

IT'S TIME FOR FULL PUBLIC DISCLOSURE OF ALL FEDERAL GRANTS AND CONTRACTS

Each year, the federal government disburses nearly \$250 billion in grants and contracts.¹ This sum amounts to nearly 50 percent of all federal discretionary spending—a figure that dwarfs the budgets of all but one Cabinet agency. Each day, tax dollars flow at a rate of almost \$700 million to tens of thousands of businesses and organizations, such as universities, defense contractors, labor unions, or think tanks.

Although federal agencies spend some of this money on essential activities, other programs have become “poster children” in various campaigns to eliminate the budget deficit. Yet whether one is a spending advocate or a deficit hawk, a journalist, an interested citizen, or an academic specialist, there is no single, inexpensive reference site where one can discover who the recipients of hard-earned tax dollars are.

The public has the right to know where its tax dollars are being spent. Moreover, the recent growth of the Internet has spurred demands that federal government information be made available electronically. The General Services Administration, an independent federal agency, should create an easily accessible, search-friendly World Wide Web site to catalog recipients of federal contracts and grants.

SPECIAL INTERESTS CONCEAL FEDERAL FUNDING

Even Members of Congress are kept in the dark about the recipients of federal largesse. In fact, more than half of the witnesses who testified before the 104th Congress were dependent on the federal treasury, either as federal employees or as grant recipients,² and fully one-third of all “public” witnesses (witnesses from outside the fed-

1 Marcia Gelbart, “‘Truth in testimony’ rule boomerangs against GOP sponsors,” *The Hill*, February 5, 1997, p. 29.

2 See Kenneth R. Weinstein and August Stofferahn, “Congressional Hearings and the Culture of Spending,” Heritage Foundation *Background* No. 1099, December 19, 1996, p. 2.

eral government) represented organizations directly dependent on tax dollars. But few, if any, of the dozen or so federal grant recipients who testified daily before the 104th Congress ever revealed their federal funding sources, and even fewer asked for spending cuts in the programs from which they benefited.

To correct this problem, on the first day of the 105th Congress, the U.S. House of Representatives amended its rules of procedure to require that witnesses appearing before committees reveal how much in contracts or grants their organizations or businesses received during the current and past two fiscal years. Despite the almost unprecedented endorsement of a House rules change by more than 80 newspapers of all political stripes across the country, however, the forces of inertia inside the Beltway have sought to undermine this sunshine reform.

Perhaps the most blatant violation of the Truth in Testimony rule occurred on February 11, 1996, when David Smith, Director of Policy at the AFL-CIO, testified before the House Economic and Educational Opportunities Committee's Subcommittee on Post-secondary Education, Training, and Life-Long Learning. The subject of the hearing: reforming the major federal job training programs. Under the Truth in Testimony rule, the AFL-CIO was required to disclose any grants or contracts it had received during the three most recent fiscal years. The written statement submitted by Mr. Smith stated flatly that "Neither the AFL-CIO nor David A. Smith received funds from the Job Training Partnership Act, the Wagner-Peyser Act, or Title IV-F of the Social Security Act (the JOBS Program) during this fiscal year or the preceding two fiscal years."

In fact, however, the AFL-CIO, through its Human Resources Development Institute, participates in a program run by the Department of Labor's Employment and Training Administration. During FY 1994, for example, the Employment and Training Administration gave the Institute two grants totaling \$2.6 million for training and technical assistance for displaced workers in the District of Columbia.³ A telephone call to the Institute (which is located in the AFL-CIO's Washington, D.C., headquarters) confirmed that this program continues to be a significant source of funds. Most important, these grants were authorized by Title III of the Job Training Partnership Act—the very subject of the House subcommittee hearing.

Moreover, the gist of Mr. Smith's testimony was that federal job training funds are stretched to the limit: "[T]he AFL-CIO," he noted, "opposes any further transfer of federal funds from JTPA Title III for displaced workers to JTPA Title II for disadvantaged workers." Yet Smith again neglected to mention the millions of dollars flowing to the AFL-CIO under JTPA Title III and dozens of other programs. Even more surprisingly, no committee members chose to enforce the Truth in Testimony rule, which would have made clear that Smith's testimony amounted to little more than lobbying for a bigger slice of the federal pie.

Of course, the AFL-CIO is not alone in fighting Truth in Testimony. Press reports indicate that many corporations have declined to send witnesses to testify before House committees in the 105th Congress. Some of these businesses have claimed that the bookkeeping burden of compiling a list of federal contracts is too burdensome. But these are the very corporations that spent countless hours lobbying for such contracts,

3 Bureau of the Census, Federal Assistance Awards Data System (FAADS) covering the period from 1993 to July 1994.

complying with paperwork requirements, and the like; thus, it seems more likely that they simply do not want to publicize the contracts they have received. But businesses have no right to keep such information out of the public domain when tax dollars are being spent. In FY 1995, for instance, there were more than 400,000 government contracts for products and services worth more than \$25,000.⁴ These federal contracts are not, and should not be, the proprietary information of corporate accountants and federal bureaucrats.

BEYOND TRUTH IN TESTIMONY: FULL DISCLOSURE OF FEDERAL CONTRACTS AND GRANTS

With the exception of classified matters affecting national security or intelligence efforts, information about federal contracts and grants should not be kept hidden. Recent technological advances, such as the growth of the Internet, have made it possible to develop a single source of information about all federal contracts and grants. Better sunshine rules in federal grant and contract administration would benefit both taxpayers and the government in several ways:

- **Taxpayer rights.** First and foremost, bureaucrats would no longer be able to keep taxpayers in the dark about the recipients of tax dollars. Federal contractors and grantees are paid to conduct the public's business. The public has the right to know who is receiving tax dollars so that it can assess whether its money is being used efficiently and effectively.
- **Lobbying disclosure.** A federal government Web site listing the funds received by each company or organization would strengthen the House of Representatives' new Truth in Testimony rule. Witnesses before congressional committees would have no excuse for failing to comply with this rule. Such information also could be obtained easily by Senate committees and subcommittees, which currently have no Truth in Testimony requirements. Finally, because lobbying does not occur only at congressional hearings, a federal contracts and grants database would give members of the executive and legislative branches and their staffs a better opportunity to learn the motives of those who lobby for federal largesse by other means.
- **Empowering citizens.** Increasing access to information about the billions of dollars the federal government spends would help small businesses and community-based charities across the country to participate in government programs. Without a presence in the nation's capital, these groups often lose out to well-heeled corporations and national charities as Washington lobbyists trade on their specialized knowledge of obscure government programs, or their connections with executive agencies, to protect the flow of federal dollars to selected clients. By making it easier to learn about government programs, this reform would enable more organizations to compete for contracts and grants, thereby reducing the cost of government.
- **Accountability in government.** A central source of information on grants and contracts would make it much easier for journalists, congressional oversight bodies, and agency inspectors general to discover conflicts of interest among government-funded groups and individuals involved in advocacy activities or campaign fundraising. Moreover, even if the purpose of a grant is unobjectionable, every federal dollar

⁴ General Services Administration, *Federal Procurement Report: Fiscal Year 1995 through Fourth Quarter*, p. i.

an organization receives frees private resources for other uses; corporations receiving federal contracts have more revenue (and incentive) for "soft money" campaign contributions, and nonprofit organizations that receive grants can devote more resources to lobbying and promoting government action. As Nan Aron, president of the Alliance for Justice, a coalition of liberal nonprofit organizations, recently admitted, this "money theoretically is fungible."⁵

TECHNOLOGY FOR FULL DISCLOSURE IS HERE

Centralized sources of federal documents on the Internet already have proven astoundingly successful. In 1995, Congress established THOMAS, the Library of Congress's on-line legislative information service. THOMAS has been accessed over 30 million times during its two years of operation.⁶ The U.S. Government Printing Office uses its on-line GPO Access system, which houses 58 information databases produced by the federal government, to distribute an average of 2 million documents electronically each month.⁷

Although most of the databases on GPO Access contain legislative information, the *Federal Register*, published by the National Archives and Records Administration, offers daily updates on acquisition regulations and contracts. Several Cabinet departments and independent agencies have taken a first step toward making grants and contract information available on their World Wide Web sites, but this generally is limited to contact information and administrative regulations. None of these sources provides government-wide data on the final destination of tax dollars.

Two government bodies compile wide-ranging data on federal expenditures, but such information is difficult to access and expensive to obtain. The Bureau of the Census compiles the Federal Assistance Awards Data System, a detailed listing of federal grants (but not contracts) to individuals and organizations. Unfortunately, FAADS costs over \$1,000 and contains no index or software that would enable users to search for programs or recipients. Each year, the Bureau of the Census also produces the Consolidated Federal Funds Report, which contains aggregate data on all federal expenditures by geographic area, but this report does not include records on individual transactions.

The two most useful catalogs in this area are produced by the General Services Administration. The Catalog of Federal Domestic Assistance provides financial and procedural information about all government grant programs, although it does not list the beneficiaries of these programs. The Federal Procurement Data System, available on CD-ROM, contains a searchable index of statistical data on over 400,000 procurement contracts; the list, however, does not include grants. GSA prints a summary report of this information that includes a list of the top 100 federal contractors and the top 10 federal contractors in each state.

5 Katharine Q. Seelye, "House Rule May Rein in Liberal Advocacy Groups," *The New York Times*, January 16, 1997, p. B8. Aron's statement reverses her long-standing denial of this fact; see "Scrapbook," *The Weekly Standard*, January 27, 1997, p. 2.

6 Library of Congress, "THOMAS Usage Statistics," <http://thomas.loc.gov/stats/stats.html>.

7 U.S. Government Printing Office, "Free Access to Electronic Government Information Products," http://www.gpo.gov/su_docs/aces/aaces001.html.

Retrieval of information on grants and contracts through these manifold sources is unnecessarily complicated. If a congressional aide wanted to discover whether witnesses had complied with the Truth in Testimony rule, or if a journalist wanted to discover whether "soft money" campaign donors had benefited from federal grants or contracts, he or she would need to order computer tapes and CD-ROMs from two different bureaucracies at significant cost, wait four to six weeks for these materials to arrive, and then write software to convert them into a combined, searchable database.

Federal agencies, if they chose to work together, could solve these problems of cost and complexity. The Census Bureau and the General Services Administration should combine their listings of federal grants and procurement contracts, respectively, into a common database. Currently, the GSA is working on a project along these lines, but its plans call only for producing two separate CD-ROMs, one for grant recipients and one for contracts. Such a database should be expanded to cast the widest possible net of for-profit and nonprofit organizations doing business with the federal government—for example, by including an organization's affiliates, subgrantees, and subcontractors.

The extensive Web sites of either or both of these agencies easily could store a database in this form, making it free and available to everyone with access to the Internet. Relevant Senate and House appropriators should work toward this end. Such a site should be searchable by the name of the grantee or contractor and by agency or program, and should contain links to related federal pages, such as those of the IRS, relevant federal departments, and inspectors general. When possible, such contract and grant information also could be linked to the home pages of the respective contractors or grantees.

CONCLUSION

The federal government spends more than \$250 billion annually on grants and contracts, but very little to inform taxpayers about where this money goes. Taxpayers have the right to know where their money is being spent. All that is needed to accomplish this is one simple, inexpensive, and effective measure: establishment of an organized, comprehensive, and user-friendly World Wide Web site with detailed information on all federal grants and contracts. This site also would encourage better enforcement of current regulations against lobbying with federal funds, as well as the House of Representatives' Truth in Testimony rule and the statutory requirements of the programs through which these tax dollars are distributed.

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