinds of burdens imposed. And as you said, Senator Coburn, you want to do it in a way that ensures it does not create unnecessary burden.

The third category is what Mr. Brenner was talking about, and that is, grants that go to State and local governments, which is the largest share of grants. And that is a little more difficult because it is not simply like the community development block grant that Senator Obama talked about. Many of the grants a commingled

with State monies or local monies, and it is hard to pull that apart and identify what is which.

Senator COBURN. Let me, if I may, I want to answer those.

Senator CARPER. Sure.

Senator COBURN. First of all, to be able to reply and to report on this is going to make every grantee and subgrantee and State and local government better.

Mr. BASS. Right.

Senator COBURN. Because if they don't have a system to know where their money is going now, they are going to have to have one to report under this. And they should. Every grantee, every contract should know where they are spending their money. And if they do not, they are going to have to have a system to be able to do that, which should be a part of their grant application. That is number one.

Number two, and I think it is relatively easy if we are sending 12 percent of the money for some State program, then the answer in that is here is how the money was spent, of which 12 percent of the money was Federal. They do not have to break it out. They can say, Here is the program, you supplied this much money of the total, here is how we spent the money on the program. So it makes States better, so they are going to have to report. If they are going to take Federal funds, then they are going to have to say here is where the money went. They do not have to—there is no judgment on it, but what it does is it creates—this bill is going to create sunshine not just for the Federal Government, but for grantees and nonprofits and for States. It is going to help everybody do better, have better financial control, but it is going to help everybody in this country know where their tax dollars are going to be going. And I do not think that is hard to do.

If you can get on Google today and punch anything in and find out all the things associated with it, it cannot be that hard for the Federal Government to do this in terms of the spending of the budget. It is not hard. And there are programs out there now that you can buy to give cross-references for names. I mean, this is not something that has to be reinvented. It has already been invented. And so it is not a difficult process to achieve.

Mr. BASS. Well, I think your changes that you are proposing go a huge distance by creating both the study you have and a pilot to really test out the point you are making. And I think Mr. Brenner could probably speak better to the State questions than certainly I could.

Mr. BRENNER. The fear that is out there that I think the OMB folks have probably expressed is that for this to be carried all the way through to the last dollars, the State governments will end up carrying a large share of the burden to track the dollars as they move through to counties, local governments, and other places. And this year was interesting because Grants.gov is in the process of making sure every Federal grant has to be done online electronically. That was a big deal, and they just sort of imposed that. And there have been some real struggles where you are sitting there and you hit the button and it does not go through, and just like that, you do not have someone to call. So there have been some rough spots. It is getting better, and it will be better next year.

So the goal is——

Senator COBURN. It will be hard when it starts. This will not be easy when it starts.

Mr. BRENNER. No. But, again, I know the National Association of State Auditors, Comptrollers, and Treasurers have some legitimate issues here. And yet for Maryland, Governor Ehrlich made this a second-term priority in looking at all the issues when we set it up. He knew this was going to be a big deal to merge all of these financial systems together. And yet it is a goal we have. So by moving to 2009, that is actually within the timeline we are looking to do it. Concern, again, will be the other States that have not even started to pull together just the basic "who is getting the money" piece. So there are legitimate issues, but to see this bill moving is very exciting. As everyone has said today, you would hate to see it pulled down over what I think are some fairly minor issues.

Senator CARPER. Mr. Chairman, I have asked Dr. Bass to kind of review for us his four points that he thought would further strengthen the bill, and I just want to ask Mr. Brenner and Mr. Tapscott to react, if you will, to what he has laid out and what you think he has suggested that makes sense and where do you think that it maybe does not.

Mr. TAPSCOTT. I have worked with Gary Bass on this project for a long time and was, in fact, working on this project alone before Gary and I began working on it. So I associate myself with his first three points.

Senator CARPER. How about that fourth one?

Mr. TAPSCOTT. On the fourth point, I want to point out, I have posted on this issue on my blog many times. Almost invariably when I post something on this, I will be contacted by a private sector computer person who says, "What is the big deal? We can do this. We do it every day in the banking industry."

So I am a little skeptical when I hear government people saying, "Oh, we cannot do that," because that is what I hear from people in government all the time. My guess is it is probably analogous to the situation that we had a decade ago in migrating from a previous generation of computer information technology to a more advanced generation.

Senator CARPER. Mr. Brenner.

Mr. BRENNER. I never met Gary Bass until today, and yet I spoke to him once and we e-mailed back and forth on the testimony. His written testimony, which is quite a bit longer, has a detailed section on the subgrantee reporting, which I think is, one, pretty accurate; and, two, if I was saying this, it would sound pretty self-serving as here is the State government guy who cannot deliver. But an organization with the integrity of OMB Watch I think should be taken pretty seriously on this.

The other fear that is out there is the issue of unfunded mandates being pushed from the Federal Government onto the State government, and that is one way to take a large number of State people who really like this here and even seeing any potential risk in language that was not even intended is a chance to take what should be a 100-percent good-government proposal here and cause some trouble.

Grants.gov, it was interesting to me how many years it took to get that going. Again, if I could glue little pieces of it together in State government with me working half-time—and yet it got done. It just took a while. This is a magnitude of complexity way beyond just putting out the new notices, and yet it should be out there, and we will be doing this in Maryland, especially if the governor gets re-elected. And yet it is going to be a lot of work, and everybody recognizes it. You are getting treasurers, you are getting comptrollers, you are getting fiscal people in multiple agencies working together, formula grants, block grants. Each grant is a different story, and we have got a few I could comply with in half an hour and call you and get you all the information run down here. But then as I walk through the whole list of 500, we would squeeze down to the last 10 or 15 that really are difficult, and it would not be from a lack of wanting to comply.

Senator CARPER. All right. Gentlemen, thank you.

Senator COBURN. You would agree, though, Mr. Brenner, that will cause better government in the State of Maryland.

Mr. BRENNER. As Governor Ehrlich has said from the first day I was hired, he wants the data out there, whether it looks good or bad or something else. And the more information that is out there, the better for everybody.

Senator COBURN. And all of you supported the House bill. Is that correct?

You did not because it did not have—but it did have subgrant reporting right away, which we have changed.

And the final point I want to make before I thank you for being here is OMB has not expressed any difficulties with this bill publicly. They support this bill. They have said so. And so with any change is problems, and change is difficult. Just ask my wife when she talks about me changing. So I know change is difficult. But the fact is it is going to be worth it. We are going to have better government. We are going to have better democracy. We are going to have more transparency to make us more accountable, and it is going to help us solve the problem that Senator Carper and I and everybody else in this room are concerned about: How do we get out of the financial pickle we are in? And the only way we do it is know the details of the financial pickle we have got.

I want to thank each of you all for being here. The hearing is adjourned.

[Whereupon, at 3:50 p.m., the Subcommittee was adjourned.]

APPENDIX

STATEMENT OF SENATOR JOHN McCAIN
ON S. 2590, THE FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT 0F 2006
BEFORE THE SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, AND INTERNATIONAL SECURITY

July 18, 2006

Mr. Chairman, thank you for holding this hearing today, and thank you for giving me the opportunity to speak in support of S. 2590, the Federal Funding Accountability and Transparency Act. I am pleased to be an original cosponsor of this bill and I am confident its passage would go a long way in helping to reign in federal spending.

This bill would direct the Office of Management and Budget (OMB) to create a searchable database - available to the public at no cost - that lists each entity receiving federal funding. The website would show the amount of federal funds the entity received in each of the last 10 fiscal years, an itemized breakdown of each transaction, the location of the entity, and a "unique identifier" for the entity and its parent entity.

As you know, Mr. Chairman, this bill has received support from both sides of the aisle and from a bipartisan coalition of over 75 organizations. In my view, the reason for such broad support is simple; people are beginning to realize that the only way to control spending and ensure accountability is to let the American people see exactly how their money is being spent.

Critics of this bill have suggested that the requirements of the legislation are too burdensome and that it would be too costly and take too much work to collect and post this data. I don't buy that argument, Mr. Chairman. OMB already maintains the data necessary for this website, and the technology clearly exists to implement the requirements of this bill. More importantly, the cost of the waste, fraud, and abuse that can remain hidden in the system without such a disclosure is much more costly to the American taxpayer than the implementation of this bill.

Our nation's future economic success rests in part on the decisions we make today – and the ones we put off. We are facing some dire fiscal challenges in the days ahead. According to the Government Accountability Office (GAO), the unfunded federal financial burden, such as public debt, future Social Security, Medicare, and Medicaid payments, totals more than $46 trillion, or $156,000 per man, woman and child. According to David Walker, the head of the GAO, for a family, this burden is "like having a $750,000 mortgage - and no house." But, instead of fixing the problem, and fixing it will not be easy, we've only succeeded in making it bigger, more unstable, more complicated, and much, much more expensive.

Time and time again, attempts have been made to slow the growth of federal spending and time and time again those efforts have failed. We need a new approach. I've long believed that real budgetary reforms won't happen until the American people demand greater accountability for how their tax dollars are being spent. This bill could be just the tool necessary

to put us on the track to real accountability and reform. When American workers look at their pay-stubs each month and see what has been sent to Washington, they ought to be able to learn exactly how that money is being spent. When they see that we are spending millions on bridges to nowhere, teapot museums, and zoos - they'll demand accountability from their elected officials, Mr. Chairman - I'm sure of it.

A recent editorial on *Tennessean.com* stated that "Congress needs to open up and shed light on its business in many ways. With an accessible database of grants and contracts, the public may see spending it despises, and it may see spending that it approves of, down to the last penny. **The only reason to oppose compiling the information for public use is if the government has something to hide**."

I am hopeful that a searchable database of federal spending will help reduce the ever-increasing number of earmarks in the annual appropriations bills. The growth in earmarked funding during the past 12 years has been staggering. In 1994, there were 4,126 earmarks. In 2005, there were 15,877--an increase of nearly 400 percent! The largest number of earmarks have occurred in the last three years–2004, 2005, and 2006. Now, let's consider the level of funding associated with those earmarks. The amount of earmarked funding increased from $23.2 billion in 1994 to $64 billion in FY 2006. Remarkably, it rose by 34 percent from 2005 to 2006, even though the actual number of earmarks decreased slightly. Earmarked dollars have doubled just since 2000, and more than tripled in the last 10 years. This is wrong and disgraceful and we urgently need to make some serious, meaningful changes.

Mr. Chairman, we simply must start making some very tough decisions around here if we are serious about improving our fiscal future. We need to be thinking about the future of America and the future generations who are going to be paying the tab for our continued spending. It is simply not fiscally responsible for us to continue with wasteful and unnecessary spending, while passing along good deals to the special interests and their lobbyists. We have had ample opportunities to tighten our belts in this town in recent years, and we have taken a pass each and every time. We can't put off the inevitable any longer. The American people have the right to know how and where their tax dollars are being spent.

Thank you again for holding this hearing today and for allowing me the opportunity to share my views.

STATEMENT OF SENATOR BARACK OBAMA
SENATE SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, AND INTERNATIONAL SECURITY
JULY 18, 2006

Thank you, Chairman Coburn and Ranking Member Carper. It's a privilege to appear before this Subcommittee and testify with Senator McCain.

I'm still relatively new to Washington. But even during my short time in the Senate, I've been surprised and shocked by the examples of government waste, fraud, and abuse that we've seen, particularly at a time when this country's most vulnerable citizens need to see government at its best. In the aftermath of Katrina, we have not seen government at its best, and all Americans – but in particular, the people of the Gulf Coast – deserve better.

It's been embarrassing to hear about the government paying 15 times more than the market price for plastic tarps to cover damaged roofs in New Orleans, or paying 5 times too much for debris removal, or contracting with vendors for ice or transportation services who don't even have the relevant experience or equipment.

How can we expect the American people to have confidence in us when all they hear about is overcharging and overpayments, pork-barrel projects like the Bridge to Nowhere, and money being wasted on frivolous expenses? How can we expect them to have confidence when the Administration and Congress seem unwilling or unable really to hold people accountable?

But these problems are probably only the tip of the iceberg. I don't think any of us really know how much more waste is out there. Remarkably, as Chairman Coburn and I have discovered, it's often not possible to get good information about Federal grants and contracts even when you're a U.S. Senator. There are several different databases of Federal spending information, but they all work differently, they are all incomplete, and there is no way to see the full picture of government spending. The lack of transparency over the use of Federal resources is simply appalling.

And if we as Senators can't get this information, you can be sure that the American people know even less. All of us should be able to figure out easily how tax money is spent. We have a right to know how the Federal government is managing its fiscal resources. We have a right to insist upon answers to reasonable questions about where and how our tax dollars are used.

This is not a partisan issue. Money that is lost to waste or abuse is money that cannot be used for any policy priority. Every dollar that is wasted is a dollar that cannot be used for reducing the deficit, investing in health and education, or eliminating child poverty. All of our priorities are compromised and shortchanged when Federal funds are not managed prudently.

Whether you believe the government ought to spend more money or spend less, you should certainly be able to agree that the government ought to spend every penny efficiently and

transparently. Democrats and Republicans can all agree that wasteful spending is unacceptable, whether it's by FEMA, HUD, DOD, or any other federal agency.

Fortunately, the solution is really quite simple. All we have to do is shine a little light on government spending, and the bill that Chairman Coburn and I have introduced would do just that. The Federal Funding Accountability and Transparency Act requires that all Federal financial transactions be open to public scrutiny. The same way the American people have a right to hear about the Bridge to Nowhere, they also have a right to know how much money has gone to Halliburton, or to debris removal companies in New Orleans, or to environmental nonprofits, or to religious organizations, or to any other public or private entities. We have a right to know where and how Federal funds are being used.

If government spending can't withstand public scrutiny, then the money shouldn't be spent. If a government agency isn't willing to be held accountable for the grants or contracts it awards, then that agency shouldn't have control over Federal resources.

Now, transparency isn't the solution to all of our problems. It wouldn't have stopped FEMA from spending $880 million on temporary housing trailers that are now sinking and rusting away in Arkansas. Nor will transparency by itself prevent Federal relief monies from being used to perform sex-change operations or to take Caribbean vacations.

But transparency is the first step to holding government accountable for its actions. Transparency is a prerequisite to oversight and financial control. Transparency is essential if we are to do something about the billions of taxpayer dollars being spent with no assurances that the funds are going where they are needed. We can't reduce waste, fraud and abuse without knowing how, where, and why Federal money is flowing out the door.

This bill will provide that transparency. And not just to members of Congress. Anybody with access to the Internet will be able to see how Federal funds are being spent. They'll be able to search by the name of the entity that receives funding, by the purpose of the funding, by industry, or by location. They'll be able to see whether it's a grant, a contract, a loan, or another form of financial assistance. Ordinary citizens can join members of Congress as watchdogs of how their money is being spent.

When you describe this proposal to people on the street, they're all a little mystified that this isn't actually law yet. That's why this bill has been supported by newspapers around the country and a broad range of groups from across the political spectrum. It's time for the Senate to pass this bill, and I applaud this Subcommittee for holding this hearing.

In closing, I'd like to thank my good friend, Chairman Coburn, and your staff for your leadership on this issue. I'm glad to have been a partner with you, not only on this important piece of legislation, but also on other ways to improve transparency and accountability. I look forward to continuing to work with you in the months and years to come. Thank you.

Testimony of
Gary D. Bass, Ph.D.
Executive Director, OMB Watch

Before the
Subcommittee on Federal Financial Management,
Government Information and International Security

On
What You Don't Know Can Hurt You:
S. 2590, the "Federal Funding Accountability and Transparency Act"

July 18, 2006

Mr. Chairman and Members of the Committee:

Thank you for inviting me to testify today regarding the Federal Funding Accountability and Transparency Act (S. 2590) and the need for increased transparency in federal spending. We strongly endorse S. 2590 and, in principal, advocate for greater openness regarding federal tax and spending practices.

Founded in 1983, OMB Watch's mission is to promote a more just, equitable, and democratic society by increasing government transparency and accountability; ensuring sound, equitable regulatory and budgetary processes and policies; and protecting and promoting active citizen participation. We concentrate on four main policy areas: federal budget and government performance; the regulatory process; government transparency and access to information; and nonprofit advocacy rights. OMB Watch does not and never has received federal funds and, therefore, would not be directly affected by S. 2590.

OMB Watch works with nonprofit organizations across the country, some of whom may receive federal funding and would be listed in the searchable database envisioned by S. 2590. In the past we have successfully advocated for legislation that culminated in the 1999 Federal Financial Assistance Management Improvement Act, which was intended to streamline the application and reporting requirements for federal grantees.

Since 1989 we have run RTK NET (www.rtknet.org), a free searchable website providing data about toxic chemical releases and environmental health hazards. As a result, we are familiar with making complex government databases available to the public. For all of the above reasons, our interest in S. 2590 is central to our mission.

1742 Connecticut Ave NW
Washington, DC 20009
*
tel: 202.234.8494
fax: 202.234.8584
*
email: ombwatch@ombwatch.org
web: http://www.ombwatch.org

For more than a decade, OMB Watch has called for improving access to information regarding federal spending. We have been concerned that the government's public access vehicles to information about federal spending are either non-existent or extremely poor. Accordingly, OMB Watch decided earlier this year to make information about federal financial assistance awards and federal contracts available through a free online searchable service. With support from the Sunlight Foundation, we started this project in May and will have an experimental version available for public use on October 1. We know the system will not be perfect, but at least there will be something the public can use to identify federal spending.

The experience we are going through in making the data publicly accessible has helped us in preparing this testimony. Although we would not characterize ourselves as experts on these data, we are becoming increasingly familiar with them. Bottom line: We have now seen all the warts and we know there are many, many problems with the data itself.

Although we remain strongly supportive of S. 2590, we want to emphasize that such legislation should be perceived as a first step in a much larger effort to enhance transparency in federal spending. The quality of the data must be significantly improved and more information must be put in the public domain in order to hold our government accountable.

My comments today will cover four subjects:

- Why OMB Watch Supports S. 2590
- Current Status of Transparency in Federal Grant and Contracts
- Comments on and Suggested Improvements to Provisions in S. 2590
- Next Steps Regarding Transparency in Federal Fiscal Matters

I. Why OMB Watch Supports S. 2590

OMB Watch has long believed that transparency and disclosure, both with regard to government information and decision-making processes, are essential characteristics to a properly functioning democracy. A fundamental aspect of any healthy democracy is an engaged and active citizenry. In order to allow citizens to participate in the political and policy process, they need accurate and timely information about the government they are tasked with judging. It is also important for elected officials, political appointees, and others who are operating the levers of power to know that their actions and decisions will be tracked and evaluated. This awareness engenders greater effort in our government officials to strive for efficiency and effectiveness in government – and creates a record of accountability.

Unfortunately, OMB Watch believes that the increase in government secrecy in recent years has steadily pushed us away from a more efficient and effective democracy. This heightened secrecy has resulted in an increased public distrust of government, both from the left and the right of the political spectrum, and an erosion of some of our most foundational democratic principles.

The consequences of this trend could move beyond simply a distrust of the federal government. They could include a further drop-off in participation and interest in public debate, civic activities and elections, a blurry picture of the role of government in responding to community needs, and inaccurate or misleading information about government spending and effectiveness. In some ways this may add to the corrosive, partisan approach to governing today. The opposite may

also be true: a more transparent government might lead to improved problem-solving and identifying what is possible through collective action.

The main tenets of S. 2590 – the public has a right to know how and on what the government is spending public resources – is a key aspect of allowing citizens to hold their government accountable and make informed decisions during elections. With easy and timely access to government spending information, the public will be much more likely and able to question their elected representatives, uproot and decrease both unethical and corrupt behavior, and address inappropriate allocation of federal resources. At the same time, the public will be able to better appreciate the scope and importance of the federal investment in our communities, and possibly participate more actively in shaping the priorities that govern our federal spending.

The bipartisan support throughout the political spectrum for S. 2590 underscores that this is more than a "strange bedfellows" left-right coalition supporting this important issue, but rather a pro-openness, pro-disclosure, pro-accountability partnership that goes to the core of our democracy. Most importantly, within this bill is an inherent trust in the will and providence of the American public. Regardless of ideology, the S. 2590 principles speak to a trust in the American people to use this information to make a more responsive, effective, and efficient government – something all Americans can agree we need.

In addition to a principled support for S. 2590, we also have very practical reasons to support the bill. The current government systems to provide access to this information simply don't work. Information about federal spending and tax activities is difficult to obtain for the general public, researchers, and journalists. As a group that works with such stakeholders, we support efforts, such as S.2590, that would make access easier and more functional.

II. Current Status of Transparency in Federal Grants and Contracts

Currently, federal spending information is basically divided into two main government databases. The Federal Assistance Award Data System (FAADS) contains information supplied by most federal agencies regarding most types of federal spending except federal contracts and expenses within the federal government such as salaries. The Federal Procurement Data System (FPDS) includes information supplied by most federal agencies regarding federal contracts. FAADS and FPDS are not, however, comprehensive as some agencies do not report into these databases. The Consolidate Federal Funds Report (CFFR) is an attempt to provide a consolidated view of federal spending.

1. Federal Assistance Award Data System

The Census Bureau makes the Federal Assistance Award Data System (FAADS) data available in free quarterly downloadable files. It is very easy to download the data, and the user manual is very clear. But as the Census Bureau notes, "FAADS is **not** a 'database' to be queried. It is a sequential text file that can only be 'read' by a custom-written computer program." In other words, it is very difficult to search for information in the files. It requires significant computer expertise and resources to access one quarterly file, let alone multiple quarters. Thus, except for those with significant resources, it is nearly impossible to obtain detailed information about financial assistance awards.

Moreover, the FAADS data is limited to information regarding only domestic assistance. By focusing on domestic assistance, FAADS does not cover all assistance provided by the government. Additionally, the FAADS quarterly files can be incomplete if an agency misses the

quarterly filing deadline. The Census Bureau focuses on providing the information reported in a particular quarter, rather than compiling a complete record of federal grants for that quarter. When agencies miss the filing deadline the information is simply included in the next quarterly file. This makes it more difficult on users to construct an accurate picture of the federal assistance for each quarter. Finally, there appears to be little to no quality check of the data. The Census Bureau merely forwards the submitted data along without review, analysis or error checking, and some data quality work done for the CFFR apparently does not get merged back into FAADS Thus, the quality of the information within FAADS can be quite uneven.

Even if the FAADS data is made publicly accessible in a searchable format, it may be confusing because of the way the data is handled. Each financial assistance record that is submitted to FAADS falls into one of two categories: action-by-action or county aggregate. The action-by-action records contain such items as the name and location for the recipient (but not the address), the amount of money awarded, the place of performance, the Catalog of Federal Domestic Assistance program under which the award was made, and a project description, which often is simply a repeat of the CFDA program description.

In other words, for the action-by-action records, the public could obtain transactional information. Even so, for many forms of financial assistance, the specifics of the purpose would remain difficult to ascertain. The CFDA program description is comprehensive and useful in understanding the general program that is being supported. However, for some project grants or cooperative agreements, such as discretionary grants, the public would likely need a summary of the work – and that is not currently available in the database. In general, these action-by-action records do not provide enough descriptive information about what the funding is for.

The second category – county aggregate data – contain fewer data elements that the action-by-action records contain. These records are usually associated with certain types of assistance to individuals (e.g., pensions) and large volume loan programs (e.g., individual home ownership loans), and only the aggregate award amounts for all recipients in each county are presented.

Table 1. Federal Financial Assistance Awards*: FY 2000-2005 by Type of Assistance**

(Dollars in Billions)

Assistance Type	Aggregate	Action-by-Action	Total
Direct payment with unrestricted use (retirement, pension, veterans benefits, etc.)	3,219.78	.16	3,219.94
Insurance	2,560.00	.01	2,560.01
Direct payment for specified use, as a subsidy or other non-reimbursable direct financial aid	1,660.78	269.92	1,930.70
Block and Formula Grants	1,088.14	653.73	1,741.87
Direct & Guaranteed/Insured Loans	727.03	195.68	922.71
Project Grants & Cooperative Agreements	17.35	482.89	500.24
Other	6.43	.47	6.90
Total	**$9,280.51**	**$1,602.85**	**$10,883.36**

* Does not include non-federal share (e.g., matching funds)
** FY 2005 only includes first three quarters.

It is not completely clear why certain types of assistance are put into the action-by-action or the county aggregate category. However, the county aggregate category dwarfs the action-by-action category (as shown in Table 1), meaning that for 85 percent of federal financial assistance, there is only limited county aggregate information.

While improved disclosure of the FAADS data will be extremely useful, the above discussion shows the weaknesses that are inherent in the current FAADS data system.

2. Federal Procurement Data System

The Federal Procurement Data System (FPDS) was implemented in 1978 and since 1982 has been administered by the General Services Administration. In April 2003, GSA awarded a five-year, $24.3 million contract to Global Computer Enterprises to replace the antiquated procurement data collection system. The new system, called FPDS-NG (NG is for Next Generation), seems to have its primary focus on providing an electronic vehicle for reporting and integrating with agency procurement systems. Its emphasis does not seem to be public access to the data.

As recently as September 27, 2005, the Government Accountability Office sent the Office of Management and Budget a letter assessing FPDS-NG and describing fundamental improvements still needed. "Our review raised concerns regarding whether the FPDN-NG has achieved its intended improvements," GAO wrote. The letter continues to identify problems with "timeliness and accuracy of data" and "ease of use and access to data." This assessment did not sound much different than reports from 25 years ago. In two reports – one from 1979 and the other from 1980 – GAO criticized FPDS data on timeliness of reporting and accuracy of the information, and with future evaluations added on problems with accessing the data.

In OMB Watch's recent efforts to make the FPDS data publicly accessible, we have run into each of the problems identified by GAO. For example, to download the data, FPDS-NG requires a cumbersome system for downloading that necessitates a separate download of data for each agency. This is extremely time consuming and burdensome. Documentation on the structure of the database and definition of data fields is barely adequate. Even as we started to go through the difficult process of downloading the data, it turned out that most of the Defense Department data for FY 2005 were not on the system, but there was no indication of this fact. According to GAO, DoD contracts account for about 60 percent of contracting actions. After repeated inquiries, no one at GSA or at FPDS-NG could tell us when the DoD data would be added. In the end, we purchased the data from Eagle Eye Publishing, a private company that Congress contracts with to provide you with the data. Eagle Eye had merged records from the DD350 Defense Department database with the FPDS data in order to fill this hole, and had made other improvements to make the data more complete and more accurate. It was easier to obtain a more complete and accurate dataset from Eagle Eye for a fee, then it was to get it from the government agency in charge of maintaining the data.

Even if the data from FPDS-NG were complete and timely, the service is not designed for meaningful public access. Other than getting reports already developed by FPDS-NG, the next generation service is too difficult and confusing to use. Search function appears to only search pre-prepared reports, charts, tables and statistics rather than the database itself. After spending considerable time on the system, we still could not figure out how to obtain information about a particular company or a particular contract or if it was even possible to find such information in the system. In other words, FPDS-NG does not meet our standard for public access to federal procurement data.

3. Consolidated Federal Funds Report

On an annual basis the Census Bureau prepares the Consolidated Federal Funds Report (CFFR). The CFFR covers federal expenditures or obligations for the following categories: grants and cooperative agreements, salaries and wages, procurement contracts, direct payments for individuals, other direct payments, direct loans, guaranteed or insured loans, and insurance. In other words, it combines FAADS and FPDS-NG plus data from agencies not reported to either service. The CFFR data is presented in a print report as well as through online queries of static tables. The CFFR allows for analysis by geography at the state and county level, by program area (mostly CFDA number), and by federal agency. The data is provided in aggregate form, meaning users cannot obtain information about specific awards or search on any particular fields of interest other than the aggregate tables provided by the Census Bureau. While CFFR is an extremely helpful resource, it falls far short of the fiscal transparency tool needed – a searchable database providing detailed information about federal spending.

Given the state of play regarding FAADS, FPDS, and CFFR, it is clear that the existing systems are not adequate for providing the public access to data about federal spending. That is why S. 2590 is very important to enact.

III. Comments on and Suggested Improvements to Provisions in S. 2590

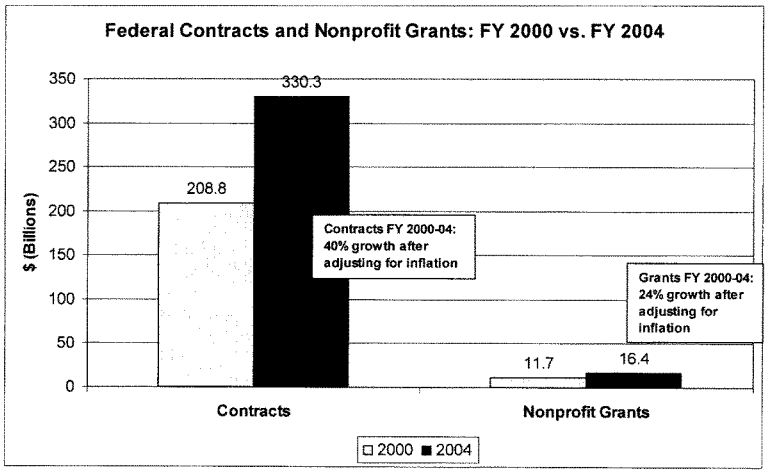
In this section, we address six components of S. 2590.

1. Scope of disclosure

OMB Watch strongly supports the principle that all federal financial support from all agencies should be disclosed. S. 2590 represents a strong step in that direction with its focus on "grants, contracts, subgrants, subcontracts, loans, awards and other forms of financial assistance." While "other forms of financial assistance" is a catch-all category, we hope the legislation can be strengthened by making clear this at least includes all types of assistance covered by FAADS, FPDS and the CFFR. For example, the public should be able to obtain information about federal spending on flood insurance or farm supports. The only exceptions to public disclosure should be for national security purposes and protection of personal privacy rights. And when it comes to personal privacy, only details about the specific individual should be withheld and all remaining information about the financial award (e.g., amount, purpose and location of award) should be provided.

Recently, the House passed legislation requiring disclosure of federal financial support that is significantly narrower in scope than S. 2590. It only included federal financial assistance collected under FAADS, but not federal procurement. We fear that such efforts have less concern about fiscal accountability than about renewing a twenty-five year history of attacks on nonprofit grantees. We strongly oppose such efforts and believe that if they emerge as a goal of these legislative efforts, it will undermine the bipartisan nature currently supporting S. 2590.

It should be understood there are many types of recipients of federal grants with the largest share going to state and local governments. Nonprofits receive a much smaller share. And when compared to federal contracts, contracts account for more than 20 times the amount allocated to nonprofits through grants, as shown in the chart below. The same chart also shows between FY 2000 and FY 2004 federal contracts growing at nearly double the rate of federal grants to nonprofits.



Federal audits show no systemic pattern of mismanagement of federal grants, particularly grants to nonprofits. At the same time, there is evidence that "[t]he growth in federal contracts has been accompanied by pervasive mismanagement," according to a report issued by Rep. Henry Waxman. "Mistakes have been made in virtually every step of the contracting process: from pre-contract planning through contract award and oversight to recovery of contract overcharges." The Waxman report also demonstrates there has been a sharp increase in sole source contracts without competitive bidding: "The dollar value of these contracts rose from $67.5 billion in 2000 to $145 billion in 2005, an increase of 115%." ("Dollars, Not Sense: Government Contracting Under The Bush Administration," Prepared For Rep. Henry A. Waxman by Committee On Government Reform — Minority Staff, June 2006.)

This information suggests we need to keep our eye on the ball - federal contracts. The House bill does not do that; S. 2590 does.

2. Single point of access and an integrated database

The goal of creating a single searchable database website, as listed in the provisions of S. 2590 is another common sense but important step forward for disclosure of federal financial support. As noted in the previous section of this testimony, data on federal grants and contracts are available through two entirely different sources – the Census Bureau and FPDS-NG, respectively. Often those seeking information on federal spending are not concerned with the distinction between grants and contracts. Perhaps they simply want all information on spending by a particular agency or federal money spent in certain geographic areas. Perhaps they are more concerned with overall trends of spending and money flowing across several major agencies for certain purposes (e.g., hurricane response). Or they want to know the total amount a particular entity has received in federal support. Whatever the reason, the current system of providing data through two different venues requires that users acquire the information from two locations and then attempt to combine the results.

The act of integrating information from the two sites is further complicated by the fact that the two venues have dramatically different access available to the public and different formats for the data presentation. It is to be expected that two departments charged with providing access to financial support data would have many difference in how they choose to accomplish such a complicated and difficult task. The simplest way to ensure some level of uniformity and compatibility between the contracts and grants data is to provide access to them through a single site and interface.

It may become necessary to alter what information for either or both databases is reported or how the information is formatted in order to achieve the desired level of similarity and integration between the databases. Moreover, if S. 2590 is properly implemented it will need to include data not included in FAADS or FPDS. These facts call for another entity such as the Office of Management and Budget to provide the stewardship to integrate all the necessary data. There are many ways to achieve the desired outcome. For example, OMB may consider a distributed system relying on existing databases, although this may prove extremely difficult given the handling of FAADS. Or OMB may choose to recapitulate the various databases for this initiative. Whatever approach OMB takes, it is essential that the public interface present a single place to search for all the information – and that information be integrated so that the public need not have detailed knowledge about each of the various databases and terminologies.

3. Detailed disclosure

Another key principle for legislation is that it be very clear about what level of detail is to be disclosed. We are pleased that S. 2590 does this. In particular, we strongly support Sec. 2(a)(1), which specifies the type of information that should be provided through the searchable website. Subparagraph (C), which calls for details on each funding transaction, is vitally important to retain in the final bill. Under both FAADS and FPDS-NG, for each award, there are multiple transactions that occur, including transactions that occur outside the fiscal year of the award. This information is essential to disclose for meaningful accountability.

We also support subparagraph (E) requiring a unique identifier for each entity that receives an award, including information about the parent company owning the entity. Because of mergers and acquisitions, the parent ownership issue may change periodically. However, we fear the underlying databases often do not reflect these changes. We think the bill could be strengthened by requiring the Office and Management and Budget ensure that this information is properly updated so that the public has an accurate understanding of who is doing business with the government. Such a requirement would be consistent with OMB's priority placed on implementation of the Data Quality Act.

The bottom line is that all fields currently collected under FAADS and FPDS-NG should be publicly available and searchable through this website. Having said this, we recognize that there are inherent limitations in the underlying data that we think this bill should begin to address. Ultimately, the public should be able to search on contract or grants related to specific issues or programs. A user should be able to type "Hurricane Katrina," for example, and receive a list of grants, contracts, insurance and other awards related to Katrina assistance. Our understanding is that the existing databases do not currently contain enough information to produce such results.

The problem is less severe under FAADS since nearly every domestic award is linked to a Catalog of Federal Domestic Assistance (CFDA) number and the CFDA provides a

comprehensive description of the program. The CFDA link is less helpful for some project grants or cooperative agreements that fall into broad CFDA programs such as a discretionary grant fund. In these cases, the program description is vitally important, but the quality of information in this field is not good – sometimes it is missing and even when it is there it is less than complete. It would be helpful if S. 2950 requires OMB to identify ways of improving data quality and descriptions of federal awards under the required annual report.

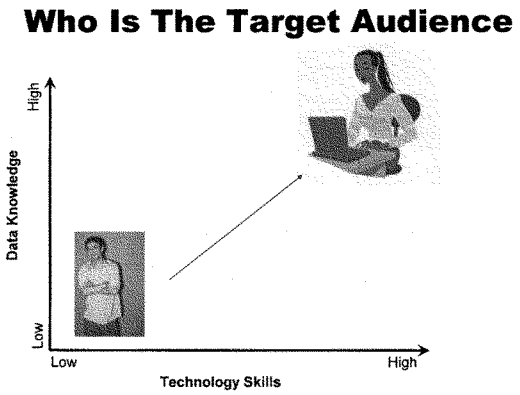
Additionally, S. 2950 requires data on **all** assistance, not just domestic assistance, which is all that is covered under FAADS. S. 2590 requires the inclusion of international grants and other assistance in its disclosure requirements. It would be helpful to have this data provided in a format consistent with the FAADS format so there is compatibility of the data. OMB should also report in its annual report on efforts to enhance data disclosure.

The problem of achieving a sufficient level of reliable detail is far more significant when it comes to contracts. The key fields such as "contract description" and "product or service information" codes are often not complete or do not provide enough detail. An example of the "contract description" is: Lake Hill Motors Hurricane Katrina. The "product or service information" for that contract is: Motor vehicles, trailers, and cycles. Piecing the two fields together gives you some vague sense that the contract has something to do with vehicles or trailers and Hurricane Katrina, but leaves much to the imagination.

The public has a right to know what federal resources are being used for. We hope S. 2590 not only places an emphasis on making existing information available but also includes a concerted effort to improve data quality.

4. Description of a searchable database

We welcome S. 2590's inclusion of a clear definition of what is meant by a "searchable database website." It is vitally important to ensure that the public will be able to search on all major fields in the databases and be able to produce different types of outputs, including files that can be downloaded. As the Office of Management and Budget moves to have this service developed, it is important to consider different types of target audiences, ranging from novice users to sophisticated ones. As the graphic below displays, the service must be designed for the person who has limited data knowledge about grants or contracts and has limited technology skills. At the same time, the service must provide capabilities reaching those at the other end of the scale: those with high data knowledge and high technology skills. We have realized through our own experience that this will be a difficult task – most likely requiring a concerted effort and considerable creativity.



We appreciate S. 2590's disclaimer that a link to FPDS-NG or other government databases is not enough to satisfy the requirements of this bill. It helps to convey the notion that the service should be robust and responsive to different types of users. The provision in the bill requiring opportunities for public input on utility of the website and on recommendations for improvement is also important and consistent with good practice in making the service responsive to different types of users.

We would suggest two possible ways to augment this public input component. First, it might be useful to require OMB to build the site in a manner that fits the different type of users along the continuum identified in the graphic above. In doing so, during a beta phase of the website, OMB should seek the input of users along the entire continuum to ensure it is a responsive service. Second, we would recommend the creation of a citizens' panel to oversee the website development and operation. The panel could consist of data experts as well as representatives from major user groups such as journalists, public interest groups, state agencies, and even congressional staff. Such a panel could also provide Congress independent feedback on the service as well as OMB's actions and efforts developing the website. This citizens' panel might be temporary in nature and might be reconvened every two or three years for independent assessment of the service.

5. Disclosure of sub-recipients

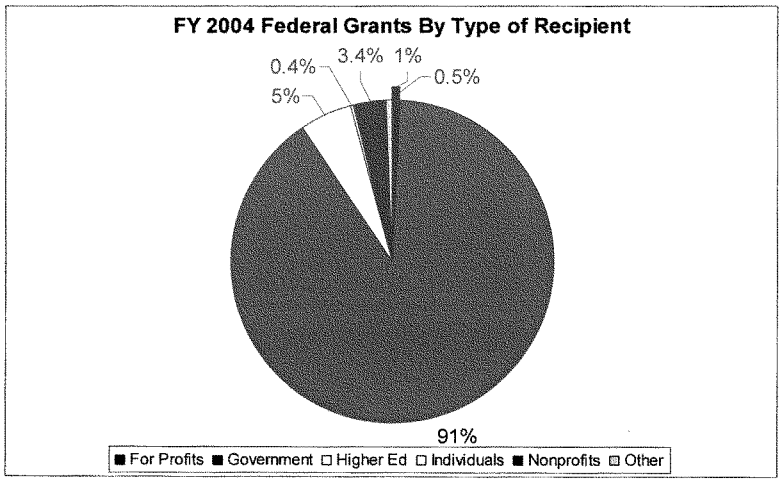
While in principle we are very supportive of sub-recipient reporting for grants and contracts, we have a number of practical concerns. First, reporting subcontracts is much easier than reporting subgrants. Assuming adequate statutory authority, agencies can simply start requiring contractors to report information about any subcontracts made in conjunction with fulfilling a particular contract obligation. We understand that this practice has already started with some small business contracts.

Second, there is a big difference between reporting on subcontracts and subgrants. Reporting of subcontracts is critically important because of the increase in the number and dollar amount of sole source contracts and special set asides for certain types of entities. In many of these

cases, the money given to a contractor is then subcontracted to other entities with the expertise to get the work done. Nonetheless, the prime contractor makes a profit as do the subcontractors. Yet the public never knows who is really providing the work or who has economically benefited from the federal funding. Because of the profit tree generated in the contracting regime, it is essential to collect information about subcontracts. Otherwise, the database will miss key transactions and allow for loopholes and opportunities for corruption and abuse.

Subgrants are vastly different from subcontracts. Unlike contracts, only in rare cases do grants have a profit motive built in. Additionally, most subgrants are administered by state and local government, which already have their own reporting and auditing requirements developed that most likely are not uniform across states. Thus, there already is scrutiny of most subgrants. Finally, federal cost principles apply no matter who administers the grant (except for block grants). (For example, sub-recipients of federal grants are prohibited from using federal grants for lobbying purposes.) Thus, the federal government already has an accountability method in place.

The largest share of federal grants goes to state and local governments and imposing subgrant reporting on them could be very difficult to accomplish. As the chart below indicates, in FY 2004, 91 percent of grants went to state, local, and tribal governments. Some of these grants are block grants, which are intended for broad purposes such as health, education or community development and hold few requirements for how the money is to be spent, instead offering state and local discretion within general guidelines established by Congress and the executive branch. Annual program plans or applications are normally required, but most federal rules are not attached to the funds. For example, OMB Circular A-122 dealing with cost principles does not apply since the federal government views the block grant funds as the recipient's. Requiring extensive reporting of subgrants in these categories would fundamentally change the nature and purpose of block grants.



The largest share of federal grants to state and local governments are statutorily directed by Congress based on formula grants. Formula grants establish an amount of assistance based on certain criteria that are written into legislation and program regulations. Quite often these funds are commingled with other state or local government funds, and then redistributed from those state and local agencies and offices as grants and contracts. Most of the time the sub-recipients do not know whether they have received federal, state, or local funds. For that matter, it appears most states are not able to track the origins of money that has been distributed.

In each of above cases, S. 2590's requirement for subgrant reporting will require a major overhaul of how intergovernmental transfer of funds are handled. Thus, S. 2590 should proceed cautiously in requiring sub-recipient reporting for block grants and formula grants to state and local governments, especially since these entities already have their own reporting requirements about use of funds, although not showing how much was federal funding.

I would suggest that S. 2590 drop the requirements for sub-recipient reporting for the time being. In lieu of this requirement, I would propose two steps. First would be a pilot project on reporting of subcontracting data by federal contractors. The pilot for collecting subcontract information would be designed with the intent of full implementation by the due date in S. 2590.

The second step would be to identify how often project grants and cooperative agreements are subgranted. (Block grants and formula grants would be excluded since states and localities already monitor the allocation of these funds.) Some federal project grants are intended for regranting. For example, under President Bush's faith-based initiative, grants go to entities that redistribute the funds to smaller groups. But the extent this happens throughout the government should be established.

Should there be a large number of regranting efforts, then there might be a pilot project to test ways for the grant recipient to report on its subgrants to other entitles. If this pilot occurs, it should operate on several principles. First, the initial grant recipient should report on the subgrant, not the sub-recipients. Second, the pilot should place a premium on avoiding excessive burden on nonprofits and state and local government agencies. Third, any costs associated with reporting should be an allocable expense to the grant. Fourth, the estimated additional cost of such reporting should be added to the size of the grant so as to not to interfere with the purposes of the grant. Even when these principles are observed, Congress must balance imposing additional burdens on grantees that are already stretched thin in providing services versus the benefits derived.

6. Implementation Accountability

We support the requirement that the Office of Management and Budget report to Congress annually on implementation of this website service. Given the importance of this service, the complexity of the information and need for careful presentation of the data in a user friendly manner, congressional oversight made prove crucial in ensuring that sufficient resources are utilized in establishing the website in a timely manner. Too often in the past we have seen information programs and accountability efforts fall to the bottom of agencies' priority list. Without reoccurring review and prodding by Congress, we fear that this carefully structured and badly needed resource could easily languish in a limbo state of begun but never finished.

In addition to the implementation report, we think Congress should require OMB to summarize feedback from the public about the service. In our years of developing and maintaining

searchable online database services, we have learned that listening to users is often the fastest method to identifying problems and limitations with the data, design or functionality of the site. A requirement that OMB report on the complaints, input and other comments made by public users of the website service would ensure that the office maintains a functioning mechanism to collect such feedback and address the issues raised in a timely manner. In fact, OMB should be required to actively obtain feedback on the design and functionality of the website with a series of focus groups and surveys. It may also be useful to have the citizen's panel mentioned above prepare an independent report to Congress on implementation. This panel, being involved in the development and implementation of the website would be able to provide an objective review of some of the internal processes and actions that general public users of the service would be unaware (further extending the transparency and disclosure principles inherent within this project).

Finally, these requirements to regularly report back to Congress will provide the foundation for any future legislative action. As mentioned above, there are several complex issues that may prove difficult to resolve such as reporting of sub-grant information. Implementation of this website and increased use of these databases will almost certainly uncover other unknown issues with data quality, format and structure of the databases and reporting methods. Increased use of the data may also lead to new desired uses or purposes for the data that require some alteration of the system or information collection. With proper reporting back to Congress, these problems and additional needs can be tracked and addressed, if necessary, by additional legislation.

We would encourage inclusion of language, beyond the reporting requirements, that holds OMB accountable for implementing this legislation. While we would be open to other accountability measures, our inclination is to include a provision granting the public the right to sue OMB if this service is not implemented or is implemented in a manner not consistent with the intent of the legislation. Such a provision would essentially create a second front of accountability. In addition to the congressional oversight, the ability for members of the public to sue would encourage greater public oversight and review by interested stakeholders such as journalists, companies, non-profits and others. This would in turn lead to greater public feedback for OMB, a reinforcing process. In the unlikely event that OMB fails to properly implement the website, a lawsuit, or even just the threat of a lawsuit, could result in a faster and more permanent correction than congressional oversight could produce, short of additional legislation.

IV. Next Steps Regarding Transparency in Federal Fiscal Matters

I want to reiterate OMB Watch's strong support for S. 2590. Its bipartisan support and its comprehensive approach to transparency are laudable. Even as we support S. 2590, we recognize simply making the data publicly available in a searchable format is not a complete solution for greater accountability. Earlier in this testimony, I emphasized the need to view S. 2590 as a building block in constructing a comprehensive approach to maximizing transparency and accountability regarding federal fiscal matters. In that context, I would suggest five areas for future exploration.

1. Congressional Oversight

When it comes to accountability, nothing can replace old-fashioned congressional oversight. Unfortunately, as this committee has realized, it has largely been lacking. There is no simple prescription to fix this problem as Chairman Coburn has noted in past public statements. Somehow Congress must make it clear to offices managing these fiscal databases and

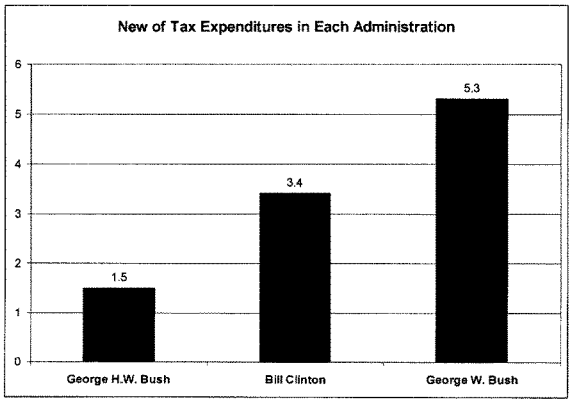
services, as well as to the agencies reporting the fiscal data, that anything short of accurate, clear, informative, timely data on federal fiscal matters will not be tolerated. Vehicles for delivering this message should include more regular hearings on the availability and clarity of fiscal data, and recurring evaluations by the Government Accountability Office.

2. Improved disclosure of all aspects of the federal budget process

All stages and aspects of this process should be subject to the transparency requirements that S. 2590 proposes for grants and contracts. As the president submits his budget to Congress, agencies also provide detailed justifications for their spending requests. These documents are not publicly available, but should be. Similarly, as Congress proceeds with the annual budget and appropriations process, detailed information on its actions should be publicly available. For example, some appropriations subcommittees make detailed program account information available; others do not. Such information should be required to be widely available on committee websites. All legislation and committee and conference reports should be available online at least 72 hours before consideration. Finally, all earmarks should be separately identified along with who requested the earmark.

3. Disclosure of tax expenditures

S. 2590 only deals with one type of expenditure – spending. But there is another type that does not often receive much public attention – tax expenditures. Tax expenditures continue to grow each year: in FY 1984, they cost $512 billion; in FY 2000, $697 billion; and FY 2004, $728 billion. The increase in the cost of federal tax expenditures has been 42 percent between 1984 and 2004. The number of new tax expenditures also has been increasing under each administration (see chart below). (source: "Tax Complexity: By the Numbers," John S. Irons and Michael Powers, Center for American Progress, October 28, 2005 at http://www.americanprogressaction.org/atf/cf/%7B65464111-BB20-4C7D-B1C9-0B033DD31B63%7D/TAXCOMPLEXITYREPORTTEXT.PDF) This does not count tax earmarks such as those that may benefit a specific company.



Using S. 2590 as a model, it is time to create greater transparency with regards to tax expenditures and earmarked tax breaks.

4. Disclosure of information about federal recipients and use of federal funds

S. 2590 provides information about financial assistance awards, but does not develop a profile about recipients of federal funds or describe how the funds were used. In today's Internet world, the federal government should be able to provide information about a particular recipient of federal funding, including information about compliance with regulatory and legal requirements. For example, the public should be able to obtain information about the top federal contractor, Lockheed Martin, beyond what S. 2590 will provide. Does Lockheed Martin comply with federal work place safety, environmental, and equal opportunity employment requirements? Does it have civil or criminal violations? What federal fines has it paid? This type of profile is essential so that the public can be assured that it is not dealing with scofflaws. Similarly, the public should be able to know how much money Lockheed Martin spent on campaign contributions as well as on lobbying Congress and the executive branch for additional funding. These data will provide a more complete picture of all that is involved with the decision-making process and allocation of federal resources and give the public and Congress true tools to make value judgments about how the government spends taxpayer dollars.

It is also time to begin disclosing how federal funds were actually spent. With a number of reports indicating mismanagement and corruption in the federal procurement system, Congress should require all audits of federal awards conducted by the executive and legislative branches be made publicly accessible (redacting sensitive information such as confidential business information). We would encourage you to consider requiring OMB to identify how to disclose information discussed in this section in its first annual report as required by the bill.

Moreover, existing databases that may provide some profiles about entities receiving federal funds and their performance should be made publicly available. For example, the Central Contractor Registration, which houses such information as the Past Performance Information Retrieval System.

5. Disclosure of spending by the legislative and judicial branches

In FY 2005, the legislative branch spent $4 billion and the judiciary branch $5.6 billion. The public has a right to know how these funds are being spent. While the emphasis should remain on disclosure within the executive branch, the other branches of the federal government should also become far more open about how funds are spent. These branches, while spending far less then the executive branch of the government, can still benefit from the accountability and efficiency that transparency engenders. These branches should start by collecting data and producing annual reports that breakout spending in to major categories.

V. Conclusion

OMB Watch strongly supports the S. 2590 because of the principles of transparency and accountability that it brings to bear on federal fiscal matters and because of the step forward in usable federal grant and contract data the legislation would clearly produce. Specifically we are impressed with the follow aspects of the legislation:

- The wide scope of disclosure that includes contracts which the recent House legislation missed.
- Creating a single searchable database website that will make access to and use of data easier.
- The high level of detail required of the data contained in the system.
- The ability to search on and organize the data around numerous key data elements.
- Attempting to finally address the issue of subrecipients of federal grants and contracts, an issue that has gone un-dealt with for too long.
- Requiring reporting on implementation to ensure that this step forward in fiscal transparency proceed in timely and useful manner.

OMB Watch also offers several specific recommendations to improve S. 2590 including:

- Requiring OMB to identify ways of improving data quality and descriptions of federal awards under the required annual report.
- Developing a site that fits the users of varying levels of experience and knowledge of federal fiscal data.
- Establishing a citizen panel to provide input during the creation of the website and evaluate OMB's efforts to implement the legislation and oversee the service.
- Replace the current requirement to report on subrecipients of federal grants and contracts with an intermediary stage of pilot projects designed to determine the most efficient and least burdensome method of collecting and presenting the needed data.
- Increase the implementation accountability provisions to include an objective evaluation of OMB's creation and management of the service and establish public right to sue OMB over any failure to properly implement the service.

In an effort to look beyond the current legislation before the committee, OMB Watch identified several areas that should be addressed at some point in the future to continue the process of improving fiscal transparency and accountability that S. 2590 applies to federal contract and grants. Those future improvements include:

- Increasing the amount of congressional oversight occurring on the issue of fiscal transparency.
- Expanding transparency to include all stages of the federal fiscal process, such as earmarks, budget justification documents, and appropriation reports.
- Improving disclosure of tax expenditures and tax earmarks.
- Improving disclosure of information on recipients and the use of federal funds.
- Establishing transparency requirements for the legislative and judicial branches.

Thank you for this opportunity to testify today in support of S. 2590 and strengthen disclosure of federal fiscal matters.

TESTIMONY: S.2590 July 18, 2006

Eric Brenner, Director
Maryland Governor's Grants Office

Subcommittee on Federal Financial Management, Government Information and International Security; Senate Homeland Security and Government Affairs Committee

My name is Eric Brenner. I am the Director of the Maryland Governor's Grants Office, which was created in February 2004 by Governor Robert Ehrlich and Lieutenant Governor Michael Steele. In less than three years the Maryland Governor's Grants Office has been cited as a "best practice" by the National Governors Association and recently received the 2006 "Special Achievement" award from the National Grants Management Association. I have been asked to testify today on the topic of measuring and tracking federal funds coming into the state of Maryland.

As reported in our most recent Annual Report, Maryland state agencies received approximately $7 billion through 499 separate federal grant programs in State Fiscal Year 2006. While the majority of federal grants (in dollars) come to Maryland through our state agencies, a significant amount of federal funding comes to Maryland directly through grants to local governments, non-profits, and the higher education community. Our most recent data for the total federal grant dollars coming to Maryland are from Federal Fiscal Year 2004 and indicate that Maryland received approximately $9 billion.

As the Governor, members of our General Assembly, and local government officials are increasingly interested in the high level of detail that the Grants Office provides in our annual report (grants to state government) they would like to see better and more timely data on the "other" grant money coming into the state.

If the state received approximately $9 billion in federal grants in Federal Fiscal Year 2004, and state agencies received approximately $7 billion in federal grants in State Fiscal Year 2006, a reasonable estimate can be made that the additional $2 billion in grants is awarded to these other entities. However, by the time this data becomes available it is often too late to be of much value to Maryland policy makers.

Federal Fiscal Year 2004 ended on October 1, 2004. However, the U.S. Census Bureau did not release its official funding data for fiscal year 2004 until December 27, 2005 – almost 15 months after the end of the fiscal year. Just three weeks later, the Maryland Governor's Grants Office, with our staff of three people, was able to produce preliminary estimates of federal grant funds that would be going to state agencies in State Fiscal Year 2007, even though the State Fiscal Year 2006 data receives the most attention in our Annual Report.

Not having access to timely federal grants data harms the policy making process. One example took place during the Maryland legislative session that just concluded in April. A specific non-profit organization was seeking state funding and yet it was not possible to determine if this organization was receiving any direct federal funds during the most recent fiscal year.

- If they had been awarded federal money, the state might have decided that in light of the federal government's faith in this small non-profit, then the state could also show its belief in the organization by providing additional state funds.
- Or, if this organization were already receiving federal funds, the decision might have been to support a less experienced organization that provided similar services with state funds.
- A third alternative was to not appropriate any new state funds, but rather identify other sources of federal grants that similar non-profits were receiving in an attempt to help support this organization and similar organizations.

Since the only accurate data was from the already completed Federal Fiscal Year 2004, policy decisions had to be made with less information than was desirable. The Grants Office was given the assignment to encourage the federal government to supply more timely information on grant awards in a single, easy to access website.

This was not the first time I have received this type of request. Governor Ehrlich is the fourth governor I have worked for, in the third different state. I have worked for both republicans and democrats. When Senator Obama was serving in the Illinois General Assembly, I was creating the Illinois Federal Clearinghouse for the previous Illinois governor. As Senator Obama may remember, the difficulty in identifying federal funds that do not flow through state agencies was pointed out by the bi-partisan Illinois Legislative Research Unit which tracks federal grants coming into Illinois state government.

Another concern at that time was the inability of people to identify new federal grant opportunities. One of the primary activities of the Illinois Federal Clearinghouse was to consolidate information on new grant notices in a single, easy-to-use website. Today this is no longer necessary as Grants.gov does an outstanding job of consolidating this information so that anyone with a computer can receive daily e-mail updates each morning listing all new federal grants that have been posted during the previous day.

The Maryland Governor's Grants office provides a variety of services to state agencies, local governments, and non-profits, and yet a large percentage of our time is spent gathering and tracking federal grant (and procurement) data. If the federal government provided the same type of real time information on grant awards that it now provides on grant notices through Grants.gov, other states would not have to duplicate this service by creating their own state grants office, something that is happening with increasing frequency.

While Governor Ehrlich and Lieutenant Governor Steele find this imitation flattering they believe that, on the basic issue of access to data, everyone should be able to see how their tax dollars are being spent as quickly and clearly as possible. This would allow the Maryland Governor's Grants office more time to work with government and non-profit officials to better match potential resources with their public policy goals, and to improve our training programs so everyone can better manage federal grants once these are received.

The Governor and Lieutenant Governor support the core concept of improving timely access to federal funding awards information that is included in both S.2590 and H.R.5060, which recently was approved by the House of Representatives. We understand that there are differences in language between the two bills and would urge continued cooperation between the sponsors of these bills and the Office of Management and Budget to make the practical compromises necessary to move ahead with a low-cost, low maintenance, easy-to-use system that can benefit everyone. This is the type of "good government," non-partisan issue that this Congress should be able to resolve before adjournment. Governor Ehrlich, Lieutenant Governor Steele, and I are ready to assist in any way possible.

Testimony before Senate Homeland Security Subcommittee on Federal Financial Management, Government Information and International Security
United States Senate

July 18, 2006

Mark Tapscott,
Editorial Page Editor,
The Washington Examiner
Proprietor,
Tapscott's Copy Desk **blog**

My name is Mark Tapscott. I am Editorial Page Editor of The Washington Examiner daily newspaper here in the nation's capitol and proprietor of Tapscott's Copy Desk blog. The views I express in this testimony are my own, and should not be construed as representing any official position of The Washington Newspaper Publishing Company or Clarity Media, Inc. I appreciate very much the opportunity to testify on "The Federal Funding Accountability and Transparency Act of 2006."

One of the most frequently visited web sites on the Internet is OpenSecrets.org, the web site of the Center for Responsive Politics. At OpenSecrets.org, any citizen can easily find a list of all the campaign donors to his congressman or senator, as well as detailed lists of expenditures by the incumbent office holder's campaign committee. The same information can be found on the site for congressional challengers, presidential candidates, political action committees and 527 committees. Donations by individuals are available on the web site, along with detailed lists of all donors within a particular state or zip code. The data is broken out by industry, by lobbying firms and by individual lobbyists. There are incidentally 242 individual lobbyists with the last name of "Smith."

In short, voluminous information about campaign finances is available within a few mouse clicks to anybody with an internet connection and a laptop. You don't have to have a PhD in statistical analysis or be a computer software jockey in order to make use of the data on OpenSecrets.org because the data is helpfully organized behind a "front end" that does most of the heavy searching labor for users.

Campaign finance data has been readily available on the Internet for only a couple of decades and OpenSecrets.org is no longer the only web site where

one can find such data on the Internet. But OpenSecrets.org was the first and it led the way in bringing about an information revolution in politics and the news media. In politics, for all practical purposes there is no such thing as an anonymous donor. Individual citizens can see in minute detail the financial and special interest support behind federal candidates and then use that information in deciding how to vote.

As I mentioned, OpenSecrets.org is one of the most popular web sites, but the influence of easy access to campaign data extends far beyond web visitors. The news media has also undergone massive changes as a result of the availability of campaign finance data. Political reporting has been tremendously enhanced, of course, and detailed analyses of a candidate's donors and the expenditures of his campaign committee have become standard stories.

But the scope and depth of investigative reporting in general about the day-to-day operation of government at all levels has been tremendously expanded by access to campaign finance data. Before, investigative journalists were often unable to trace the frequently complex links among office holders, corporate or special interests, lobbyists and legislative and executive branch management actions and decisions. Without an inside source, it was usually impossible, which meant countless stories that could have exposed waste, fraud and other forms of corruption went unreported.

Today, hardly a day goes by that legions of journalists aren't asking tough questions of politicians, contractors, lobbyists and campaign officials, based upon information gleaned at least in part from campaign finance data. Investigative teams of journalists are poring over reams of campaign finance data as part of their coverage of the 2006 congressional races. It is no exaggeration to say that every daily newspaper in America and many broadcast and internet news operations devote substantial time and resources to telling the American people everything that can be learned from knowing about who gives what to which candidates during and between election campaigns.

The widespread access to campaign finance data is part of a more comprehensive and healthy explosion in recent years of publicly available data from government and private sources concerning virtually every major public policy issue. The federal government is the largest source of such data. Go to the Internet and you can fairly easily find and download data from government agencies showing how many firms received OSHA safety inspections last year and what the results were, the quality of health care provided in nursing homes in every state, how many taxpayers filed returns indicating estates worth more than $600,000, the number of maintenance operations that have been conducted on a specific commercial airliner from its first day of flying, how many people moved from California to Arizona or Nevada, the number of jobs created in Omaha last month and on and on. We live in a veritable ocean of data.

But nowhere to be seen on that ocean is an easily accessible web site where citizens can find out such basic information as how much money the government paid to which companies last year to deliver food and supplies to our soldiers in Iraq and Afghanistan, maintain suitable office space for thousands of federal employees, teach remedial reading to free-lunch kids in Baltimore city or advise senior executives in the regional offices of a government agency on how to make the best use of their new information technology systems.

Some of that kind of data is available through databases like the Consolidated Federal Funds Reports and the Federal Awards Assistance Data System. But these resources are practically useless for the layman who doesn't know how to use a database manager like Microsoft Access. The CFFR covers one area of federal spending, while FAADS covers another, but it is virtually impossible for the two databases to "talk to each other" because they are structured so differently.

Consequently, very little comprehensive daily reporting is seen that focuses on the details of federal spending. Analyzing the federal budget and the spending of a particular agency is at best an arcane exercise even for veteran journalists. Only a very tiny number of journalists have the expertise and professional opportunities to even think about such reporting. Instead, they must rely on inside information that typically focuses on a particular program, contract or official, or an Inspector-General report or GAO audit. The result is we get anecdotal stories about bridges to nowhere in Alaska that would cost hundreds of millions of tax dollars but we never read comprehensive, detailed reporting about the ins and outs of the estimated $300 billion the government will pay thousands of contractors literally around the globe – nearly half selected non-competitively - to purchase everything from legal advice to industrial zinc.

That will all change with passage of the Federal Funding Accountability and Transparency Act. Making federal spending data easily accessible will have even more effects on the news media than did the availability of campaign finance data.

I believe the federal spending database required to be established by FFATA will reinvigorate the routine coverage of government at all levels in the nation's daily newspapers because getting the information needed for such coverage will become much easier. If the database allows users to search and filter spending information at such

elementary levels as by state and by category of activity, every reporter covering basic beats like schools, crime, the environment and transportation will incorporate information from the database in their stories on a regular basis. With so much more information available about federal spending on these beats, there will soon be more reporting on the effectiveness of federal programs. Just as reporting on the special interests giving contributions to candidates has become a familiar and standard part of political reporting in virtually all daily newspapers, so will reporting on who receives federal tax dollars and how they spend those funds will become a frequent feature of reporting on most public policy issues.

The impact on investigative journalism will be even greater. Just as having campaign finance data available has strengthened the ability of journalists to trace the links between office-holders, candidates and lobbyists, having comprehensive federal spending data available will strengthen the ability of journalists to uncover the legions of consultants, Beltway Bandits and other special interests that thrive on federal spending that goes on year after year after year regardless of the effectiveness of the programs.

If traditional mainstream media organizations pursue this new field of reporting aggressively, it could help restore the image of journalists, which currently ranks right down there with used car salesmen and Members of Congress.

As positive a development as that would be, I believe the effect of the FFATA federal spending database would be even more significant on new media, especially the Blogosphere. As you know, bloggers are fulfilling an increasingly important role in the American public policy arena, often providing detailed news and analyses before mainstream media outlets are able to do so. There are millions of bloggers and their ranks are growing at an amazing rate.

In many respects, the Blogosphere's collective capacity to cover a news event or issue vastly outweighs that of the mainstream media, if only because the Internet enables what New Yorker magazine columnist James Surowiecki calls "the wisdom of crowds." That is, the simultaneous focus of the knowledge, experience and analytical skills of hundreds or thousands of people on a particular problem or question. Or as Surowiecki succinctly puts it, no one of us is as intelligent as all of us.

5

The immense power of the Blogosphere was most vividly seen during the 2004 presidential campaign in the hours following the broadcast of now-former CBS News anchor Dan Rather's 60 Minutes report on President Bush's National Guard service. The Rather report was based on a set of documents allegedly written by National Guard leaders during Bush's service. Those documents suggested Bush had received special treatment by the National Guard, a fact, which if widely believed by voters so late in the campaign, could quite conceivably have affected the outcome of the election.

But within hours of the CBS broadcast, bloggers located experts with the most arcane of knowledge about the kinds of type faces used by National Guard typewriters when Bush was in uniform. Those experts and other analytical skills brought to bear by bloggers demonstrated conclusively that the Rather documents were forgeries. We all know the rest of that story.

It is easy to imagine what will happen when that same power of the wisdom of crowds is applied to the details of federal spending made available through the FFATA database. We've already been given a glimpse of things to come with the Porkbusters effort among bloggers, led by Glenn Reynolds of Instapundit and N.Z. Bear of The Truth Laid Bear. The nation first learned about the scandal of earmarks and the congressional culture of corruption symbolized by the Bridges to Nowhere largely as a result of Porkbusters bloggers who led the way in publicizing Sen. Coburn's efforts in Congress and in digging out new details on specific earmarks such as the Railroad to Nowhere in Mississippi.

But think of what will happen when there are thousands of Porkbusters examining the details of federal spending. Ed Morrissey of Captain's Quarters blog puts it this way:

"The real value in this database will come not just from exposing line-item spending to the mainstream media, but from exposing it to all of the taxpayers equally. I predict that 10,000 blogs will be born just to focus on the spending habits of their own representatives. Constituents can use their computers to do their own research on the types of spending that their Congressmen and Senators sponsor.

"How many Bridges to Nowhere will survive that kind of scrutiny? How many politicians will earmark money for federal highways that bring heavy traffic to property that they themselves own if they know that anyone can look it up at any time and make the connections?"

If anything, I think Ed might be underestimating the number of bloggers who will use the federal spending database made possible by FFATA. I have no doubt there will be many, perhaps hundreds of blogs created specifically to analyze and track federal spending within specific issue areas and industries. These blogs will be associated with private citizens, non-profit advocacy groups and even consultants and executives with companies bidding for federal contracts.

The result will be a vastly more well-informed citizenry, a public policy debate informed by much more accurate and extensive knowledge of government policies and programs and a more effective targeting of our society's resources. Just as politicians and political campaign professionals soon learned they could not afford to ignore OpenSecrets.org, I have no doubt that politicians, government contractors and lobbyists will soon learn that they cannot ignore blogs made possible by FFATA, at least one of which will probably be called something like SpendingSecrets.org.

Thank you again for this opportunity to testify and I will be happy to answer any questions you may have.

No Drought Required For Federal Drought Aid

Livestock Program Grew To Cover Any 'Disaster'

By Gilbert M. Gaul, Dan Morgan and Sarah Cohen
Washington Post Staff Writers
Tuesday, July 18, 2006; A01

CHANDLER, Tex. -- On a clear, cold morning in February 2003, Nico de Boer heard what sounded like a clap of thunder and stepped outside his hillside home for a look. High above the tree line, the 40-year-old dairy farmer saw a trail of smoke curling across the sky -- all that remained of the space shuttle Columbia.

Weeks later, de Boer was startled to learn that he was one of hundreds of East Texas ranchers entitled to up to $40,000 in disaster compensation from the federal government, even though the nearest debris landed 10 to 20 miles from his cattle.

The money came from the U.S. Department of Agriculture as part of the Livestock Compensation Program, originally intended as a limited helping hand for dairy farmers and ranchers hurt by drought. Hurriedly drafted by the Bush administration in 2002 and expanded by Congress the following year, the relief plan rapidly became an expensive part of the government's sprawling system of entitlements for farmers, which topped $25 billion last year.

In all, the Livestock Compensation Program cost taxpayers $1.2 billion during its two years of existence, 2002 and 2003. Of that, $635 million went to ranchers and dairy farmers in areas where there was moderate drought or none at all, according to an analysis of government records by The Washington Post. None of the ranchers were required to prove they suffered an actual loss. The government simply sent each of them a check based on the number of cattle they owned.

At first, livestock owners were required to be in a county officially suffering a drought to collect the money. But ranchers who weren't eligible complained to their representatives in Washington, and in 2003 Congress dropped that requirement. Ranchers could then get payments for any type of federally declared "disaster." In some cases, USDA administrators prodded employees in the agency's county offices to find qualifying disasters, even if they were two years old or had nothing to do with ranching or farming.

In one county in northern Texas, ranchers collected nearly $1 million for an ice storm that took place a year and a half before the livestock program was even created. In Washington state, ranchers in one county received $1.6 million for an earthquake that caused them no damage. In Wisconsin, a winter snowstorm triggered millions of dollars more. For hundreds of ranchers from East Texas to the Louisiana border, the shuttle explosion opened the door to about $5 million, records show.

John A. Johnson, deputy administrator for farm programs for the USDA, said that initially the program provided meaningful assistance to ranchers in areas suffering from

drought. But after Congress loosened the rules, he acknowledged, "what was meant as disaster assistance ended up being given to people who didn't have a need or a loss."

The money doled out for the livestock program was part of more than $20 billion that taxpayers have given to ranchers and farmers since 1990 to compensate for droughts, hurricanes, floods and other forms of damaging weather. Many of those events caused serious damage. But in some cases, routine storms triggered millions in payments, The Post's investigation found.

"The livestock program was a joke. We had no losses," de Boer said. "I don't know what Congress is thinking sometimes."

Still, while de Boer said he was embarrassed by the $40,000 check, he added: "If there is money available, you might as well take it. You would be a fool not to."

$18 a Head

Shortly before the 2002 congressional elections, the Bush administration faced growing pressure from ranchers and politicians in a handful of Western states that were hit hard by drought. Of special political concern to the White House, sources said, was South Dakota, where Republican Rep. John Thune was close to unseating Democratic Sen. Tim Johnson.

The USDA responded with a plan to give ranchers cash payments based on how much livestock they owned. A beef cow would count for $18; a dairy cow, $31.50. Lesser payments would be awarded for buffalo and sheep. The maximum an individual rancher could get was $40,000.

Ann M. Veneman, then secretary of agriculture, proclaimed at a September 2002 news conference that the plan "will provide immediate assistance to producers who need it the most."

To qualify, a rancher had to be in a county that was suffering from a drought and declared a disaster by the agriculture secretary in 2001 or 2002. More than 2,000 counties had such declarations at the time, including many with only modest dry spells.

All that livestock owners had to do was show up at their county agriculture office and fill out a short form certifying the number of animals they owned as of June 1, 2002. Short-staffed county offices were hard pressed to verify the numbers. They did only limited spot checks.

A spokesman for the USDA, Ed Loyd, said last week that the system was meant to distribute funds quickly. "Given the severity of the drought, we were confident enough of the losses" to forgo the time-consuming process of checking every farm and ranch, Loyd said.

Agriculture officials estimated the program would require $752 million. But so many ranchers and dairy farmers applied that the cost quickly ballooned to $900 million. At the time, a second year of the program wasn't being contemplated.

Then lawmakers from Arkansas to Wisconsin wrote more than 100 letters to Veneman's office, complaining that the USDA's sign-up deadline of Sept. 19, 2002, was "arbitrary" and "bureaucratic." Deserving counties, they said, were being excluded. Virginia's delegation alone sent 20 letters, including six from Republican Rep. Virgil H. Goode Jr. The congressman's office said he was responding to requests from his constituents.

The Agriculture Department soon added dozens of counties to its drought list.

"There was pressure that year to grow emergency declarations for drought," recalled Hunt Shipman, a former top USDA official who now works as a lobbyist in Washington.

Still, even with the growing list, hundreds of counties remained ineligible because they had not been declared drought-stricken areas. That, Shipman said, is when "Congress came back in. They decided to drop the drought requirement in the second year."

Under Congress's new version of the program in 2003, livestock owners could qualify as a result of any type of weather-related disaster declaration by the secretary of agriculture. Or they could become eligible if their county was included in a presidential disaster declaration. Under the new rules, the time period covered also was extended, to Feb. 20, 2003. One rule remained the same: Livestock owners still did not have to prove a loss.

The expansion was pushed by a bipartisan group of senators from Western states and House members from the Southeast. House-Senate negotiators then added the legislation to a huge annual spending bill that was not subject to amendments on the floor.

Sen. Thad Cochran (R-Miss.), the top-ranking Senate GOP negotiator on the agricultural provisions, did not return telephone calls seeking comment. Former Rep. Max Burns (R-Ga.), who introduced legislation to extend the livestock program in January 2003, also did not return calls requesting comment.

As a result of the changes, 765 counties that had no droughts in 2001 or 2002 qualified for cash in 2003. In some cases, entire states -- including Arkansas, Florida, Mississippi, West Virginia and Wisconsin -- were now included.

Hunting for Disasters

With the rules relaxed by Congress, federal agriculture officials pushed their local offices to find disasters that would make more livestock owners eligible, records and interviews show. It didn't matter if it was a cold snap or a storm that was two years old.

The Agriculture Department inspector general's office eventually audited the program, saying the payments should have gone only to those with legitimate losses. But that was long after the looser rules led the USDA to hand out an additional $234 million in 2003.

No state did better than Texas. In the end, all 254 of its counties qualified. Ranchers in counties without droughts collected $45 million in 2003, on top of the $67 million that had flowed to the state in 2002.

In northern Texas, Cooke County ranchers qualified for $906,000 in 2003 on the basis of an ice storm that hit the area more than two years earlier. Tim Gilbert, former head of the USDA county office, recalled that "there was no damage in Cooke County to the crops or livestock. Maybe a few pine trees got knocked down."

Nonetheless, the county had been included in a presidential disaster declaration because of the storm. "The state office called and said, 'Yeah, you are eligible,' " Gilbert said. "I said, 'How can I be eligible for a storm in December two years ago?' "

Over in Denton County, northwest of Dallas, ranchers weren't hurting from a drought in 2002. Nor were they pressuring county USDA official Blake English for the livestock money. "There has not been anything like an uproar, because most everyone agrees that there was not a disaster in Denton County," English wrote in the minutes of a December 2002 meeting of a local farm advisory committee.

Still, in 2003, English said, he got word from his state bosses to go back and look again for a disaster -- any disaster -- under which local ranchers could qualify.

"I don't deny it," English said. "We got the message, a message to take another look. It came from our state office, probably through the district director." English said it was "pretty clear that we wanted the entire state of Texas to be eligible."

John Fuston, the Texas USDA director, confirmed that the county offices were urged to look for weather events and disasters that could qualify ranchers for the program. He said the agency was following the rules set by Congress.

Without any real disasters in Denton County, though, English was left to scramble. "We didn't have a drought," he said. "In fact, we were wet. The crops were above normal at the time."

English said he did his best, preparing a report on a rainstorm that had blown through more than a year earlier. "We knew it wasn't a disaster," he said. "We knew it wouldn't be approved." And, according to English, it wasn't.

Then, on Feb. 1, 2003, the shuttle exploded. To ensure recovery of the debris and pay for emergency costs, President Bush issued a federal disaster declaration. As an unintended result, most of East Texas was then eligible for livestock funds. Denton County's livestock owners collected $433,000, records show.

"Speaking personally, I didn't think it was necessary at that point in time," said Calvin Peterson, an 81-year-old rancher who heads the local farm committee. "It might have been more political than anything."

In Henderson County, about 100 miles southeast of Dallas, Nico de Boer felt the same way. When he arrived from the Netherlands 17 years ago, de Boer had 90 acres, a house, one barn and fewer than 200 cows. Today, he has 1,000 acres, multiple cow barns and sheds, 650 cows that produce 3 million pounds of milk monthly, a BMW in the driveway, a swimming pool, and two more farms in neighboring counties.

The rolling hills surrounding his sprawling farm receive a generous average of 40 inches of rain annually. When the shuttle exploded, pastures were full and there hadn't been a drought or any other type of weather disaster in years, records show. But after the presidential disaster declaration, John Reeves of the local USDA office informed livestock owners in Henderson County they were eligible. They eventually collected $751,083 despite no shuttle damage.

Reeves said he had no choice but to write the checks. "Congress passed legislation and approved us for that Livestock Compensation Program, and that's what it was," he said.

"The closest debris I heard about was 10 to 20 miles away. There wasn't anything here," de Boer said. "Believe me, we would be better off if the government got out of the business and limited the payments to those who really need them."

Distant Earthquake

On Feb. 28, 2001, the 6.8-magnitude Nisqually earthquake hit near Olympia, Wash., collapsing brick facades of businesses and leaving cracks in several state office buildings. About 170 miles away from the epicenter, in Whatcom County, near the Canadian border, residents felt some of the aftershocks but experienced little damage.

"We registered about a 3 [magnitude] or something," said Don Boyd, a local emergency management official. "We had some minor shaking, some cracks in the chimneys, that sort of thing."

USDA officials didn't check for damage because none of the local dairy farmers complained.

Yet in 2003 more than 200 livestock owners in Whatcom County collected $1.6 million under the Livestock Compensation Program -- one of the largest payouts for a county nationwide -- for the same earthquake.

A 2001 presidential disaster declaration for the Nisqually earthquake had named 22 counties, including Whatcom. Dairy farmers and ranchers in Washington state collected nearly $4 million in livestock funds, according to records analyzed by The Post.

"Don't blame us," said Gary M. West, chief administrator for the USDA's Farm Service Agency in Washington state. "We don't get to choose which programs we implement. We have to work with what Congress gives us."

Larry Reeves, who heads the Whatcom County USDA office, echoed that view. "We do what we are told," he said. "Our thoughts and feelings generally don't have a bearing."

Terri Noteboom and her husband received nearly $13,000 in livestock funds for their dairy farm in Lynden. Noteboom also chairs the farmers committee that advises Reeves. She said some Whatcom County dairy farmers came into the office to report that they had accidentally received government checks.

"I told them, 'No, you didn't. It wasn't an accident. It's yours,' " she said.

"The way I see it, many times they do these programs and instead of applying it to one area, they find a way to apply it to the entire country. I don't know if you call that a loophole or not."

Snow in Wisconsin

In November 2002, Ben Brancel, the top USDA official in Wisconsin, sent out a news release notifying livestock owners that none of the state's counties qualified for the Livestock Compensation Program because they had not received drought declarations from the secretary of agriculture.

Five months later, in April 2003, Brancel put out another news release: As a result of Congress broadening the eligibility criteria, 53 Wisconsin counties now qualified for that cash.

In still another news release, Brancel implored livestock owners to apply for the money. "If you own eligible livestock in eligible counties you are eligible," he wrote. "In these tough economic times, you don't want to miss the opportunity to receive money to help pay some of the bills."

Wisconsin livestock owners took Brancel up on his offer, collecting more than $39 million. Still, some dairy farmers and county officials were confused about why they were getting the money.

"In this county, we got a lot of questions from producers: 'Why are we eligible?' " recalled Tom Schneider, the head of the USDA office in Manitowoc County, where livestock owners got $1.5 million. "Our answer was 'Because we were told you were eligible.' "

Several Wisconsin counties qualified on the basis of a two-year-old disaster declaration for a January 2001 snowstorm. "It was a nasty winter storm," recalled Teresa Zimmer, the USDA official in Green County. Asked how the storm affected ranchers, she said, "There

were several days where livestock owners couldn't get to the market . . . to sell their animals."

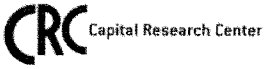
Ranchers in Green County collected nearly $1.5 million. One of those who got a payment was Cornell Kasbergen, who helps run family dairy farms in Green County and Tulare County, Calif. Family members received a total of $72,000 in livestock funds, records show.

"It was a program that was available that we took advantage of," Kasbergen said. "Did we have any losses? I couldn't tell you. In my mind, I think a lot of these programs are a waste of money."

Researcher Alice Crites contributed to this report.

THE AMERICAN CONSERVATIVE UNION

AMERICAN TAX REDUCTION MOVEMENT



Center for Individual Freedom

June 20, 2006

An Open Letter to the United States Senate: Support a Full Accounting of Federal Grants!

Dear Senator:

On behalf of the millions of taxpaying citizens represented by the groups signed below, we strongly urge you to support S. 2590, the Federal Funding Accountability and Transparency Act. The bill, sponsored by Senator Tom Coburn (R-OK) and co-sponsored by colleagues John McCain (R-AZ), Barack Obama (D-IL), and Tom Carper (D-DE), would direct the Office of Management and Budget (OMB) to create a publicly-available website that would list every entity receiving federal grants or contracts and the totals awarded for the last ten fiscal years. Such a website would entail very little cost and would greatly increase transparency in the distribution of government funding. At last, those who most deserve to know about this process – the American people – would have the tool they need to conduct their own evaluations of Washington's priorities.

It is essentially impossible for the average citizen to obtain such an accounting today. According to the General Services Administration, the federal government provides roughly $300 billion in grants to 30,000 organizations, ranging from rail and transit security to youth theater troupes. Information is spread across innumerable agencies, frequently lacks specificity, and is not always available to the public. All too often, one must resort to filing a request under the Freedom of Information Act to truly determine the extent or duration of funding. Americans should not be forced to navigate the treacherous waters of bureaucracy just to find out who is receiving their tax dollars.

In the past, it was not feasible to have a centralized listing of the kinds of organizations and activities that received government monies. The effort needed to calculate, coordinate, and print such a listing would have been enormous, and the final product may well have required a forklift to transport. But today, with incredible increases in computing power and the advent of the Internet, such an undertaking is far less daunting. In fact, a precedent has been set by ExpectMore.gov, a website launched by the OMB to monitor the performance of more than 800 federal programs. ExpectMore.gov has made program review more transparent and accessible to the public.

Advocates from all points on the spectrum of opinion share the common notion that transparency of and public access to government information is vital to the health of our political system. It is for this reason that S. 2590 has broad appeal. Budget watchdogs can support the legislation because it would reveal

Congressional Accountability Project

duplicative or superfluous federal funding. Environmentalists can support it because it would detail exactly how much federal money goes to organizations and practices they deem to be ecologically harmful. Traditional values groups can support the legislation because it would allow them to track funding for causes they hold to be inimical to their own. The list of those with a stake in S. 2590, from civil libertarians to defense and foreign-policy reformers, goes on and on. Reasonable people of all political viewpoints should unite in support of S. 2590, the Federal Funding Accountability and Transparency Act, in the interest of good governance.

Sincerely,

John Berthoud
President
National Taxpayers Union

Mike Arata
Board Member
Alliance of Contra Costa Taxpayers (CA)

F. Patricia Callahan
President
American Association of Small Property Owners

Jane Orient, MD
Executive Director
American Association of Physicians and Surgeons

William Lauderback
Executive Vice President
The American Conservative Union

Jon Coupal
Chairman
American Tax Reduction Movement

Michelle Korsmo
Executive Vice President
Americans for Prosperity

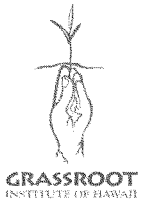
Timothy M. Wise
President
Arlington County Taxpayers Association (VA)

Terrence Scanlon
President
Capital Research Center

Jeff Mazzella
President
Center for Individual Freedom

Barbara Anderson
Executive Director
Citizens for Limited Taxation

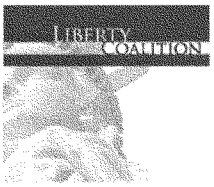
Matthew J. Brouillette
President and CEO
Commonwealth Foundation



Gary Ruskin
Director
Congressional Accountability Project

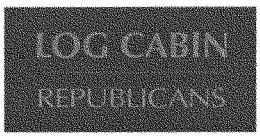
Thomas A. Schatz
President
Council for Citizens Against Government Waste

Phyllis Schlafly
President and Founder
Eagle Forum



John McClaughry
President
Ethan Allen Institute

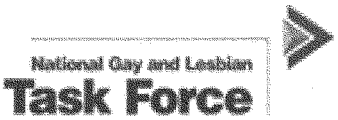
Bob Williams
President
Evergreen Freedom Foundation



Thomas McClusky
Vice President of Government Affairs
Family Research Council

Matt Kibbe
President and CEO
FreedomWorks

Tom Devine
Legal Director
Government Accountability Project



C.L. (Weiss) Beems
Editor/Publisher
Gozarks: Everything Ozarks (AR)

New York Tax Reform Organization

OUTRAGE

Republican Liberty Caucus

San Diego Tax Fighters

Taxpayer Protection Alliance

Richard O. Rowland
President
Grassroot Institute of Hawaii

Kevin McLaughlin
President
Iowans for Discounted Taxes

Michael D. Ostrolenk
National Director
Liberty Coalition

Patrick C. Guerriero
President
Log Cabin Republicans

Richard Falknor
Executive Vice-President
Maryland Taxpayers Association, Inc.

Matt Foreman
Executive Director
National Gay and Lesbian Task Force

Doug Kagan
Chairman
Nebraska Taxpayers for Freedom

Fred Lane
Founder
New York Tax Reform Org.

Keith L Runyon
Executive Director
OUTRAGE

Danielle Brian
Executive Director
Project on Government Oversight

William Westmiller
National Chairman
Republican Liberty Caucus

Paul Gessing
President
Rio Grande Foundation (NM)

Richard Rider
Chair
San Diego Tax Fighters

Samuel M. Slom
President
Small Business Hawaii

Lori Klein
Taxpayer Protection Alliance (AZ)

Steve Ellis
Vice President of Programs
Taxpayers for Common Sense

The Conservative Caucus

David Strom
President
Taxpayers League of Minnesota

Rick Durham
President
Tennessee Tax Revolt

U.S. Bill of Rights Foundation

Howard Phillips
Chairman
The Conservative Caucus

Dane von Breichenruchardt
President
U.S. Bill of Rights Foundation

Rose Bogaert
Chair
Wayne County Taxpayers Association (MI)

Lewis M. Andrews
Executive Director
Yankee Institute

John Taylor*
President
Virginia Institute for Public Policy

Forest M. Thigpen**
President
Mississippi Center for Public Policy

---

* signed 6/21/06
** signed 7/10/06

○