The Heritage Foundation
Backgrounder
Executive Summary

No. 1224 October 7, 1998

THE ONE PERCENT BUDGET SHOWDOWN: CLINTON'S VETO THREATS IN PERSPECTIVE

ANGELA ANTONELLI

As fiscal year 1998 comes to a close, Congress and the President have considerable work to do to reach an agreement on most of the 13 annual appropriations bills. In light of this, on September 17, 1998, Congress passed a continuing resolution (CR) that allows the federal government to continue to operate until October 9, 1998 (FY 1999), at FY 1998 spending levels.

Nevertheless, before September 1, the President had threatened to veto at least seven of the appropriations bills; specifically, the bills authorizing the Departments of Commerce, State, and Justice (H.R. 4276); the District of Columbia (H.R. 4380); the Interior (H.R. 4193); Labor, Health and Human Services, and Education (H.R. 4274); Treasury and Postal (H.R. 4104); Veterans Affairs and Housing and Urban Development (H.R. 4194); and Defense (H.R. 4103). More recently, he also has threatened to veto the Foreign Operations appropriations bill (H.R. 4569). His threats are raising concerns and speculation about whether any impasse on these bills will trigger a government shutdown.

A closer look at President Clinton's veto threats for each bill suggests that the Administration is willing to bring the federal government to a standstill—and interrupt Social Security checks and Medicare and veterans' benefits, close national parks, and jeopardize national security—for a negligible difference in discretionary spending. As Table 1 illustrates, the House proposes to spend $2.6 billion less than the President, which in the end is a difference of about 1.0 percent relative to what the President is requesting for FY 1999. In threatening to veto these appropriations bills, the President is both attempting to protect a bloated and unaccountable federal bureaucracy and breaking the balanced budget agreement he made with Congress last year. Moreover, the additional spending he requests will take money away from achieving his own goal of setting aside the entire surplus to strengthen Social Security.

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In the 1997 balanced budget agreement, the President agreed to $259 billion in non-defense discretionary spending authority for fiscal year (FY) 1999. Now, according to the Congressional Budget Office, the President is threatening to veto appropriations bills, bust budget caps agreed to for FY 1999 in the budget agreement, and close parts of the government in order to spend $8.5 billion

Table 1 B 1224

The One Percent Budget Showdown

Thousands of Dollars	Commerce-State-Justice[1]	D.C.	Interior[2]	Treasury–Postal[1,3]	VA–HUD	Labor–HHS	Total
FY98 Actual Spending	$22,200,584	$533,000	$13,410,493	$12,603,829	$67,829,123	$80,414,101	$196,991,130
President's FY99 Budget Request	$24,292,367	$486,200	$14,268,257	$13,447,770	$70,838,132	$84,548,658	$207,881,384
Difference Between President's FY99 and FY98 Actual	$2,091,783	-$46,800	$857,764	$843,941	$3,009,009	$4,134,557	$10,890,254
U.S. House FY99 Appropriation	$23,076,741	$485,781	$13,429,504	$15,460,752	$70,894,274	$81,927,000	$205,274,052
Difference Between House FY99 and President's FY99	-$1,215,626	-$419	-$838,753	$2,012,982	$56,142	-$2,621,658	-$2,607,332
Percentage Difference Between House FY99 and President's FY99	-5.00%	-0.09%	-5.88%	14.97%	0.08%	-3.10%	-1.25%

Notes: 1 Excludes Crime Trust Fund; 2 Excludes priority land acquisitions and exchanges; 3 Includes Y2K emergency funding.
Sources: U.S. House of Representatives, Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-636.
U.S. House of Representatives, District of Columbia Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-670.
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U.S. House of Representatives, Departments of Veteran Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-610.
U.S. House of Representatives, Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-635.

above what was agreed to last year. Even worse, a review of recent reports from the federal government's own watchdogs—the U.S. General Accounting Office (GAO) and the agencies' own inspectors general (IGs)—strongly suggests that the President is willing to close down the government over the issue of increased funding for programs that have long and troubled histories of waste, mismanagement, and little or no accountability to the public and taxpayers.

Congress, on the other hand, is trying to rein in the uncontrolled spending of some agencies and programs. In doing so, the U.S. House of Representatives in particular hopes to impress on federal bureaucrats that they must do a much better job of being held accountable to both Congress and the American public for how they spend taxpayer dollars. The evidence is mounting that greater leadership and discipline are needed to address federal agencies' spending habits. But the President is making a difficult job even more difficult.

For example, the debut of federal agencies' five-year strategic plans and FY 1999 annual performance plans as required by the Government Performance and Results Act was embarrassing. The GAO and others have characterized the plans as a torrent of questionable missions, goals, objectives, faulty performance measures, and clear evidence of waste and duplication.

A balanced budget is not a license to waste tax dollars even if the budget stays balanced. The GAO and IG reports evaluating agencies and programs in six of the seven appropriations bills targeted for vetoes by the President demonstrate that many do not deserve *more* money at the same time audits show they waste much, accomplish little, or may actually do more harm than good. Rather than engage in political posturing, the President should concentrate on the far more important and challenging task of leading the federal government. He should demand that his executive branch agencies be less wasteful and more accountable. Taking such bold steps would do far more to reform and save Social Security, Medicare, and other important programs.

—*Angela Antonelli is Director of the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.*

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ANGELA ANTONELLI[1]

As fiscal year 1998 comes to a close, Congress and the President still have considerable work to do to reach an agreement on most of the 13 annual appropriations bills. In light of this, on September 17, 1998, Congress passed a continuing resolution (CR) that allows the federal government to continue to operate until October 9, 1998 (FY 1999), at FY 1998 spending levels.

Nevertheless, the President has threatened to veto at least seven of the appropriations bills[2] for the Departments of Commerce, State, and Justice (H.R. 4276); the District of Columbia (H.R. 4380); the Interior (H.R. 4193); Labor, Health and Human Services, and Education (H.R. 4274); Treasury and Postal (H.R. 4104); Veterans Affairs and Housing and Urban Development (H.R. 4194); and Defense (H.R. 4103). His threats are raising concerns and speculation about whether any impasse on these bills will trigger a government shutdown.

A review of President Clinton's veto threats for each bill suggests that the Administration is willing to bring the federal government to a standstill—and interrupt Social Security checks and Medicare and veterans benefits, close national parks, and jeopardize national security—for a negligible difference in discretionary spending. As Table 1 and Chart 1 illustrate, the House proposes to spend $2.6 billion less than the President, which in the end is a difference of about 1.0 percent relative to what the President is requesting for FY 1999. In threatening to veto the appropriations bill, the President is attempting to protect a bloated and unaccountable federal bureaucracy and would be breaking the balanced budget agreement he made with Congress last year. Moreover, the additional spending he seeks will take money away

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1. The author would like to acknowledge the contributions of Heritage analysts Mark Wilson, Adam Thierer, Ronald Utt, Nina Shokraii Rees, and William Beach and, in particular, budget research assistant Gregg Van Helmond, in collecting materials and commenting on drafts of this paper.

2. These were the seven veto threats issued by the President prior to September 1, 1998. The President has since issued a veto threat on the Foreign Operations appropriations bill (H.R. 4569).

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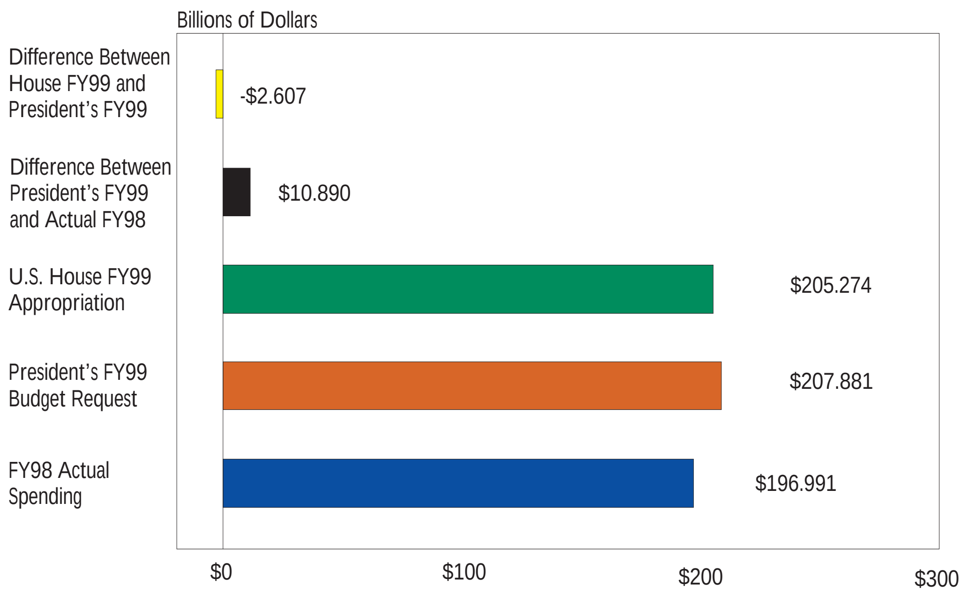
Chart 1 B 1224

The One Percent Budget Showdown



Source: See Table 1.

from accomplishing his own goal of setting aside the entire surplus to strengthen Social Security.

PUTTING THE 1998 VETO THREATS IN PERSPECTIVE

In the 1997 balanced budget agreement, the President agreed to $259 billion in non-defense discretionary spending authority for fiscal year 1999. Now, according to the Congressional Budget Office,[3] the President is threatening to veto seven of the appropriations bills, bust budget caps agreed to in 1997, and possibly close parts of the government in order to spend $8.5 billion above what he agreed to for FY 1999 in the budget agreement.

A review of recent reports of the U.S. General Accounting Office (GAO) and the agencies' inspectors general (IGs)—the federal government's own watchdogs—strongly suggests that the President is willing to close the federal government down over his desire to increase funding for programs that have long and troubled histories of waste and mismanagement, and little or no accountability to the public and taxpayers.

By choosing to rein in the out-of-control spending of some of these agencies and programs, Congress, particularly the U.S. House of Representatives, is trying to impress upon federal bureaucrats that they must do a much better job of being accountable for how they spend tax dollars. The evidence is mounting that greater leadership and discipline are needed to address federal agencies' spending habits. But the President is making a difficult job even more difficult.

For example, the debut of federal agencies' five-year strategic plans and FY 1999 annual performance plans required by the Government Performance and Results Act[4] was embarrassing. The GAO and others have characterized the plans as a torrent of questionable missions, goals, objectives, faulty performance measures, and clear evidence of waste and duplication.[5]

A balanced budget is not a license to waste tax dollars even if the budget stays balanced. Rather than engage in political posturing, President Clinton should concentrate on the far more important task of leading the federal government and demanding that his executive branch agencies be less wasteful and more accountable to the public. A closer look at GAO and IG reports regarding agencies and programs in six of the seven appropriations[6] bills targeted for vetoes by the President demonstrates that many do not deserve more money when these same government audits show they waste much, accomplish little, or do more harm than good. Taking such bold steps will do far more to reform and save Social Security, Medicare, and other important programs.

3. Congressional Budget Office, "An Analysis of the President's Budgetary Proposals for Fiscal Year 1999," March 1998, Table 2. Available at *http://www.cbo.gov.*

4. The Government Performance and Results Act requires federal agencies to prepare multiyear strategic and annual performance plans and reports. The first five-year strategic plans by the agencies were to be delivered to Congress on September 30, 1997. The annual performance plans were sent to Congress in spring 1998 following delivery of the President's fiscal year 1999 budget.

5. See U.S. General Accounting Office, *The Government Performance and Results Act: 1997 Government-wide Implementation Will Be Uneven*, GAO/GGD–97–109, June 1997, and *An Agenda to Improve the Usefulness of Agencies' Annual Performance Plans*, GAO/GGD/AIMD-98-228, September 1998. See also Angela Antonelli and Geoffrey Freeman, "Warning: Expect Bad Results from the Results Act Without Congressional Oversight," Heritage Foundation *Backgrounder* No. 1141, September 23, 1997.

6. Defense appropriations are excluded from analysis because the veto threat focuses principally on whether or not there is congressional authorization of actions taken by the President.

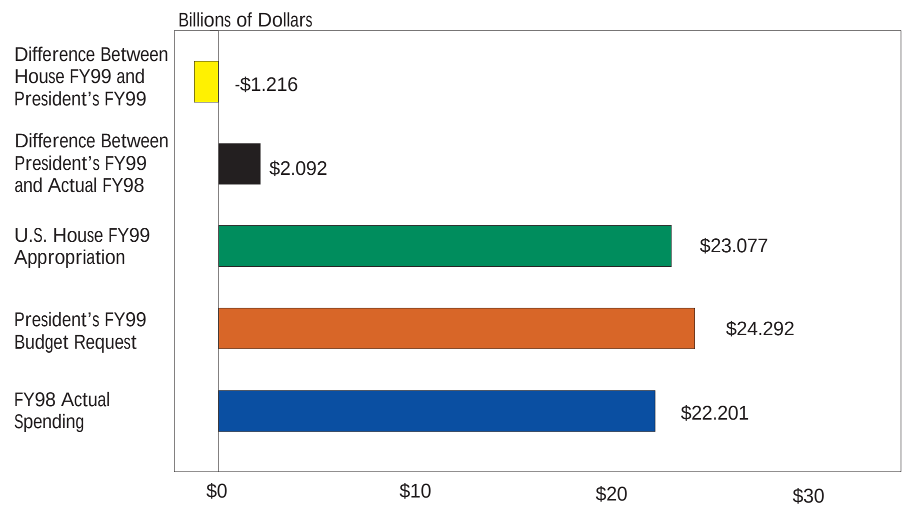
APPROPRIATIONS BILL H.R. 4276: DEPARTMENTS OF COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES

What Would Get Caught in a Veto-Induced Government Shutdown: U.S. Marshals Service; Federal Prison System Operation and Maintenance; Federal Bureau of Investigation (FBI); Immigration and Naturalization Services (INS); the Federal Judiciary (the Supreme Court, Court of Appeals, etc.); and Diplomatic and Consular Affairs programs in the U.S. Department of State.

The following examples highlight some of the President's priorities.

Chart 2 B 1224

Commerce-State-Justice (H.R. 4276)



Note: Excludes Crime Trust Fund.
Source: U.S. House of Representatives, Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-636.

Legal Services Corporation (LSC)

An Administration Objection: "The Committee bill funds the Legal Services Corporation (LSC) at $141 million, $142 million below the FY 1998 enacted level and $199 million below the President's request of $340 million. This funding level is unacceptable. It represents a 65 percent cut…would severely cripple the program…."[7]

Fact: Despite LSC spending of $200 million to $300 million per year, ostensibly to provide legal assistance to the poor, only a small percentage of poor people actually benefit from LSC services. Indeed, LSC devotes far more of its public funding to engaging in political and cause-advocacy activities, often at the expense of providing real legal services to the poor. LSC is unaccountable to taxpayers. The lawyers do not report their cases to anyone outside of their office, and all client and case records are closed.[8] For example:

- Western Massachusetts Legal Services (WMLS) has published a brochure advising lottery winners that they can stay on welfare through such devices as prepaying rent, buying a special gift, or taking a vacation. WMLS filed a lawsuit to get a man back on welfare after he admittedly spent the $75,000 he won in a 1992 lottery on drugs and gambling.[9]

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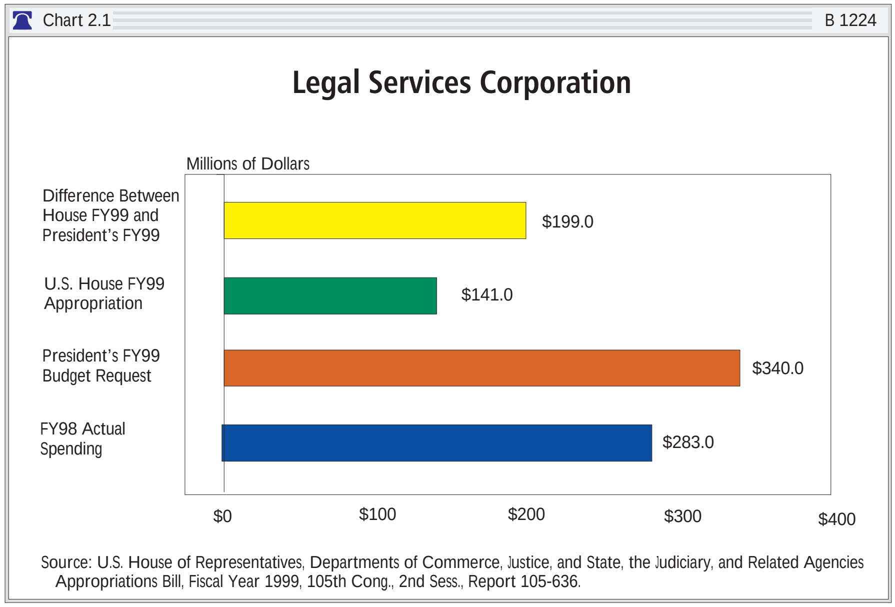
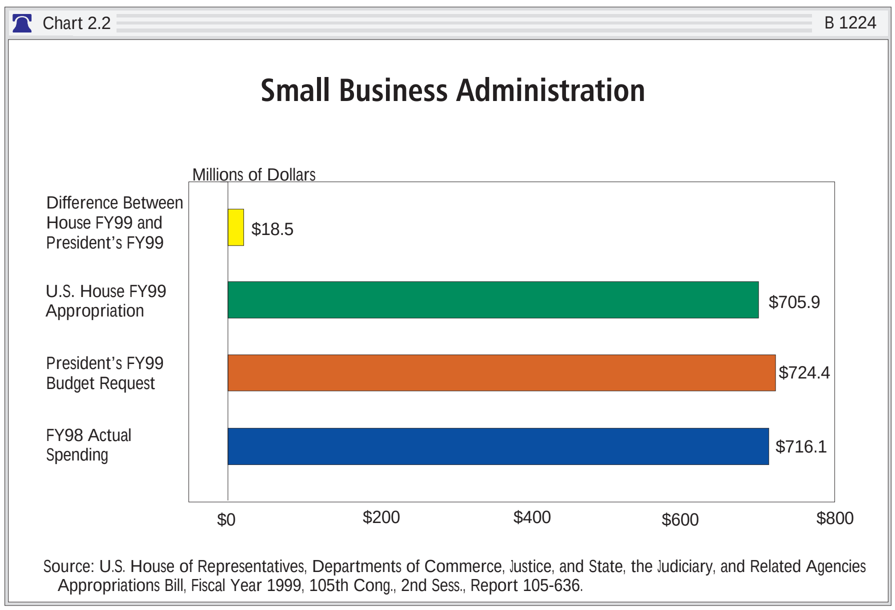
7. Executive Office of the President, Office of Management and Budget, Statement of Administration Policy, H.R. 4276—Commerce, Justice, State, the Judiciary, and Related Agencies Appropriations Bill, FY 1999, August 3, 1998 (House), p. 1. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

8. See Kenneth F. Boehm and Peter T. Flaherty, "Why the Legal Services Corporation Must Be Abolished," Heritage Foundation *Backgrounder* No. 1057, October 18, 1995, p. 3.

9. *Ibid.*, p. 6.

- Legal Services agencies have sued to block welfare reform in California, Michigan, Minnesota, New York, and Wisconsin.[10]
- The Legal Aid Society of New York went to court in 1994 to challenge the New York Housing Authority's plan to make it easier to evict drug dealers by cutting the eviction process (which can take as long as three years) to three to four months.[11]
- In New Jersey, Somerset-Sussex Legal Services is seeking to take a one-year-old boy away from his adoptive parents because his natural father wants him back. The natural father is unemployed, has a criminal record, and already cannot support several other children.[12]





Small Business Administration (SBA)

An Administration Objection: "The Administration strongly objects.… [T]he Committee's funding level for Salary and Expenses account regular operating expenses represents a 27 percent reduction…and includes a requirement that all reductions be taken from headquarters functions. Such funding levels would require reducing staff by more than 1,200 staff years through severe reductions in force."[13]

Fact: The Small Business Administration is hardly small. It currently has more than 4,500 employees and an annual operating budget of more than $716 million in FY 1998. The SBA

10. *Ibid.*, p. 7.

11. *Ibid.*

12. *Ibid.*, p. 9.

13. H.R. 4276, p. 2. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

provides more than $13 billion in financial assistance to over 100,000 small businesses across the United States.

In its five-year strategic plan, SBA has such lofty ambitions as to become a "leading edge financial institution" in the 21st century, often putting it in direct competition with the private sector.[14] The Administration is willing to give SBA more resources to expand its mission, although it already is duplicative of a number of other programs in other agencies, such as FEMA (the Federal Emergency Management Agency) and the Commerce Department's Minority Business Development Agency.[15] Questionable new SBA goals include trying to make more businesses recipients of SBA dollars ("increase the share of federal procurement dollars going to small businesses") rather than determining whether businesses should receive these monies at all and whether small businesses benefit in the long term.[16]

For example, supporters of SBA loan programs often argue that SBA loans are needed to help small businesses compete against large businesses. However, SBA lending most often occurs in sectors, such as retail and service, which pit small businesses against small businesses.[17] In New Zealand, where legislators took a hard look at their small business lending programs, they discovered that for every 100 businesses the government "helped," more than 105 businesses were "hurt," often driven out of business.[18]

The President has requested increasing SBA's funding in FY 1999 to $724.4 million, a 10 percent increase over FY 1998. However, the semiannual report of SBA's inspector general for the period ending March 31, 1998, identified more than $1 million in disallowed costs and approximately $12 million in "unresolved audit recommendations."[19] The most recent IG report noted, for example, that an audit of FY 1994 loan liquidations found the SBA should have recovered more than $28 million more in loan liquidations than it did.[20] In another audit, the IG found that the SBA made 260 errors in manually processed payments that resulted in $96,000 in inappropriate payments.[21] Given SBA's poor showing in 1998, the House has voted to reduce its budget by 1.4 percent.

This year, Congress implemented some sorely needed oversight of SBA lending programs. In early 1997, the SBA informed Congress that it was subject to a funding shortfall for its 7(a) lending program. After House Small Business Committee Chairman James Talent (R–MO) asked GAO to look into SBA's credit subsidy model, SBA told the committee that it could fund the 7(a) program for the balance of the year. Soon thereafter, the GAO reported to the House Small Business Committee that SBA had "uncovered an error in the calculation of

14. U.S. Small Business Administration, "SBA's Five Year-Strategic Plan, FY 1998-FY 2002," September 30, 1997, p. 1.

15. U.S. General Accounting Office, *Results Act: Observations on Small Business Administration's Strategic Plan, July 11, 1997*, GAO/RCED-97-205R, p. 4.

16. *Ibid.*, p. 12.

17. Gareth Davis, "Small Business Administration," in Scott A. Hodge, ed., *Balancing America's Budget: Ending the Era of Big Government* (Washington, D.C.: The Heritage Foundation, 1997), p. 201.

18. Maurice McTigue, Distinguished Fellow, George Mason University, speech before the American Legislative Exchange Council, August 20, 1998.

19. U.S. Small Business Administration, Office of Inspector General, Semiannual Report of the Inspector General, October 1, 1997–March 31, 1998, p. 62.

20. *Ibid.*, p. 11.

21. *Ibid.*, p. 12.

the subsidy rate for the 7(a) program resulting in an underestimation of resources by some $2.5 billion."[22]

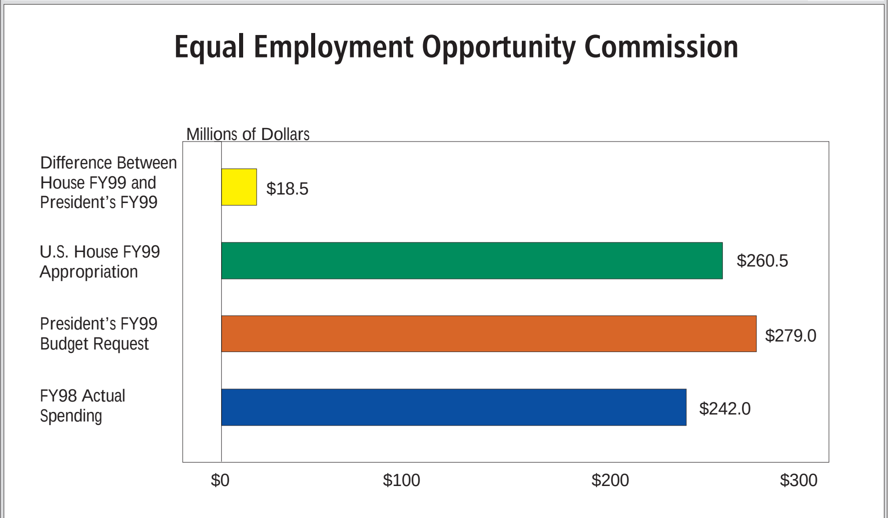
Equal Employment Opportunity Commission (EEOC)

An Administration Objection: "The Administration strongly urges the House to fully fund the President's request of $279 million for the Equal Employment Opportunity Commission (EEOC), $18.5 million above the Committee mark. The additional resources are essential to reduce the pending backlog of complaints…."[23]

Fact: The EEOC currently has more than 3,000 employees and is funded at more than $242 million for FY 1998. The debate on EEOC is just over how much to increase its budget—by 15 percent ($37 million) as the President wants or by 7 percent ($18.5 million) as the House has voted to do. The EEOC is responsible for upholding the nation's civil rights laws, including the Age Discrimination in Employment Act, the Civil Rights Act of 1991, and the Americans with Disabilities Act. In his book, *The Excuse Factory: How Employment Law Is Paralyzing The Workplace*, Walter Olson of the Manhattan Institute cites a number of examples of EEOC's abuse of power:

- "Document demands in cases initiated by single employees often costs hundreds of thousands of dollars. 'It was devastating,' said the president of one small company about subpoenas for decades' worth of personnel documents in an age bias complaint (filed even though the average age of his employees was over 50)."[24]
- "In the EEOC's famous failed twelve year lawsuit against Sears, Roebuck, the retailer spent an estimated $20 million and at one point employed 250 full-time workers merely to respond to document demands."[25]

Chart 2.3 B 1224



Source: U.S. House of Representatives, Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-636.

- "After an employee at a Diners' Club Denver credit card facility complained of the company's failure to promote her, the EEOC demanded the names of all employees promoted over the past eight years, all managers who ruled on promotions, and everyone who had so much as recommended that anyone be promoted—by this point the original complainant had settled her case; the commission was simply surging forward on its own momentum."[26]

22. U.S. House of Representatives, Small Business Reauthorization and Amendments Act of 1997, House Report No. 105-246, p. 23.
23. H.R. 4276, p. 2. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*
24. Walter Olson, *The Excuse Factory: How Employment Law Is Paralyzing the Workplace* (New York: Free Press, 1997), p. 226.
25. *Ibid*.

- In 1990, with the Justice Department's encouragement, Exxon established a policy barring employees with histories of drug or alcohol abuse from 1,500 safety-sensitive jobs. The EEOC is now suing Exxon for discrimination under the Americans with Disabilities Act.[27]

Clearly, the EEOC's ability to reduce its pending backlog of complaints would be greatly enhanced if it concentrated existing resources on handling serious cases of abuse rather than on extending its reach or filing frivolous complaints.

U.S. Department of Commerce[28]

In FY 1998, Congress gave the Department of Commerce a 10 percent budget increase over FY 1997, raising its budget to $4.2 billion and its staff level to include 35,000 full-time employees. In return, the Department submitted to Congress a five-year strategic plan under the Results Act that ranked dead last among 24 agency plans graded by Congress. Its annual performance plan ranked 18th out of 24 plans graded.[29] Yet, in FY 1999, the Commerce Department and the President are asking Congress to reward the Department's dismal performance with a 16.7 percent budget hike.[30]

In 1992, GAO reported that, according to its own inspector general, the Commerce Department had evolved into "a loose collection of more than 100 programs delivering services to about 1,000 customer bases."[31] Six years later, nothing has changed. Indeed, a 1997 GAO report to Congress pointed out that the Department shares "responsibility for major budget functions with 14 other departments and agencies."[32]

Commerce's unacceptable strategic plan and successive negative reports from GAO and its own Office of Inspector General suggest that continuing to fund this agency will waste more taxpayer money. The IG's semiannual report for the period ending March 31, 1998, notes that at least $55 million in Commerce funds "could be put to better use." The IG questioned more than $12 million in spending and uncovered over $2.5 million in unsupported costs.[33]

Decennial Census

An Administration Objection: "It is critical that the Congress provide full-year funding for the Decennial Census without any restrictions on

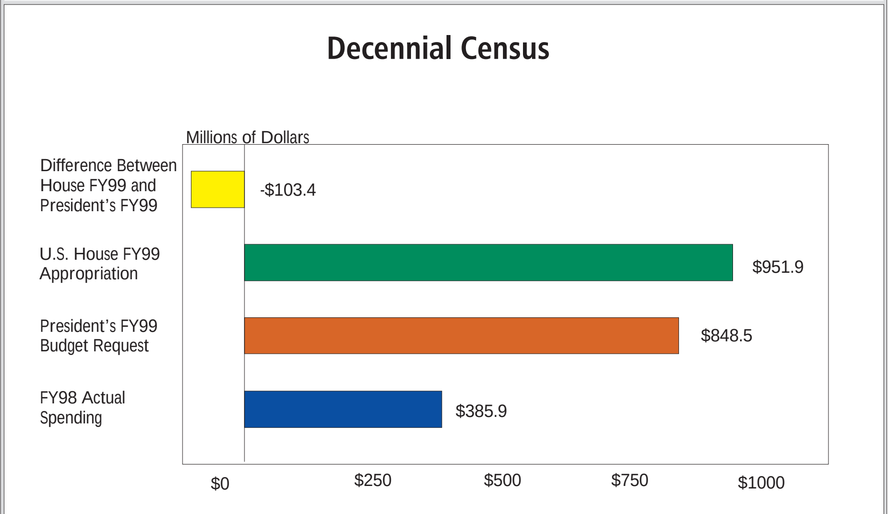
26. *Ibid.*, p. 225.
27. Jonathan Rauch, "Tunnel Vision," *The National Journal*, September 19, 1998.
28. For more information, see Angela Antonelli, "Five Good Reasons to Close Down the Department of Commerce," Heritage Foundation *Backgrounder* No. 1181, May 20, 1998.
29. Draft and final plans were graded by congressional staff teams representing the House committees of jurisdiction, as well as the Appropriations and Budget committees. Minority staff were invited and participated in many grading sessions. Senate committee staff also participated. See *http://freedom.house.gov/results/finalreport*. The final and interim grades for agency strategic plans can be found at *http://freedomhouse.gov/results/images/strategic*.
30. See U.S. Department of Commerce, Budget in Brief, Fiscal Year 1999, p. 2, available at *www.doc.gov/BMI/budget/bib98htm/tocpg.htm*.
31. U.S. General Accounting Office, Transition Series, *Commerce Issues*, GAO/OGC-93-12TR, December 1992, p. 7.
32. U.S. General Accounting Office, *Results Act: Observations on Commerce's June 1997 Draft Strategic Plan*, GAO/GGD-97-152R, July 14, 1997, p. 7.
33. U.S. Department of Commerce, Office of the Inspector General, Semiannual Report, October 1, 1997–March 31, 1998, pp. 83–84.

the use of statistical sampling."[34]

Fact: The threat of a presidential veto over census sampling is directly at odds with a recent federal court decision. On August 24, 1998, the federal court unanimously struck down the President's proposal to use sampling in the 2000 census. The three-judge panel ruled that using sampling "to determine the population for purposes of apportioning representatives in Congress among the states violates the Census Act."[35] On September 10, 1998, the U.S. Supreme Court agreed to resolve the dispute. Its decision is not expected until spring 1999. The Census Bureau has indicated that it needs a decision by March 1999 or it will be too late to implement sampling accurately in the next census.

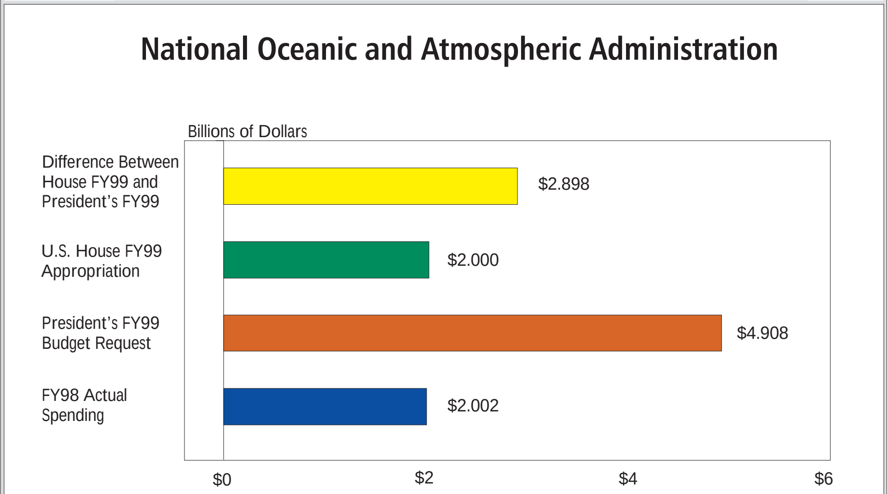
The "actual Enumeration" required by the U.S. Constitution, not statistical sampling, is the basis for apportioning representation in Congress among the states.[36] Sampling would make a hard distributive count of the U.S. population impossible. If sampling does a better job of locating missing households in one state than in another, the distribution of House seats and federal spending could be made less fair. More important, the opportunity for partisan manipulation of the numbers will become a political reality.

Chart 2.4 B 1224



Source: U.S. House of Representatives, Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-636.

Chart 2.5 B 1224



Note: President's request includes $2.8 billion in advanced appropriations.
Source: U.S. House of Representatives, Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-636.

National Oceanic and Atmospheric Administration (NOAA)

An Administration Objection: "The Administration objects to inadequate funding for Administration priorities within the National Oceanic and Atmospheric Administration (NOAA), including: the Clean Water Initiative to protect coastal communities; the GLOBE pro-

34. H.R. 4276, p. 2. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

35. Barbara Vobejda, "Judges Reject Census Sampling; Court Backs GOP, Blocks Clinton Plan," *The Washington Post*, August 25, 1998, p. A1.

36. Article I, Section 2.

gram…and activities to implement the Endangered Species Act and Magnuson-Stevens Act. Reductions to the Climate and Global Change Program would slow research…. In addition, by not fully funding the request for the National Weather Service, the Committee threatens vital services."[37]

Fact: NOAA currently has more than 11,000 employees and has a budget of more than $2 billion in FY 1998. In FY 1999, NOAA is ready and willing to undertake duplicative, new, and wasteful ventures to justify its continued existence, and with the Administration's planning and blessing. The President has asked for advanced appropriations of $2.8 billion—doubling NOAA's appropriations for FY 1999—"for procurement, acquisition, and construction" for fiscal years 2000 through 2011. Most of this money is targeted for the modernization of weather services. However, such a rush to appropriate funds should consider the following:

- The IG reported that in March 1998, the Secretary of Commerce certified to Congress that the Advanced Weather Interactive Processing System (AWIPS) would be completed within the $550 million cap before FY 1998 funds would be spent. According to the IG, "the program was to deliver all of the capabilities needed to replace existing, outdated information processing systems and reducing staffing at NWS field offices to target levels. Because of cost and schedule overruns, however, the advanced forecast preparation capabilities cannot be delivered within the [budget] cap, resulting in a smaller-than-planned reduction in staffing."[38] The GAO has included the Weather Service modernization efforts in its list of high-risk government programs.[39]
- The IG "identified several opportunities for the NMFS (National Marine Fisheries Service) to streamline its field structure that could result in savings of approximately $6 million over two years…. [P]rojected savings over five years would be more than $25 million."[40]
- The IG also revealed that NOAA's weather service is guilty of wasting existing resources. The IG's report for the period ending September 30, 1997, cited $79.3 million in financial mismanagement regarding excess funding for weather satellites.[41]

NOAA is a prime candidate for being taken out of the hands of Washington.[42] So it is not surprising to find that NOAA, in its Results Act strategic plan, is interested in addressing "societal questions that the U.S. and world face in air quality, ozone depletion, greenhouse warming, and climate change," and aims "to provide both the science needed for policy decisions and the information on emerging scientific issues that have policy relevance."[43] The Administration requests new funding for NOAA to set out on this mission, which duplicates similar activities underway at the Environmental Protection Agency, the Departments of the Interior and Energy, and dozens of other

37. H.R. 4276, p. 1.
38. U.S. Department of Commerce, Office of the Inspector General, Semiannual Report to Congress, March 31, 1998, p. 6.
39. U.S. General Accounting Office, *National Weather Service, Budget Events and Continuing Risks of Systems Modernization*, Testimony, March 4, 1998, GAO/T-AIMD-98-97, p. 4.
40. U.S. Department of Commerce, Office of the Inspector General, Semiannual Report to Congress, March 31, 1998, p. 39.
41. U.S. Department of Commerce, Office of the Inspector General, Semiannual Report to Congress, September 30, 1997, p. 35.
42. See Scott A. Hodge, "NOAA: Non-Weather Service Programs," in Hodge, ed., *Balancing America's Budget*, pp. 154–156.
43. U.S. Department of Commerce, Strategic Plan for 1997–2002, September 1997, p. 115.

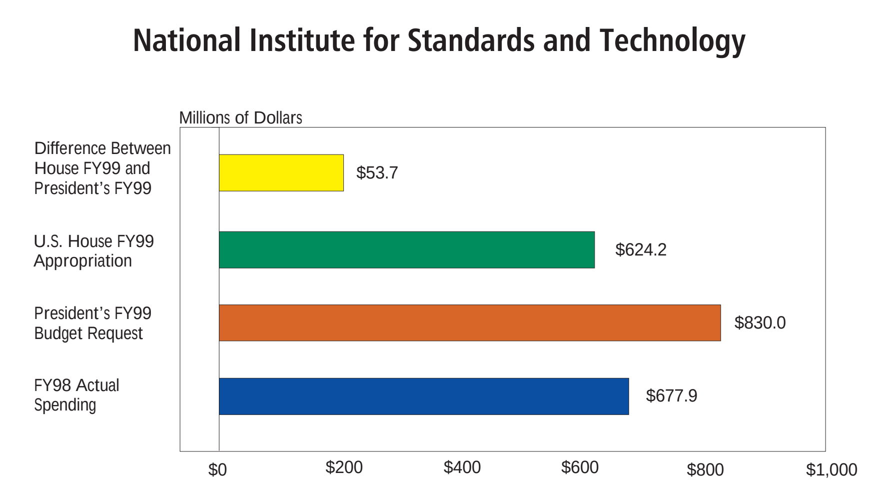
agencies and programs. More specifically, the implementation of the Endangered Species Act is largely the responsibility of the Department of the Interior; there are currently more than 100 federal water programs that cut across 9 agencies;[44] and there are 17 federal agencies with more than 140 performance measures tied to climate change–related activities.[45]

National Institute for Standards and Technology (NIST)

An Administration Objection: "The Administration is concerned that the Committee's exclusion of the requested advanced appropriation for the Advanced Measurement Laboratory would increase costs and delay completion by at least a year. We are also very disappointed by the reductions in the Advanced Technology Program…. [T]he allowance would support only $43 million in new awards…. *Any amendment to either eliminate ATP funding or eliminate funding for new awards would be unacceptable*."[46]

Facts: NIST is currently funded at $678 million in FY 1998; the President wants to increase spending by $152.2 million in FY 1999. The difference between the President's request and what the House wants to fund largely reflects the lack of willingness on the part of the House to fund advanced appropriations of $115 million for the construction of research facilities. Congress's hesitation is not surprising. According to the Commerce Department's IG, NIST's Capital Improvements Facilities Plan to renovate buildings in Gaithersburg, Maryland, includes nearly $220 million in expenses that have not been adequately justified.[47] Moreover, the President also defends corporate wel-

Chart 2.6 B 1224



Source: U.S. House of Representatives, Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-636.

fare programs that benefit a few powerful special interests. For example, the Advanced Technology Program (ATP) already spends $200 million per year funding commercial research and development (R&D) projects. Many of the largest beneficiaries of this spending, either as individual recipients or as partners in joint ventures, are some of America's largest corporations. According to an MSNBC study of data provided by the ATP, these corporations and their grants include IBM ($111,279,738) and General Motors ($82,134,245). An April 1998 GAO report revealed that 40 percent of the recipients received funding for projects that would have continued without funding, and many of those that did not receive funding financed their projects using only private funds.[48] The ATP

44. Alex Annett, "American Heritage Rivers Initiative," Heritage Foundation *Backgrounder*, forthcoming.

45. Congressional Institute, *146 Climate Change Performance Targets Set by the Federal Government, An Analysis of Agency Results Act Plans in the FY '99 Budget*, July 15, 1998.

46. H.R. 4276, p. 3 (emphasis added). Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

47. U.S. Department of Commerce, Office of the Inspector General, Semiannual Report to Congress, March 31, 1998, p. 12.

has long been a particular target for elimination by Members of Congress.

Statistical Initiatives[49]

An Administration Objection: "The Administration is concerned about inadequate funding for high priority statistical initiatives…."[50]

Fact: Despite spending more on statistics than almost any other country, the United States lags in the quality of statistics produced. In 1991, a major survey of professional statisticians found that of the world's ten major industrial economies, the U.S. ranked seventh in the quality of its statistics.[51]

The federal statistics system currently consists of 73 programs scattered throughout the 14 Cabinet departments and various independent agencies. The GAO estimates that these agencies received a total of $2.5 billion in FY 1996 to perform their statistical functions. The Office of Management and Budget (OMB) lists 11 agencies that form the core of the government's statistical infrastructure: the National Agricultural Statistical Service, Economic Research Service, Bureau of Economic Analysis, Bureau of the Census, National Center for Educational Statistics, Energy Information Administration, National Center for Health Statistics, Bureau of Justice Statistics, Bureau of Labor Statistics, Bureau of Transportation Statistics, and Internal Revenue Service Statistics of Income Division.[52]

The U.S. government's collection of social, economic, and scientific statistics is extremely decentralized. Duplication and a lack of coordination of effort have led both to higher costs and to the gathering of statistics that are less reliable or accessible than those that could be gathered under a coordinated system. Because there are at least 73 statistical agencies within the federal government, ad hoc programs have become monuments to obsolete priorities and empire-building policies. For example, 29 agencies currently are engaged in statistical activity within the Department of Health and Human Services, five are responsible for collecting legal and justice statistics, and at least six are responsible for collecting labor statistics. This duplication results both in massively increased overhead costs and in the production of contradictory and inconsistent data.

U.S. Department of Justice

An Administration Objection: The Administration is "disappointed" with a number of efforts to hold down spending levels for a series of Department of Justice programs related to juvenile justice, at-risk youth, and drug intervention.[53]

Fact: The Department of Justice currently has a budget of $17.8 billion in FY 1998. Its budget request for FY 1999 represents an increase of more than $747 million over FY 1998 funding, but the findings of recent GAO and IG reports indicate that this money may be wasted:

- In its FY 1997 audit financial statement, the department's IG concluded the Justice Department had more than $21.6 million that "could have been put to better use";

48. See Scott A. Hodge, "Memo to the President #3: Candidates for a Line-Item Veto in the Commerce, Justice, and State Appropriations Bill," Heritage Foundation *F.Y.I.* No. 153, September 30, 1997, p. 3.

49. See Mark Wilson and Gareth Davis, "Accuracy, Accountability, and Public Trust: Why Congress Must Reform the Federal Statistical System," Heritage Foundation *Backgrounder* No. 1138, September 16, 1997.

50. H.R. 4276, p. 3. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

51. Wilson and Davis, "Accuracy, Accountablity, and Public Trust," p. 17.

52. U.S. General Accounting Office, *Federal Statistics: Principal Statistical Agencies' Missions and Funding*, GAO/GGD–96–107, July 1996, and Office of Management and Budget, *Statistical Programs of the U.S. Government 1997*, published annually. This list is not exhaustive; it includes only agencies that spend a minimum of $500,000 per annum on statistical activities.

53. H.R. 4276, p. 3–5. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

more than $14.4 million in questioned costs; and more than $4.2 million in "unsupported" costs.[54]

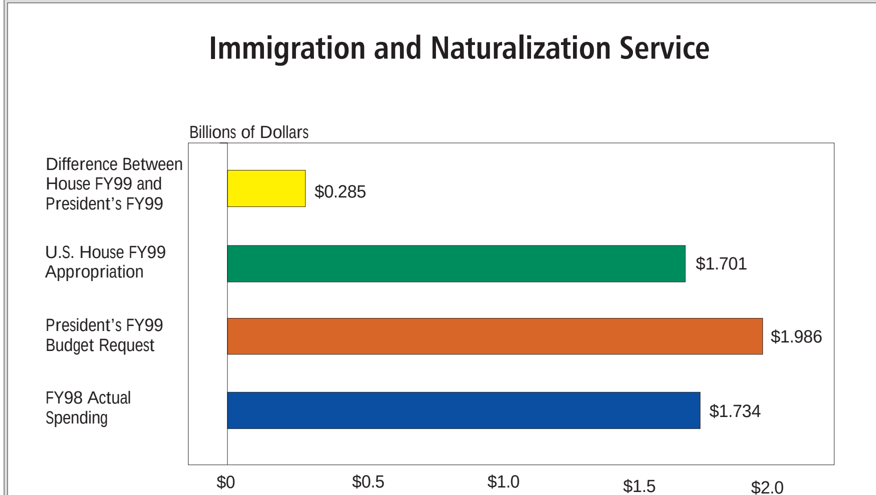
- The Bureau of Prisons, U.S. Marshals, and Immigration and Naturalization Service enter agreements with state and local jails to provide prison facilities and services for federal prisoners. The audits of six of these agreements resulted in $4,121,020 in questioned costs and $2,860,124 in funds that could be put to better use.[55]
- Many of the Department's drugs and at-risk youth programs duplicate other programs. Today, the more than $16 billion a year spent on fighting illegal drug use is scattered across 70 different departments and agencies.[56] And the At-Risk Children's Grant Program is duplicative of other programs that also are wasteful failures. For example, in the Community Oriented Policing Services program alone, more than 40 audits were conducted in just one six-month period, which concluded that $8.3 million of the costs are questionable and more than $10.8 million in funds "could be put to better use."[57]

The GAO's observations on the Department of Justice's annual Results Act performance plan for FY 1999 found that the plan did not fully describe how resources will produce expected results or provide confidence in the credibility of the agency's information.[58]

Immigration and Naturalization Service (INS)

An Administration Objection: "[T]he Committee's $2.567 billion mark, $156 million below the President's request, is insufficient to support a comprehensive, bipartisan border management and enforcement strategy…and [the President's request] includes $36 million more than the Committee's level for Border Patrol, detention, and office construction."[59]

Chart 2.7 B 1224



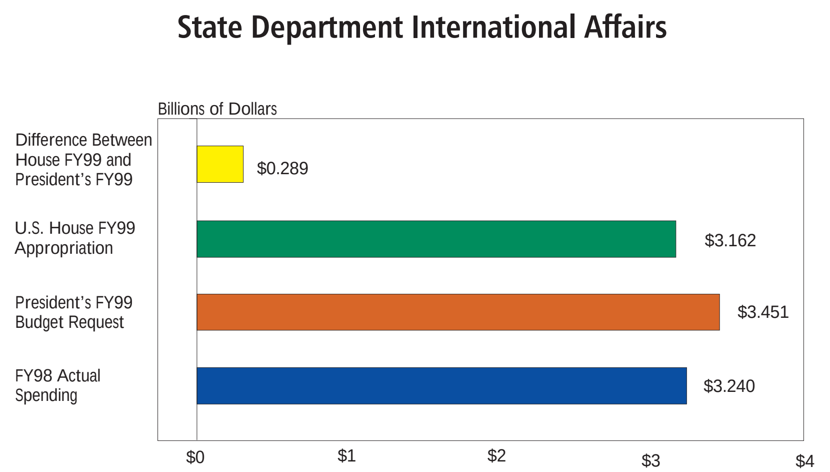
Note: Excludes Crime Trust Fund.
Source: U.S. House of Representatives, Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-636.

Fact: As the Department of Justice's IG notes, "The INS's mission is to administer and enforce the Nation's immigration laws. It determines the admissibility of persons seeking entry…patrols the border [and] inspects persons seeking entry…."[60] Considering the 10 percent increase in the President's FY 1999 budget request, the INS must have performed its job admirably. However, the facts speak differently.

54. U.S. Department of Justice, Office of the Inspector General, Semiannual Report to Congress, March 31, 1998, pp. A2–A6.
55. *Ibid.*, p. 24.
56. U.S. General Accounting Office, *Observations on Treasury's Draft Strategic Plan*, GAO/GGD-97-162R, p. 9.
57. U.S. Department of Justice, Office of the Inspector General, Semiannual Report to Congress, March 31, 1998, p. 21.
58. U.S. General Accounting Office, *Results Act: Observation on Justice's Performance Plan*, GAO/GGD-98-134R, p. 9.
59. H.R. 4276, p. 4. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

Results of the Department of Justice Management Division's audit and review of persons improperly granted citizenship in 1996 showed that 91 percent of the 1.05 million cases in which citizenship was granted contained at least one processing error; the average case contained 2.2 processing errors; 920,733 cases had insufficient documentation to support a proper decision; and 38,845 cases were presumptively ineligible to receive naturalization.[61]

Chart 2.8 B 1224



Note: International Affairs includes Diplomatic and Consular Programs, Security and Maintenance of Missions, and USIA.
Source: U.S. House of Representatives, Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-636.

U.S. Department of State

An Administration Objection: "[W]e are concerned about the Committee's reduction of $26 million for the Department's operating requirements.…"[62]

Fact: The State Department currently has 15,000 employees and a budget of $14 billion in fiscal year 1998. For FY 1999, the President has requested a 13 percent increase over its FY 1998 level, an increase of more than $693 million. The House has voted to give the Department a $320 million (8 percent) increase. These increases come even though, in a series of most recent audits between October 1997 and March 1998, the Department's IG uncovered $781,000 in questioned costs and $5,546,000 in funds that could be spent more efficiently.[63]

A review of the State Department's five-year strategic plan gives Congress reason to hesitate in giving this department more money. Most notably, according to the GAO, the Department's strategic and immediate plans for this funding increase are unclear. The GAO reported that the Department's annual performance plan "does not describe how its program activities are linked to its performance goals and objectives."[64]

The State Department's mission and goals appear to creep into areas that might not be considered appropriate activities for that department, yet demand more people and resources. For example, the Department's global and strategic interests include "secure a sustainable global environment in order to protect the United States and its citizens from the effects of international environmental degradation; and stabilize world population growth."[65] Its measures of success in these areas are not what it can do to improve the environment or help the populations of differ-

60. Department of Justice, Office of the Attorney General, FY 1999 Summary Performance Review, p. 13.

61. H.R. 4276, House Report 105-636, p. 10.

62. H.R. 4276, p. 5. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

63. U. S Department of State, Office of the Inspector General, Semiannual Report to Congress, March 31,1998, pp. 36–37.

64. U.S. General Accounting Office, *Results Act; Observations on the Department of State's Fiscal Year 1999 Annual Performance Plan*, GAO/NSIAD-98-210R, p. 3.

65. U.S. Department of State Strategic Plan, September 1997, p. 27.

ent nations. Instead, the measures are how much money goes into family planning to keep down the birth rates in other nations and the extent to which environmental treaties and protocols are ratified, regardless of whether or not such treaties actually produce any environmental benefits.

While the President contends the House refuses to give him the additional $300 million he seeks, Congress might ask the President why he is unable to establish funding priorities such that the critical functions he says will suffer—national security, maintenance of U.S. Missions, and nuclear nonproliferation work[66]—are given a higher priority within the State Department than some newly found missions, such as environmental protection, a responsibility already handled within a half dozen or more federal agencies.

Federal Communications Commission (FCC)

An Administration Objection: "The Administration is very concerned about the lack of funding for any of the requested increases for the Federal Communications Commission (FCC)…. [T]he Administration understands that an amendment may be offered that would prevent the Federal Communications Commission from enforcing collections for the e-rate program to connect schools and libraries to the Internet…."[67]

Fact: The Schools and Libraries Corporation (SLC), the newest bureaucracy and entitlement program in Washington, was created in May of 1997 by the Federal Communications Commission in an effort to ensure that America's classrooms and education institutions were "wired" for the Information Age. While no one in Congress or the general public is opposed to such a worthy goal, the creation of the SLC as a means to this end raises several concerns:

- The GAO noted that the SLC was unconstitutionally created by the FCC,[68] because it is illegal for unelected officials in a regulatory bureaucracy unilaterally to establish new institutions or corporations without congressional approval. Unfortunately, this legality did not stop the FCC from doing just that when it created the SLC last year.
- The administrative costs of the new bureaucracy are growing rapidly. In the fall of 1997, operating expenses of the SLC were approximately $1.9 million. One year later, operating expenses were $18.8 million. There are more than 450 people employed full-time for the SLC after just one year.[69]
- The SLC is being funded by a new hidden tax on consumer telephone bills, more commonly referred to as the "Gore tax," since Vice President Al Gore is largely responsible for building support for this effort. The FCC attempted to strong-arm telephone companies into hiding these taxes on ratepayer bills. Telephone companies have wisely resisted this pressure and itemize the costs associated with the SLC's new "Gore tax" as a line item on each bill.
- In July 1998, the GAO expressed concerns about procedures and program integrity that needed to be resolved before significant funds are committed by the SLC.[70]

The Administration has never been held accountable for a massive new tax-and-spend

66. H.R. 4276, pp. 5–6. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

67. H.R. 4276, p. 1. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP*, p. 7.

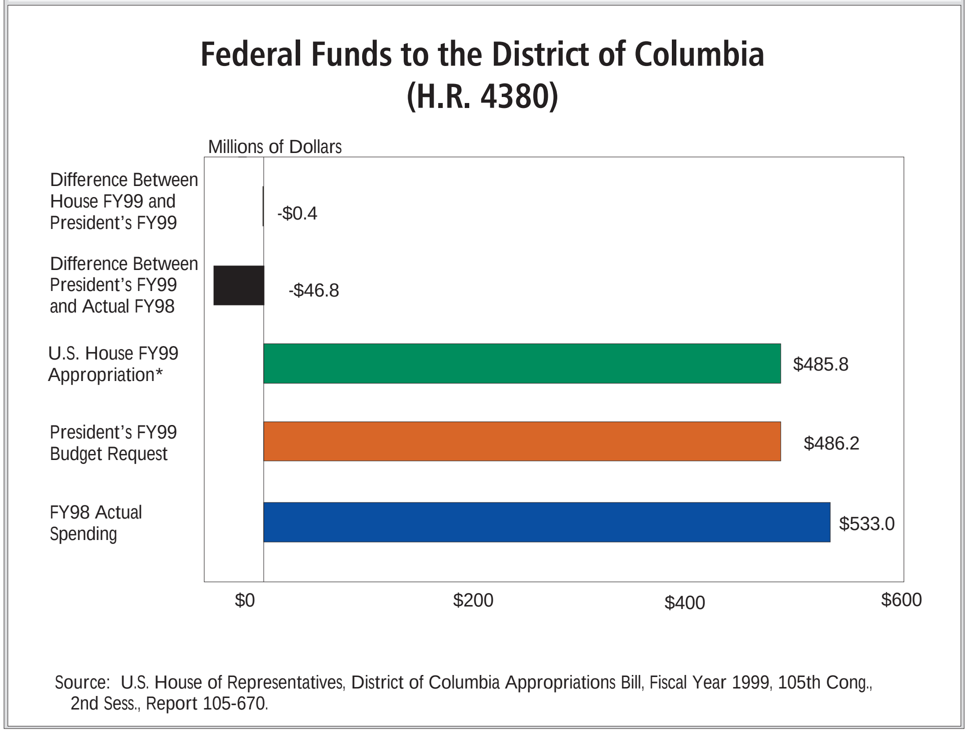
68. Letter to Senator Ted Stevens from Robert P. Murphy, General Counsel, United States General Accounting Office, B-278820, February 10, 1998.

69. U.S. General Accounting Office, *Schools and Libraries Corporation: Actions Needed to Strengthen Program Integrity Operations Before Committing Funds*, Testimony, July 16, 1998, GAO/T-RCED-98-243, p. 6.

70. *Ibid.*, p. 12.

program. According to the *Statistical Abstract of the United States*, in the 1984-1985 period, there was roughly one computer for every 63 school children. By the 1996-1997 period, there was one computer for every seven school children. This amazing spread of computer technologies to the classroom is the equivalent of a tenfold increase in the number of computers in the classroom over a 12-year period, or roughly a 1,000 percent increase from 1984 to 1996.

Chart 3 B 1224



Source: U.S. House of Representatives, District of Columbia Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-670.

The SLC represents yet another example of unnecessary federal intrusion into the realm of education, which traditionally has been the responsibility of state and local officials. Indeed, there is no reason to doubt that state and local policymakers are better suited to identifying technology problems at their schools and educational facilities and creating and administering programs to handle such parochial issues.

APPROPRIATIONS BILL H.R. 4380: THE DISTRICT OF COLUMBIA (D.C.)

What Would Get Caught in a Veto-Induced Government Shutdown: D.C. police; U.S. park police; education funding; public works and other general government services.

The following examples highlight some of the President's priorities.

An Administration Objection: "The Administration is deeply concerned about inadequate funding for the D.C. economic development initiative…."[71]

Fact: The President and Congress have a small disagreement on federal funding for the District of Columbia. The disagreement, however, is about how much to *decrease* funding for D.C. in FY 1999—$46.8 million or $47.2 million, a difference of only about $400,000. The President's stated objections to the appropriation funding clearly are less about money than about hot-button elements of the bill that would allow the use of private school vouchers, prohibit adoptions by couples that are not married or related by blood, and prohibit funding for needle exchange programs.[72]

A 1997 GAO report found that out of nine cities, the District of Columbia spends more per capita on its residents than any other.[73] The report also shows that the District has the highest per capita totals of revenues raised by city governments and direct federal funding.[74]

71. Executive Office of the President, Office of Management and Budget, Statement of Administration Policy, H.R. 4380—District of Columbia Appropriations Bill, FY 1999, August 6, 1998 (House), p. 1. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

In FY 1998, the District received almost $500 million in federal funding. Its poverty rate in 1989 was 16.9 percent compared with a national average of 12.8 percent; its unemployment rate in 1997 was 7.9 percent versus a national average of 4.9 percent; and its murder rate was still one of the nation's highest in 1996 at 73.1 per 100,000 people.[75] An interesting aspect of pleas for increased funding is that the District's population has decreased steadily since the 1950s; it lost approximately 46 percent of its population between 1950 to 1996.[76]

A 1997 *Washington Post* article stated that, "If the city spent the federal grants it receives each year, required competitive bids on contracts, immediately renegotiated dozens of expired leases and collected its taxes, records indicate the District government could have an additional $307 million to spend each year."[77] Poorly written contracts that are awarded without the bidding process cost the city approximately $30 million to $40 million per year. In fact, 59 percent of contracts in 1995 were awarded in the absence of competitive bidding.[78] The failure of the District government to sell its stock of unclaimed property results in an estimated $15 million loss. The city has $16.5 million in overdue water bills that have not been collected.[79]

In a recent study of education systems in 20 U.S. cities, the District of Columbia ranked first in spending per pupil in 1993 and 1994, with a level of $9,187 per student. This amount was more than the per capita funding of Los Angeles and New Orleans combined. The District also ranked second in class size. Only St. Louis had a lower teacher-to-pupil ratio in 1995.[80] However, reality does not reflect this fact. Of the 12 cities with available data, the District ranked last with a 20.9 percent high school dropout rate in 1993–1994.[81]

In a 1996 report issued by the D.C. Financial Control Board, it was noted that the "longer students stay in the District's public school system, the less likely they are to succeed."[82] Yet President Clinton vetoed the D.C. Student Opportunity Scholarship Act of 1998. The Act would have offered $3,200 vouchers to D.C. students for use in any school of their choice. The results of a May 1998 *Washington Post* poll of District residents contradicted Clinton's stance. This poll found that 65 percent of African-Americans with incomes under $50,000 favor the use of federal funds to send children to private or religious schools. In addition, overall support for the voucher program was 56 percent.[83]

72. *Ibid*.

73. U.S. General Accounting Office, *District of Columbia, Revenues Compared With Those of Selected Cities*, GAO/GGD-97-135R, June 26, 1997, p. 4.

74. *Ibid*., p. 7.

75. Ronald D. Utt, "What to Do About Cities," Heritage Foundation *Backgrounder* No. 1216, September 1, 1998, p. 3.

76. *Ibid*.

77. Michael Powell, "Poor Management, Federal Rule, Undermine Services," *The Washington Post*, July 20, 1997, p. A1.

78. *Ibid*.

79. *Ibid*.

80. Utt, "What to Do About Cities," p. 19.

81. *Ibid*.

82. *Children in Crisis: Foundation for the Future*, District of Columbia Financial Responsibility and Management Assistance Authority, November 1996.

APPROPRIATIONS BILL H.R. 4193: U.S. DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES

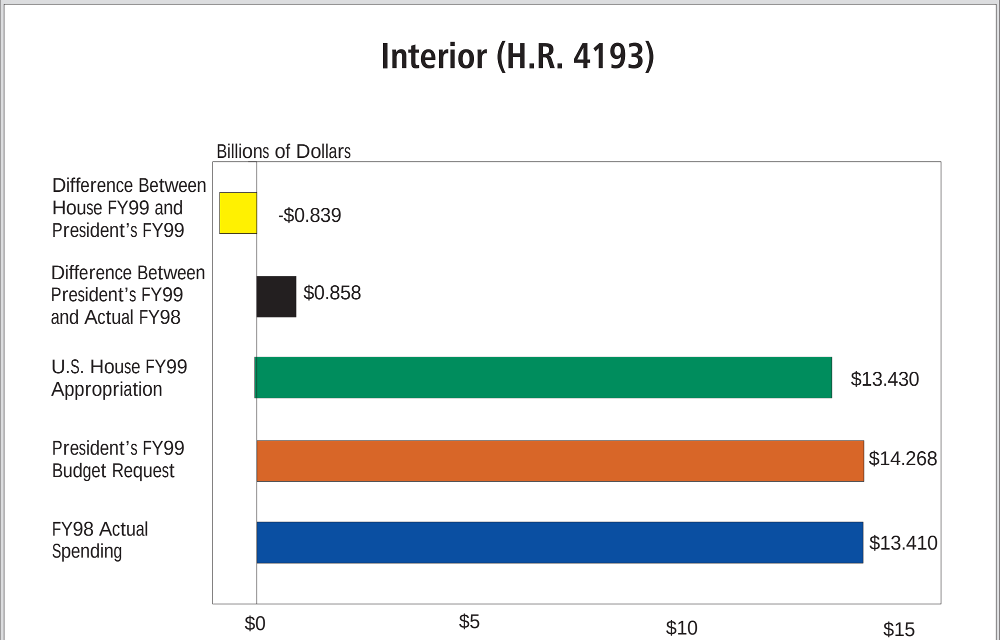
What Would Get Caught in a Veto-Induced Government Shutdown: All national parks and other land and resource management activities around the nation.

The following examples highlight some of the President's priorities.

Departments of Agriculture and Interior

An Administration Objection: "[R]educe by more than half the $270 million request for the Land and Water Conservation Fund…this drastic reduction in funding would prevent the Administration from making significant land acquisitions…deny most of the requested $128 million increase for Interior and Forest Service to implement the Clean Water Action Plan…fail to provide the requested $15 million for the Disaster Information Network…deny $29 million of the $36 million increase requested for the Endangered Species funding, including landowner incentive grants…make significant reductions to the Forest Service's Wildlife and Fisheries Management, Rangeland Management, and Watershed Improvement Programs…eliminate the Forest Service's Stewardship Incentive Program and significantly reduce its Forest Legacy Program."[84]

Chart 4 B 1224



Note: Excludes priority land aquisitions and exchanges.
Source: U.S. House of Representatives, Department of the Interior and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-609.

U.S. Department of Agriculture (USDA)

Fact: In financial terms, the USDA is one of the biggest and most troubled of the federal agencies, with responsibilities that range from nutrition programs for women and children to forestry and soil and water conservation programs. In FY 1998, it has 109,000 employees and an annual budget of more than $80 billion,[85] yet the agency's inspector general was unable to express an opinion on its financial statements for the year because of system-wide weaknesses in the Department's financial

83. Sari Horwitz, "Poll Finds Backing for D.C. School Vouchers: Blacks Support Idea More Than Whites," *The Washington Post*, May 24, 1998, pp. F1, F7.

84. Executive Office of the President, Office of Management and Budget, Statement of Administration Policy, H.R. 4193—The Department of Interior and Related Agencies Appropriations Bill, FY 1999, July 21, 1998, p. 1. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

85. USDA's budget is available at *http://www.usda.gov/agency/obpa*.

accounting system. Among the problems that have been cited by the IG for the first half of 1998:

- Management officials agreed to recover $27.4 million and to put an additional $84.5 million to better use based on 112 audits and evaluation reports between October 1, 1997, and March 31, 1998. In addition, IG investigations produced about $38.3 million in "recoveries, fines, restitutions, administrative penalties, claims established and cost avoidance."[86]
- Almost seven years after passage of the National Forest Foundation Act and over $4.1 million in federal funds, private financial support for the foundation declined and reliance on funding from the FS (Forest Service) for administrative costs increased.[87]
- A "payroll and personnel system…that processed 2,288 'special salary payments,' totaling nearly $1.2 million during 1996, did not have sufficient controls to preclude or detect errors and irregularities."[88]
- "Conservation Reserve Program (CRP) producers receive annual payments from the FSA [Farm Services Agency] to take highly erodible cropland out of production…. [W]e identified approximately 2,900 offers nationwide with annual rental payments totaling about $13 million that were at risk of incorrect acceptance in CRP."[89]

U.S. Department of the Interior

The Department of the Interior currently has more than 67,000 employees and a budget of more than $10 billion in FY 1998.[90] The effect of the Department's strategic and annual performance plan submissions to Congress—such as its 3,500-page annual performance plan—is to ensure that the public has no way of determining whether the Administration's demands for additional resources are needed. In its review of the Department's annual performance plan for FY 1999, the GAO states: "Interior's plan does not provide a clear picture of intended performance across the agency, it is not clear about how the agency's strategies and resources will help it achieve the plan's performance goals, and provides limited confidence that the information the agency will use to assess performance will be accurate, complete and credible."[91]

The President's demand for additional resources is made without any acknowledgment of the current levels of waste within the Department's programs.[92] For example, the Department's own inspector general questions more than $17.7 million in costs and has determined that more than $19 million of funds could be put to better use.[93] A review of some of Interior's programs that were highlighted by the President strongly suggests that congressional efforts to hold down—rather than increase—spending and demand accountability for federal tax dollars are reasonable.

86. Department of Agriculture, Office of the Inspector General, Semiannual Report to Congress, FY 1998—First Half, No. 39, March 31, 1998, p.1.

87. *Ibid.*, p. 4.

88. *Ibid.*, p. 4.

89. *Ibid.*, p. 13.

90. Interior's budget is available at *http://www.doi.gov/budget/1999*.

91. U.S. General Accounting Office, *Results Act: Department of the Interior's Annual Performance Plan for Fiscal Year 1999*, GAO/RCED-98-206R, May 28, 1998, p. 7.

92. For example, monetary impact of audit activities from October 1, 1997, to March 31, 1998. *Ibid.*, p. 47.

93. U.S. Department of the Interior, Office of the Inspector General, Semiannual Report to Congress, March 31, 1998, p. iv.

Water Quality. Estimates indicate that taxpayers and the private sector have spent over $500 billion on water pollution control since the enactment of the Federal Water Pollution Control Act of 1972. A June 1996 GAO report counted more than 72 federal programs that support water quality protection either directly or indirectly.[94] According to the GAO, at least $4.6 billion and 10,680 full-time equivalent employees were dedicated to these assistance efforts, cutting across departments and agencies.[95] Despite this expenditure, there is still no adequate national database of water quality to evaluate the overall impact of the investment. Absent such information, it will remain difficult for Congress and the public to assess the claims of the Administration of a need for such things as its Clean Water Action Plan.

The Administration has proposed its new American Heritage Rivers Initiative to provide resources to local communities to protect their rivers. However, a new Heritage Foundation study shows that there are more than 100 programs across nine different federal agencies that already are tasked with protecting the nation's rivers.[96]

Endangered Species. The intent of the 1973 Endangered Species Act was to conserve and protect species threatened with extinction. Species would be taken off the list when they recovered. Over the past 25 years, the Department of the Interior spent billions of dollars in the name of saving such species. What has this money accomplished? Since Congress passed the Endangered Species Act, 1,139 animals and plants have been listed as endangered or threatened; almost all activity under the ESA to date has been to list species rather than help them recover. But of those, only 60 have been delisted or removed. A more careful examination of the facts, however, shows that of the 60 species delisted, 12 are extinct, 24 had been listed due to erroneous data, 9 exist solely on federal lands and therefore are federally protected without the ESA, 3 were decimated by the pesticide DDT but recovered after the DDT ban in 1972, and the remaining 12 are conserved by state agencies or private organizations.[97] Although Congress has tried to reform the ESA this year, the President has chosen to increase funding significantly—by a requested 50 percent—for an ineffective program rather than work with Congress to reform it.

Indian Affairs. The track record of the Bureau of Indian Affairs (BIA) in managing tribal accounts has been less than exemplary.[98] In FY 1998, BIA was funded at more than $1.7 billion. Numerous studies by the GAO and the Interior Department's IG found many BIA programs to be both deeply flawed and inefficient. In 1974, Congress passed the Indian Self-Determination Act, which authorizes tribal governments to operate federal programs under contract, grants, or compact agreements. Tribes assume the responsibility for the delivery of services. In FY 1995, over $1 billion, or 45.5 percent of BIA appropriations, was allocated in self-determination contracts or grants to tribes. The President objects to House language placing a one-year moratorium on new or expanded self-determination and self-governance compacts.[99] What is not

94. U.S. General Accounting Office, *Water Quality: A Catalog of Related Federal Programs*, GAO/RCED-96-173, June 1996, p. 1.

95. *Ibid.*

96. Annett, "American Heritage Rivers Initiative."

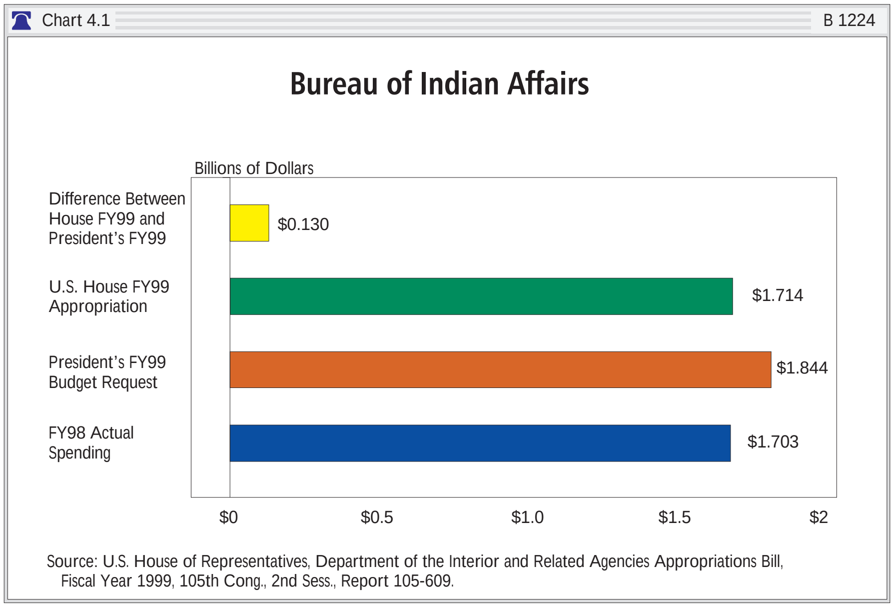
97. Sterling Burnett and Byron Allen, "The Endangered Species Act: First Step Toward Fixing a Costly Failure," *Brief Analysis* No. 276, National Center for Policy Analysis, August 6, 1998, p. 1.

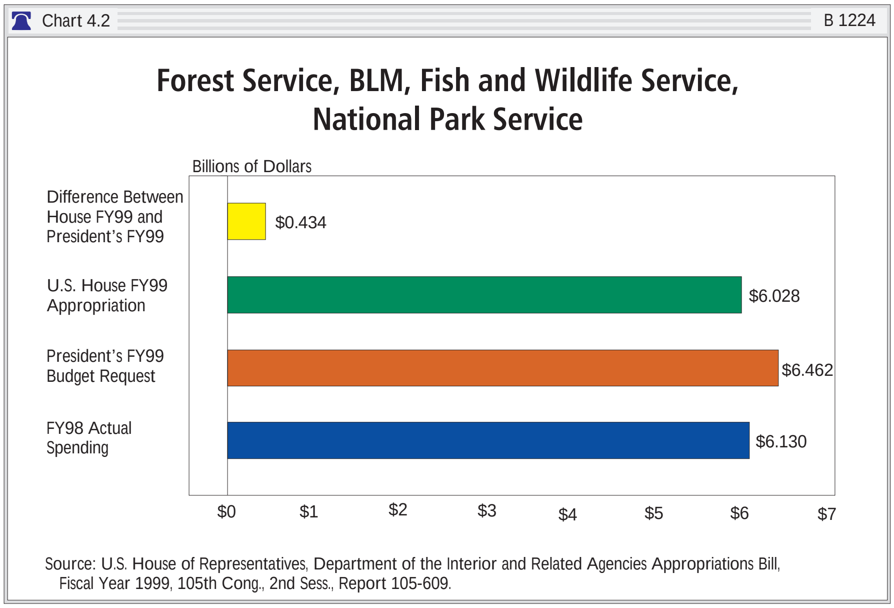
98. For a more detailed discussion, see Carrie Gavora, "Bureau of Indian Affairs," in Hodge, ed., *Balancing America's Budget*, pp. 234–235.

99. U.S. House of Representatives, Department of the Interior and Related Agencies Appropriations Bill, 1999, 105th Cong., 2nd Sess., Report 105-609, p. 58.

mentioned is the reason for doing so. The House explains this is needed to force Interior to get its contract support costs under control so that other tribal programs would not be adversely affected.[100]

Federal Land and Resource Management.[101] The Administration has a number of objections to congressional actions related to federal land and resource management, including the Columbia Basin Ecomanagement System; some acreage in Florida; an easement in Chugach National Forest in Alaska; and the transfer of authority over land from one federal agency to another.[102] The federal government currently owns roughly 700 million acres of land throughout the United States. In the West, the federal government owns as much as 60 percent of the land. Federal lands are generally maintained by four federal agencies: Interior's Bureau of Land Management (BLM), Fish and Wildlife Service (FWS), and National Park Service (NPS), and the Department of Agriculture's U.S. Forest Service (USFS). Together, these four agencies have budgets for FY 1998 of about $6 billion. The GAO recently noted, "Our work over time has shown that the responsibilities of these four agencies have become similar over time."[103]





Unfortunately, federal stewardship of public lands has been both poor and inefficient, and each of these agencies has been subject to criticism from the GAO and others. For example, in 1993, Interior's IG concluded that the Fish and Wildlife Service was supporting private

100. *Ibid.*

101. Adam D. Thierer and Scott A. Hodge, "Federal Land and Resource Management," in Hodge, ed., *Balancing America's Budget*, p. 130.

102. H.R. 4193, p. 1. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

103. U.S. General Accounting Office, *Results Act: Department of Interior's Annual Performance Plan for Fiscal Year 1999*, p. 12.

environmental groups illegally by purchasing land from them at greatly inflated prices.[104] And in 1995, the GAO noted that the Forest Service does not even have the ability to monitor the soundness of its financial information systems.[105]

In a May 1998 report, the GAO told Congress that the Park Service's maintenance backlog has increased over the past ten years from $1.9 billion in 1987 to $6.1 billion in 1997. But, as GAO also notes, much of this backlog is for construction projects, such as housing. The Interior IG reported that NPS employee housing programs were not run in a cost-effective manner: "On a per house basis, the average costs of the single-family homes were $390,000 at Grand Canyon and $584,000 at Yosemite National Park. In contrast, single-family housing costs in the private sector ranged from an estimated $102,000 to $250,000 near Yosemite National Park and from an estimated $115,000 to $232,000 near Grand Canyon National Park."[106]

Even worse, the National Park Service, with all the money it has received over the years, still has no system in place for determining its maintenance backlog. GAO estimates for the cost of the backlog in 1997 had to be based on 1993 information collected by the NPS.[107] In addition, budget estimates frequently are based on data more than four years old, and the GAO found that differences in estimates range between $3 million and $21 million for specific projects because of faulty information on maintenance needs.[108] Nevertheless, the President appears ready to shut down national parks (however inefficiently managed) over an additional $97 million (6 percent) in funding versus the House's efforts to hold down the National Park Service's budget for poor performance by cutting a mere 3 percent.

U.S. Department of Energy (DOE)[109]

An Administration Objection: "The Administration strongly objects to the House's severe reduction to the Department of Energy's Energy Conservation Program…. [T]hese cuts would eliminate all of the Administration's requested increase in Energy Conservation…[and] eliminate all of the funding for the Energy Information Administration."[110]

Fact: Given the Energy Department's poor performance record, Congress increased its budget by only $13 million (from $16,547,147,000 to $16,560,608,000) between FY 1997 and FY 1998, holding its total budget to about $16.5 billion.[111]

The available evidence—including DOE's poorly graded strategic and performance plans under the Results Act, as well as relevant GAO and IG reports—clearly indicates that Congress has been on the right track in holding down DOE's budget. Recent reports suggest that DOE has done little to improve its prob-

104. Thierer and Hodge, "Federal Land and Resource Management," p. 132.

105. *Ibid*.

106. U.S. Department of the Interior, Office of the Inspector General, Semiannual Report, April 1997, p. 21. See also U.S. General Accounting Office, *National Park Service: Efforts to Identify and Manage the Maintenance Backlog*, Letter Report, GAO/RCED-98-143, May 14, 1998, p. 10.

107. *Ibid.*, p. 7.

108. *Ibid.*, p. 8.

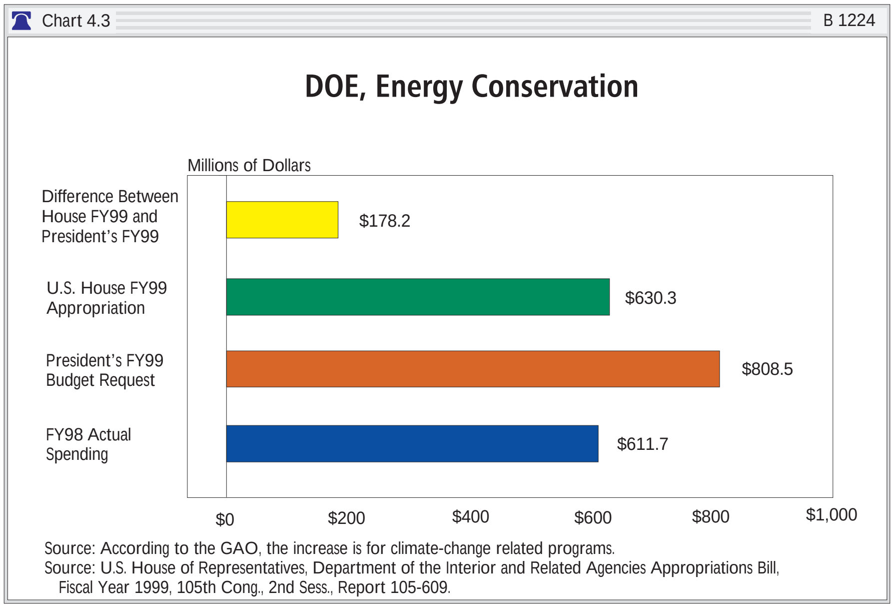
109. See Angela Antonelli, "The Results Act Hands Congress Five Good Reasons to Close the Department of Energy," Heritage Foundation *Backgrounder* No. 1191, June 16, 1998.

110. H.R. 4193, pp. 3–4. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP*.

111. U.S. Department of Energy, Office of the Chief Financial Officer, *FY 1999 Congressional Budget Request, Science, Technology & Energy for the Future, Budget Highlights and Performance Plan*, February 1998, p. 13.

lems and that Congress would only be wasting more tax dollars by continuing to fund the agency.

For the period between October 1, 1997, and March 31, 1998, DOE's inspector general reported conducting more than 47 audit and inspection reports, recommended that more than $356 million in funds be put to better use, and reported on management's commitment to take corrective actions affecting more than $289 million.[112] An example of the most recent IG report's findings: Audits of five procurement offices resulted in findings that the Department "had not received final deliverables on 718 inactive grants valued at $232 million."[113] The IG found that this occurred because the Department "did not effectively implement existing procedures or establish other monitoring procedures that ensured grantees fulfilled their grant obligations."[114]



In 1995, GAO official Victor Rezendes warned that "DOE suffers from significant management problems, ranging from poor environmental management of the nuclear weapons complex to major internal inefficiencies rooted in poor oversight of contractors, inadequate information systems, and work force weaknesses."[115] These management problems and the inefficiencies that flow from them are primarily a result of DOE's continual efforts to realign itself and justify its own existence. Although the Department has reorganized many times over the years to correct these deficiencies, its efforts have failed. DOE's Results Act strategic and annual performance plans have not demonstrated any improvements that would allay these fundamental concerns.

Energy Conservation and Research. The President is proposing a 32 percent increase (from $611 million to $808.5 million in FY 1999) for energy conservation and research targeted toward improving energy efficiency in various sectors of the economy, such as transportation, industry, private and public buildings, and utilities. The House approved a more modest increase of $18 million (3 percent).

Remarkably, despite evidence that many DOE energy R&D programs have failed to produce appreciable results,[116] the Administration wants Congress to appropriate even more money for such efforts, especially its Climate

112.U.S. Department of Energy, Office of the Inspector General, Semiannual Report to Congress, October 1, 1997–March 31, 1998, p. 1.

113.*Ibid.*, p. 13.

114.*Ibid.*, p. 1.

115.Victor S. Rezendes, *Department of Energy: Need to Reevaluate Its Role and Missions*, Statement before the Subcommittee on Energy and Water, Committee on Appropriations, U.S. House of Representatives, 104th Cong., 1st Sess., January 18, 1995.

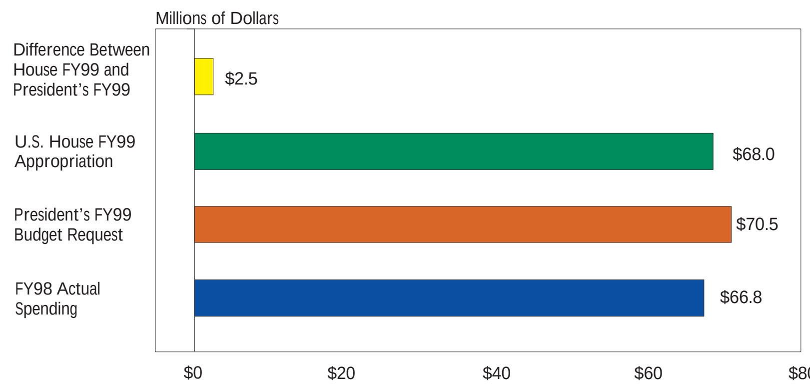
Change Technology Initiative. According to the GAO, DOE is seeking to increase its energy R&D budget from $729 million in FY 1998 to $1.06 billion in FY 1999. The $331 million increase would go to climate change-related programs (although the Administration contends that it is not to implement the unratified Kyoto Protocol)—in addition to the $729 million from FY 1998 that is being "recoded as CCTI"[117] and that would "support and expand existing R&D programs in energy efficiency and renewable energy as well as other programs related to climate change."[118]

The GAO has reported that as federal funding for energy R&D increases, industry support decreases.[119] Industry will invest in technologies for which it sees a market and a benefit. DOE's track record demonstrates that it is far less likely than the private sector to invest in winning new technologies. Furthermore, the federal government, after decades of failure, is clearly less capable of picking technology winners than industry has been. If Congress asked these basic questions about DOE's energy R&D programs, it most likely would conclude that many are unnecessary and wasteful, and that they duplicate other programs.

Energy Information Administration (EIA). The EIA is a quasi-independent agency within the Energy Department that collects and disseminates data on petroleum, natural gas, coal, nuclear power, electricity, alternate fuel sources, and energy consumption. EIA's FY 1998 budget is $66.8 million, and the Administration is requesting a 5.5 percent increase for FY 1999, which would bring the agency's budget to $70.5 million. All of the activities and functions performed by the EIA are also carried out by private firms, newsletters, trade magazines, and industry associations. The utility-funded Edison Electric Institute, for example, publishes its own statistical yearbook of the electric utility industry, and many of its statistics originate with the EIA. Based on the marketability of the information it provides, the EIA should be privatized and all federal funding eliminated.

Chart 4.4 B 1224

DOE, Energy Information Administration



Source: U.S. House of Representatives, Department of the Interior and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-609.

116. For evidence of DOE's failure to produce appreciable results from its R&D programs, see Robert Bradley, Jr., "Renewable Energy Not Cheap, Not Green," Cato Institute *Policy Analysis*, Executive Summary, August 27, 1997; see also Linda R. Cohen and Roger G. Noll, *The Technology Pork Barrel* (Washington, D.C.: The Brookings Institution, 1991).

117. U.S. General Accounting Office, *Department of Energy: Proposed Budget in Support of the President's Climate Change Technology Initiative*, p. 1.

118. *Ibid*.

119. *Ibid*.

APPROPRIATIONS BILL H.R. 4104: U.S. DEPARTMENT OF THE TREASURY AND GENERAL GOVERNMENT

What Would Get Caught in a Veto-Induced Government Shutdown: White House, Secret Service, Customs Service; Internal Revenue Service; and the Bureau of Alcohol, Tobacco, and Firearms.

The following examples highlight some of the President's priorities.

U.S. Department of the Treasury

The Administration has made the Y2K computer conversion issue the most significant reason for bringing the Department of the Treasury's programs and other programs in this appropriations bill to a halt. The Department of the Treasury currently has a budget of $11.4 billion in FY 1998.

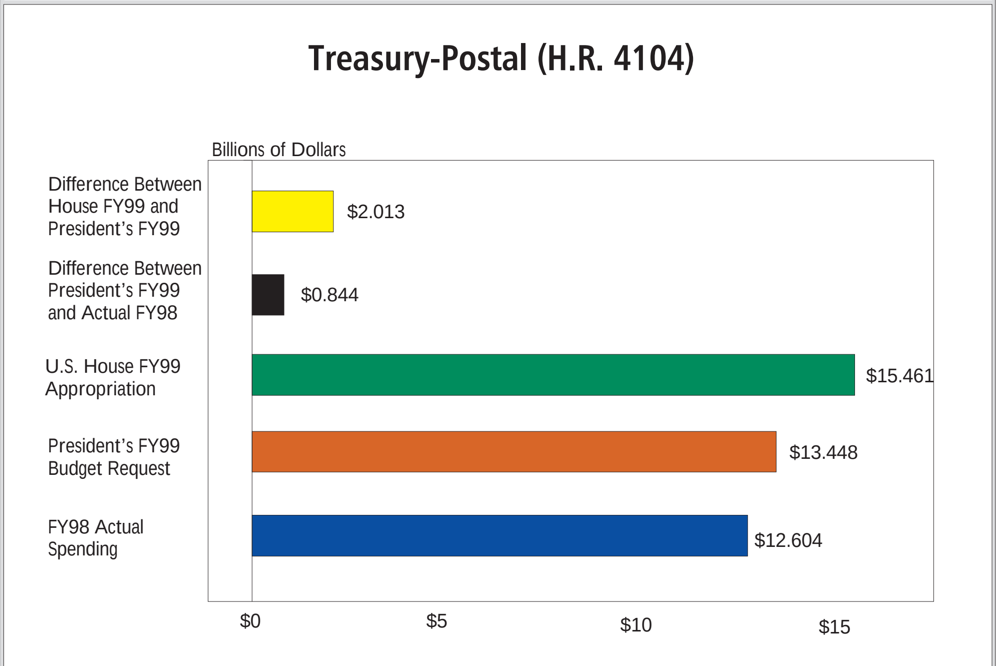
Year 2000 Computer Conversion and the Internal Revenue Service (IRS)

An Administration Objection: In the FY 1999 budget, the President has requested more than $1 billion for Y2K computer conversion; "if resources for Y2K are struck from the bill, IRS would be significantly underfunded."[120]

Fact: Today, federal agencies spend more than $25 billion per year on information technology and investments.[121] In reality, it is more troubling that in the President's FY 1999 budget request and many of the annual performance plans linking federal spending to real results, such as fixing the Y2K problem, there was absolutely no mention of how they planned to address this issue. Congress's message to the Administration should be that "your inability to plan should not be the American people's emergency." It would be unwise for Congress to throw $1 billion at federal agencies when they have been asked for well over a year for their plans on how specifically to address their Y2K problems and the need for certain resources.

Most notably, on September 3, 1998, Joel C. Willemssen, Director of the Civil Agencies Information Systems at the GAO, testified

Chart 5 B 1224

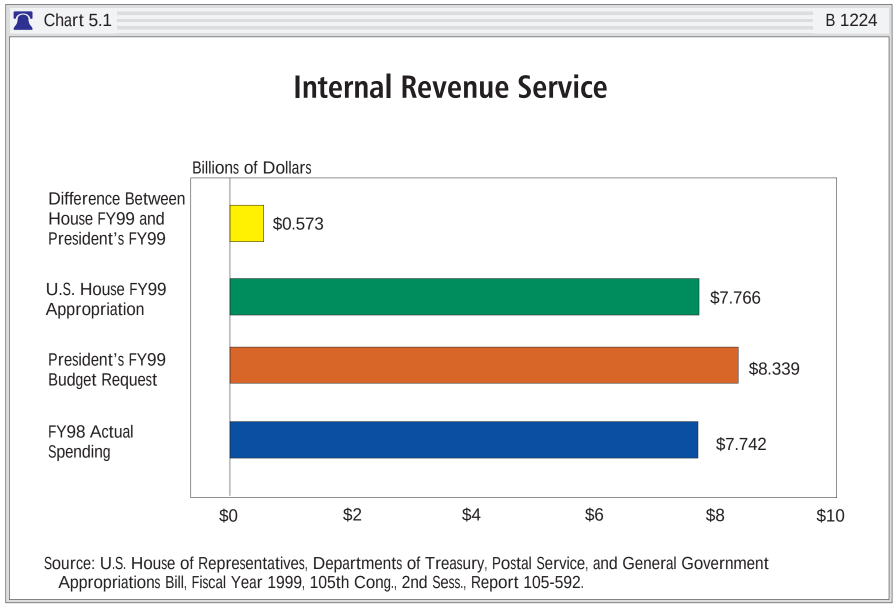


Note: Includes Y2K energency funding; excludes Crime Trust Fund.
Source: U.S. House of Representatives, Departments of Treasury, Postal Service, and General Government Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-592.

120.Executive Office of the President, Office of Management and Budget, Statement of Administration Policy, H.R. 4104—Treasury and General Government Appropriations Bill, FY 1999, June 24, 1998 (House), p. 1. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

121.Executive Office of the President, Office of Management and Budget, *Evaluating Information Technology and Investments*, p. 1. See *http://www.whitehouse.gov/WH/EOP/OMB/infotech*.

before the House Government Reform and Oversight Committee's Subcommittee on Government Management, Information, and Technology. At that hearing, GAO reiterated recommendations that it had made to the President's Council on Year 2000 Conversion in April 1998 that were not yet being addressed. These recommendations included (1) establishing government-wide priorities in fixing systems; (2) addressing the inadequate business and contingency planning across the government; (3) tasking the White House's Office of Management and Budget to verify independently the accuracy of agency reports; and (4) defining testing responsibilities.[122]



According to the GAO, the government's 24 major departments and agencies are making slow progress in fixing their systems. "Our [GAO] reviews have shown that many agencies had not adequately acted to establish priorities, solidify data exchange requirements, or develop contingency plans."[123] In May 1997, the OMB reported that about 21 percent of mission critical systems (or 1,598 of 7,649) for these departments and agencies were Year 2000 compliant. A year later, these departments and agencies reported that 2,914 of the 7,336 mission critical systems in current inventories, or about 40 percent, were compliant.[124]

The IRS has one of the worst track records when it comes to computer systems modernization. In its report to Congress on IRS's FY 1999 budget submission, the GAO notes that "the Administration is requesting $323 million for IRS' Information Technology Investments Account…. [B]ecause $246.5 million of the request has not been justified on the basis of analytical data or derived using a verifiable estimating method, GAO believes that Congress should consider reducing the administration's request by that amount."[125] This amount is small considering that today the IRS's budget is almost $8 billion and it has more than 102,000 full-time employees. Taking such steps would seem prudent since GAO has noted for several years the management and technical weaknesses in the IRS's $4 billion multi-year tax modernization project.[126]

122. Testimony of Joel C. Willemssen before the House Committee on Government Reform and Oversight, Subcommittee on Government Management, Information, and Technology, September 3, 1998. See *http://www.house.gov/reform/gmit/hearings/testimony.*

123. *Ibid.*, p. 6.

124. *Ibid.*, pp. 4–5.

125. U.S. General Accounting Office, *Tax Administration: IRS' Fiscal Year 1999 Budget Request and FY 98 Filing Season*, Testimony, March 31, 1998, GAO/T-GGD/AIMD-98-114, p. 1.

126. *Ibid.*, p. 11.

Other Programs

The President also seeks some additional funding for the Customs Service, the Office of National Drug Control Policy (ONDCP), and other programs. Generally, the differences in funding amounts are minor relative to current budget for these programs. As noted earlier, the federal government currently has appropriated more than $16 billion, scattered across 70 different departments and agencies, to fight illegal drug use. It would seem that ONDCP's financial problems might be addressed more effectively by a thorough examination of the waste and duplication that already exists in these drug programs rather than by demanding more money and claiming that the war against drugs will suffer without it.

Only the IRS collects more revenue for the federal Treasury than the U.S. Customs Service. The Customs Service has an annual budget of more than $1.6 billion. Treasury's IG found in a recent audit of an airport and seaport at one of the busiest ports of entry on the West Coast that Customs port management had not developed a comprehensive action plan to address the airport. For example, the action plan did not address either high-risk flights arriving during certain times of the day or potential internal conspiracies involving carrier, airport, and warehouse employees.[127] The Treasury IG also issued an opinion on Customs' fiscal year 1996 financial statements and reported that Customs had significant internal control weaknesses, and the financial management systems may not be able to provide reliable information in a timely manner.[128] The GAO also has identified Customs' financial management and its handling of seized assets as high-risk programs.[129]

APPROPRIATIONS BILL H.R. 4193: U.S. DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES

What Would Get Caught in a Veto-Induced Government Shutdown: Veterans benefits and health care; public housing benefits and services.

The following examples highlight some of the President's priorities.

U.S. Department of Housing and Urban Development (HUD)[130]

An Administration Objection: "The Administration is concerned about the funding levels provided for key programs of the Department of Housing and Urban Development…."[131]

Fact: The Department of Housing and Urban Development was created in 1965 by consolidating several existing federal housing agencies into one Cabinet-level department and adding to existing federal housing responsibilities a new federal role in encouraging urban development. Today, HUD has a budget for FY 1998 of more than $22 billion and a limit on loan guarantees of $258 billion in FY 1998.

To fulfill its housing assistance function, HUD operates several means-tested programs,

127.U.S. Department of the Treasury, Office of Inspector General, Semiannual Report to Congress, March 31, 1998, p. 15.

128.U.S. General Accounting Office, *Customs Service: Comments on Strategic Plan and Resource Allocation Process*, GAO/T-GGD-98-15, October 16, 1997, p. 5.

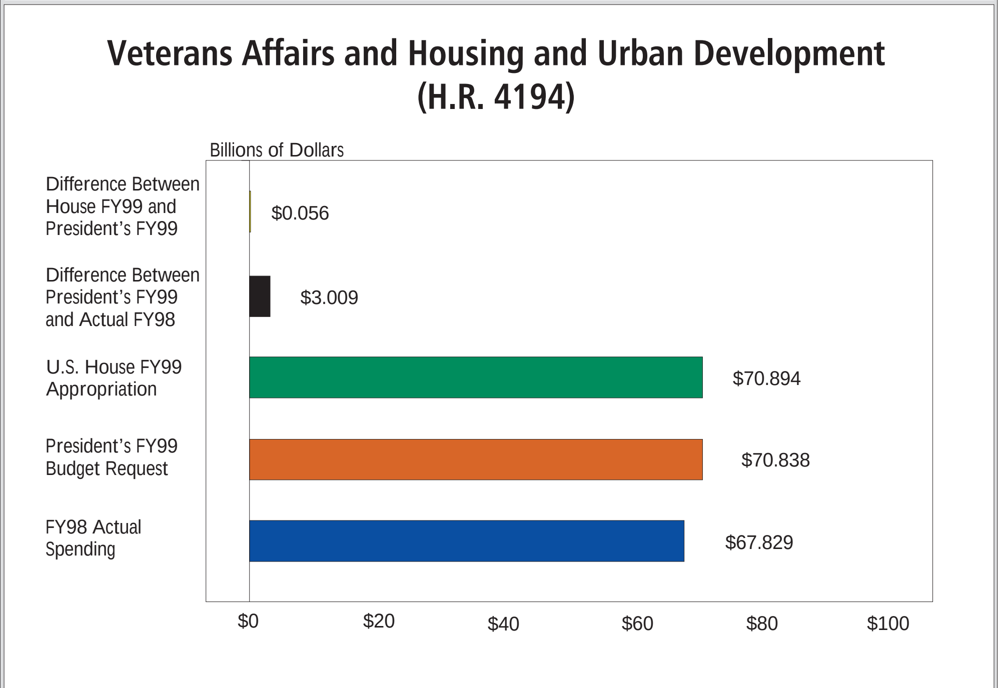
129.*Ibid.*, p. 5. In 1990, the GAO began a special effort to identify "high risk" programs; that is, those that are particularly vulnerable to waste, fraud, and mismanagement.

130.See Ronald D. Utt, "Department of Housing and Urban Development," in Hodge, ed., *Balancing America's Budget*, pp. 360–363.

131.Executive Office of the President, Office of Management and Budget, Statement of Administration Policy, H.R. 4194—Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill, FY 1999, July 16, 1998 (House), p. 3. See *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

including public housing, subsidized but privately owned projects, and housing vouchers. Special programs are operated for the disabled, the elderly, the homeless, and individuals with AIDS. In addition, HUD operates a community development program that provides project-specific block grants to promote economic development. These grants total between $4 billion and $5 billion each year. HUD also operates the user-funded mortgage insurance program through the Federal Housing Administration.

Chart 6 B 1224



Source: U.S. House of Representatives, Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-610.

By any measure, HUD has failed to fulfill the goals established at its creation. Numerous efforts to re-engineer its basic programs (usually in response to financial and performance scandals) have failed to resolve its pervasive problems of waste and abuse. Because HUD's inefficient and costly assistance programs are discretionary programs rather than entitlements, they have contributed to the long waiting lists of eligible but unserved poor households. Those who are served are often relegated to public housing units in deplorable condition and in unsafe environments that serve to concentrate the poor in racially segregated projects in the worst parts of a city.

As numerous reports by HUD's IG have revealed, the management of these projects is often incompetent and self-serving, siphoning off scarce resources—ostensibly dedicated to the poor—for contracts with friends, new cars, and questionable travel.[132] According to a 1996 IG report, for example, "As a result of HUD's continuing resource management weaknesses, there is little assurance that HUD's $1 billion annual salaries and expense budget is efficiently and effectively used to further HUD's mission and minimize program risks. OIG audit work continues to find many critical program functions are not being adequately performed…. "[133]

The GAO further estimates that 22 percent to 29 percent of the Section 8 projects, under

132. See, for example, U.S. Department of Housing and Urban Development, Office of the Inspector General, *Audit Report, Housing Authority of New Orleans Public Housing Operations, New Orleans, Louisiana*, 94–FW–201–1005, June 29, 1994, and *Audit Report of the Housing Authority of Baltimore City, Public Housing Activities, Baltimore, Maryland*, 94–PH–201–1016, September 23, 1994.

133. U.S. Department of Housing and Urban Development, Office of the Inspector General, Semiannual Report to the Congress as of March 31, 1996, p. 6.

which HUD insures mortgages, would be in difficulty even if their mortgages were totally forgiven. With financial problems of differing magnitude confronting as many as 88 percent of the projects, this program must be judged a terrible failure and one which will soon confront the taxpayer with the near-term likelihood of a multibillion dollar financial bailout of private investors and developers.[134]

Things have not gotten better for HUD of late. During its September 1997 reporting period, its IG identified $8.3 million in cash recoveries and another $6.2 million in commitments to recover funds. One grantee incurred more than $4.7 million of ineligible costs and $2.2 million of unsupported costs in administering its Community Development Block Grant and Section 108 loan guarantee.[135] In addition, an audit of an Indian Housing Authority found it could not support $1.8 million in development costs.[136]

In March 1998, the GAO reported to Congress on HUD's FY 1999 budget request. The GAO concluded the following:

- "HUD's request for $4.7 billion to renew Section 8 tenant-based assisted housing contracts for fiscal year 1999 could be reduced by $439 million…. [I]n addition…HUD may not need the $70 million it has requested for Section 8 moderate rehabilitation amendment funding."[137]
- "HUD's budget request for $1.3 billion in Section 8 project-based amendment funding—funds needed to cover shortfalls in long-term Section 8 contracts—substantially exceeds the amounts that HUD's analyses indicate are needed."[138]
- "HUD's budget request for $100 million for the Regional Connections Initiative (RCI), a new set-aside within the Community Development Block Grant (CDBG) program to address key regional issues, does not provide enough detail to indicate whether this is a reasonable funding level for the program."[139]

Corporation for National and Community Service (CNS)

An Administration Objection: "The Administration strongly objects to the termination of the Corporation for National and Community Service…."[140]

Fact: Created in 1993, the Corporation for National and Community Service is one of the youngest agencies in the federal government. Spending some $570 million annually, it administers such programs as AmeriCorps, VISTA, and the National Civilian Community Corps. Despite being such a young agency, independent auditors "found that CNS' general ledger system is outmoded and poorly designed." The auditors informed the program's IG "that due to weaknesses in CNS' financial systems, accounting records and management controls, the financial statements were unauditable."[141]

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134. U.S. General Accounting Office, *Multifamily Housing: HUD's Proposals for Reengineering Its Insured Section 8 Portfolio*," GAO/T–RCED–96–210, Statement for the Record by Judy A. England Joseph, Director, Housing and Community Development Issues, Resources, Community and Economic Development Division, June 27, 1996.

135. U.S. Department of Housing and Urban Development, Semiannual Report to Congress as of September 30, 1997, p. 45.

136. *Ibid*.

137. U.S. General Accounting Office, *Comments on HUD's Fiscal Year 1999 Budget Request*, Testimony, March 12, 1998, GAO/T-RCED-98-123, p. 1.

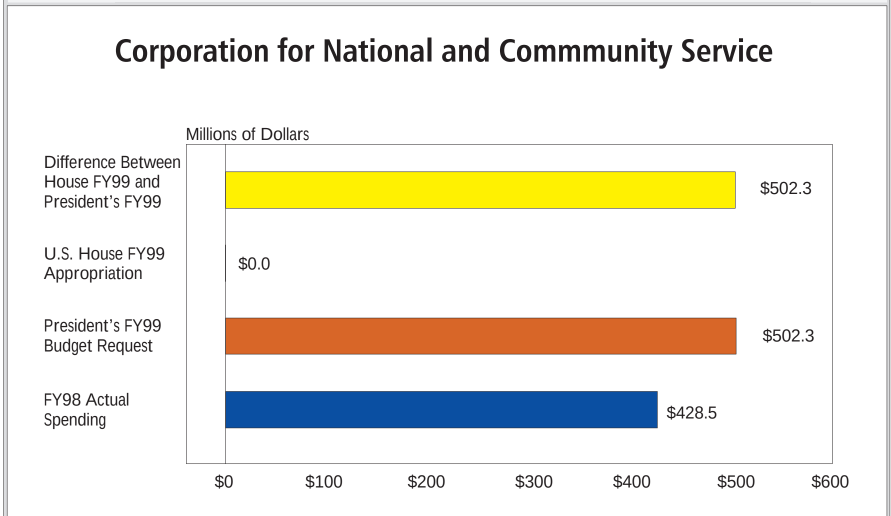
138. *Ibid*., p. 2.

139. *Ibid*.

140. H.R. 4194, p. 1. See *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

- More recent problems with the program: AmeriCorps failed to retain participants in its programs. The dropout rate for paid volunteers is 39 percent.[142]
- AmeriCorps is failing to gain significant private-sector resources for its programs. Officials at the Corporation for National Service have boasted repeatedly that the presence of government funding would help "leverage" private contracts.[143]

Chart 6.1 B 1224



Source: U.S. House of Representatives, Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-610.

- One AmeriCorps program, the Casa Verde Builders Program, cost the taxpayers $2,448,053. Only 23 of the 64 individuals enrolled as Case Verde AmeriCorps members completed the program; the cost to taxpayers: over $100,000 per participant. Moreover, only four participants have used their educational awards; the cost to taxpayers: more than $600,000 per award.[144]
- Another AmeriCorps program examined by the GAO, the Educational Conservation Corps, cost taxpayers $1,732,000. And the Appalachian Service Through Action and Resources Program cost taxpayers $632,240.[145]

Environmental Protection Agency (EPA)

An Administration Objection: "The Administration has several major concerns with the Committee's mark for the Environmental Protection Agency. In particular, the Administration strongly objects to the $593 million, or 28 percent reduction, to the President's budget request for Superfund, which would delay cleanups at sites nationwide and needlessly jeopardize public health…. The Administration strongly opposes the Committee's $106 million reduction in EPA funding for the Climate Change Technology Initiative… [T]he Administration strongly opposes bill and report language relating to the Kyoto Protocol that applies to EPA and the Council on Environmental Quality…."[146]

Fact: The Environmental Protection Agency currently has a budget of almost $7.4 billion for FY 1998. The most recent report by EPA's own inspector general found more than $264 million in questioned costs[147] for which no management decision was made by October 1, 1997.

141.Kenneth R. Weinstein, "Time to End the Troubled AmeriCorps," Heritage Foundation *Government Integrity Project Report* No. 13, May 22, 1997.

142.*Ibid*.

143.*Ibid*.

144.*Ibid*.

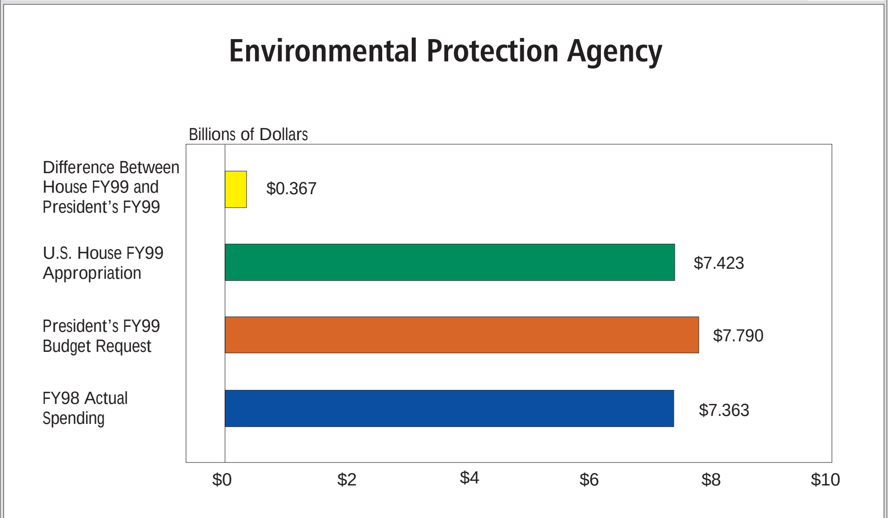
145.*Ibid*.

146.H.R. 4194, p. 2. See *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

Superfund

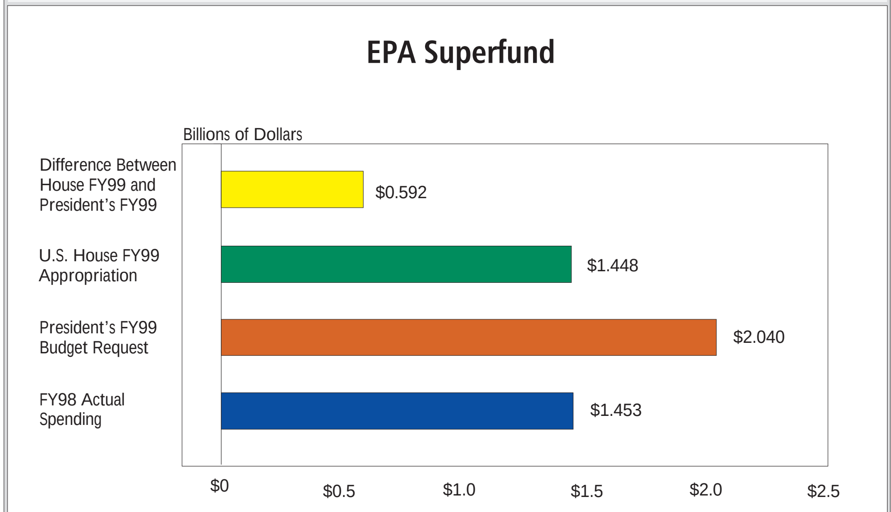
The GAO identified EPA's Superfund program as a high-risk program, which means it is particularly vulnerable to fraud, waste, and mismanagement. The Hazardous Substance Superfund, which was created by the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), is used to clean up America's hazardous waste sites—many of which have been abandoned. The Superfund program is financed primarily through taxes on petroleum and certain chemicals and a corporate environmental income tax that expired on January 1, 1996. Other sources of funding include cleanup costs recovered from private parties; interest, fines, and penalties paid by individuals and entities that have violated the law; and general revenues. For FY 1998, Congress appropriated $1.4 billion for the Superfund program. The President wants an additional $600 million for the program in FY 1999 and argues that site cleanups will suffer absent this additional funding.

Chart 6.2 B 1224



Source: U.S. House of Representatives, Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-610.

Chart 6.3 B 1224



Source: U.S. House of Representatives, Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-610.

Unfortunately, there is little to show for the $30 billion that has been spent by the federal government over the past 17 years.[148] The cleanup process is slow and tedious. On average, the typical Superfund site takes more than 10 years to clean up at a price tag of $32 million—excluding litigation and administrative costs. Consequently, only around 40 percent of the priority sites identified by the EPA have been cleaned up. At the same time, the program has become a bureaucratic nightmare, consuming more than 20 percent of the EPA's $7.4 billion budget. Moreover, 47 percent of the Department of Justice's enforcement

147.U.S. Environmental Protection Agency, Office of the Inspector General, Semiannual Report, October 1, 1997–March 31, 1998, p. 56.

148.See James V. DeLong, "Privatizing Superfund, How to Clean Up Hazardous Waste," Cato Institute *Policy Analysis* No. 247, December 18, 1995.

actions for major environmental programs are dedicated to the Superfund program. From 1995 to 1997, a total of 839,500 hours were billed to Superfund enforcement, according to the Department of Justice. Without fundamental reforms, the costs will only increase.[149] A study conducted at the University of Tennessee estimates that, under the present system, cleaning up 3,000 Superfund sites will cost between $150 billion and $352 billion.[150]

Despite the dismal record of the Superfund program, the Clinton administration and EPA Administrator Carol Browner defend it, claiming that administrative reforms have effectively fine-tuned the program and hastened the pace of cleanups. As Browner recently stated, "By any measure, we are making a great deal of progress in our efforts to improve the nation's hazardous waste cleanup program—to make it faster, fairer, and more efficient—and to ensure that it does the best possible job of protecting the health of our citizens and returning land to communities for productive use."[151]

But the GAO and EPA's IG think EPA has done a poor job of managing Superfund's so-called trust fund. The GAO lists Superfund as a high-risk program, subject to fraud, waste, and abuse. And according to a 1996 report by the EPA's own Inspector General:

> [We] could not determine if the fiscal 1995 Superfund Trust Fund Financial Statements are fairly presented primarily due to weaknesses in the areas of accounting for property, accounting for the components of net position, recording reimbursable Superfund oversight costs as assets, accounting for grants funded from more than one appropriation and allocating expenses to show the full cost of the fund in the financial statements.[152]

Superfund spending for contracted cleanup work decreased by 3 percent between FY 1996 and FY 1997; however, administrative and support spending increased by 3 percent during the same time period.[153] Some examples of mismanagement of Superfund program monies cited in the most recent IG report: EPA failed to demonstrate whether it could effectively allocate the additional funds requested for site cleanups;[154] funds invested in Superfund cleanups result in relatively little increase in benefits compared with other environmental programs;[155] and EPA spent an average of $651,700 to build each of ten replacement houses. The appraised old houses averaged only $147,000.[156]

Climate Change Technology Initiative

In its report on the Administration's FY 1999 Climate Change Technology Initiative, the GAO notes that the "concept is to accelerate technology 'more faster.'"[157]

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149. Wayne Brough, "Superfund: The Good, the Bad, and the Broken," Citizens for a Sound Economy *Issue Analysis* No. 70, p. 2.

150. *Ibid.*

151. Carol Browner, as cited in *ibid*., p. 2.

152. Environmental Protection Agency, Office of the Inspector General, *Fiscal 1995 Financial Statement Audit of EPA's Trust Funds, Revolving Funds and Commercial Activity,* May 3, 1996, p. ii.

153. U.S. General Accounting Office, *Superfund Contractor Spending*, GAO/RCED-98-221, pp. 4–5.

154. U.S. Senate, *Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill, 1999*, Report No. 105-216, 105th Cong., 2nd Sess., pp. 77–78.

155. *Ibid*.

156. U.S. Environmental Protection Agency, Office of the Inspector General, Semiannual Report, October 1, 1997–March 31, 1998, p. 9.

The GAO noted in a September 1998 report reviewing a study by the Administration that serves as a linchpin for its climate change policies that "the study's usefulness is limited because it does not discuss the specific policies needed to achieve its estimate of 394 million metric tons of carbon reductions by 2010 and does not fully consider the costs to the nation's economy of reaching this goal."[158] In addition, the GAO goes on to state that "the study's finding that the widespread adoption of energy-efficient technologies can be achieved with low or no net cost to the nation is heavily dependent on the assumptions made…. [W]e found a disparity of views on key assumptions that may have influenced the study's results. Several of the groups questioned some of these assumptions as being too optimistic, such as…the rate of adoption of new technologies, or timing of technological breakthroughs."[159]

Competitive energy resources consistently provide lower prices than do protected sources.[160] Past attempts by the federal government to outguess the energy market have produced expensive, well-known failures, such as the Synthetic Fuels Corporation and the Clinch River Breeder Reactor.[161] In the case of wind power, as Robert Bradley points out in a recent Cato Institute report on renewable energy research and development, "the federal government's crash course in wind-related research and development has been a bust to date, and further commitment may be doomed as well."[162] Bradley points out that "the United States lavished nearly a half a billion dollars on the aerospace industry from 1974 to 1992 [for wind power R&D].... By the mid 1990s there were no major U.S. manufacturers selling commercially proven wind turbines…."[163]

Kyoto Protocol

The President espouses the theory that, because of the buildup of greenhouse gas emissions, the Earth's temperature is warming, and that this is causing new weather patterns, lost species, the spread of infectious diseases, and rising sea levels. Such alarmist rhetoric elicits support for stricter environmental standards from environmental organizations. Indeed, extreme environmental groups have profited by perpetuating fears about global warming. For example, the Environmental Defense Fund in 1997 received more than $8.7 million in grants from foundations (in addition to the federal monies and other funding it receives).[164]

The Administration has expressed strong objections to proposed House appropriations language that would prohibit federal funding from being used to implement the Kyoto Protocol, an international agreement on reducing greenhouse gas emissions. The Kyoto Protocol was negotiated in Kyoto, Japan, in December 1997. The United States agreed to reduce emissions to 7 percent below 1990 levels between 2008 and 2012. Developing countries remain exempt from any requirements to reduce greenhouse gas emissions.[165] Before

157.U.S. General Accounting Office, *Department of Energy: Proposed Budget in Support of the President's Climate Change Technology Initiative*, GAO/RCED–98–147, April 1998, p. 12.

158.U.S. General Accounting Office, *Climate Change, Information on Limitations and Assumptions of DOE's Five-Lab Study,* September 1998, p. 2.

159.*Ibid*.

160.Tom McClintock, "Draft Paper on Government Subsidy of Renewable Energy Resources," Claremont Institute, August 22, 1996, p. 11.

161.Cohen and Noll, *The Technology Pork Barrel, op. cit.*

162.Bradley, "Renewable Energy Not Cheap, Not Green," p. 15.

163.*Ibid*.

164.Daniel McKivergan, "Global Warming Debate Heats Up," *Philanthropy,* Vol. XII, No. 3 (July/August 1998), p. 24.

the United States is bound by the agreement, however, the President must sign it and the Senate must ratify it. At this time, neither has occurred, and Congress has been concerned that absent these steps, federal agencies will begin to spend significant resources to implement it. As noted earlier, a recent study showed that more than 17 federal agencies had developed more than 140 performance measures related to climate change program goals.[166] In addition, Congress has expressed a number of reservations about the agreement that make Senate ratification highly unlikely:

- The Kyoto agreement clearly violates the terms of Senate Resolution 98, which was passed by a vote of 95–0 in July 1997. It declares that the United States should not be a signatory to any global climate change treaty that either omits binding reductions for developing countries or results in serious harm to the U.S. economy.
- Considerable uncertainty exists about the science of global warming. Global satellite and technology data—the most reliable measurement of climate change—show that over the past 18 years there actually has been a global cooling. And 1997 was among the coolest years since satellite-based measurements began in 1979.
- The treaty will significantly harm the U.S. economy. Estimates of energy price increases range from 50 percent to 200 percent in order to achieve the 30 percent to 40 percent reductions in energy usage needed to achieve the treaty's targets.
- The treaty will subject Americans, businesses, and the states to the dictates of international bureaucrats. The protocol will establish at least six new bureaucracies to supervise the parties to the treaty, to monitor and verify emissions reports, and to enforce treaty guidelines.

Congress appears to be within its responsibilities to demand that the Administration explain its rationale for seeking more than $6 billion in new funding and tax credits in this year's budget when there is such uncertainty and concern about the existence of a climate problem and the scope of the proposed solution. The President claims there is a serious need to fund Social Security, Medicare, and other programs. Massive new investments on behalf of the uncertain science of global warming do not appear to make much fiscal sense compared with these and other professed priorities.

APPROPRIATIONS BILL H.R. 4274: U.S. DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES[167]

What Would Get Caught in a Veto-Induced Government Shutdown: Medicare and Medicaid benefits and services through the Health Care Financing Administration; Social Security benefits; research and disease control and prevention activities at the Centers for Disease Control and the National Institutes of Health.

The following examples highlight some of the President's priorities.

An Administration Objection: "[T]he bill does not adequately support the Nation's effort to raise student achievement, make schools safe, and improve the capabilities of teachers…strong concerns with the inadequate funding levels provided for the following Labor programs…has not provided adequate funding for several important programs of the Department

165.See Angela Antonelli and Brett D. Schaefer, "From Fear to Folly: Why the Kyoto Treaty Is a 'Very Bad Deal,'" Heritage Foundation *Backgrounder* No. 289, January 7, 1998.

166.Congressional Institute, *146 Climate Change Performance Targets Set by the Federal Government*.

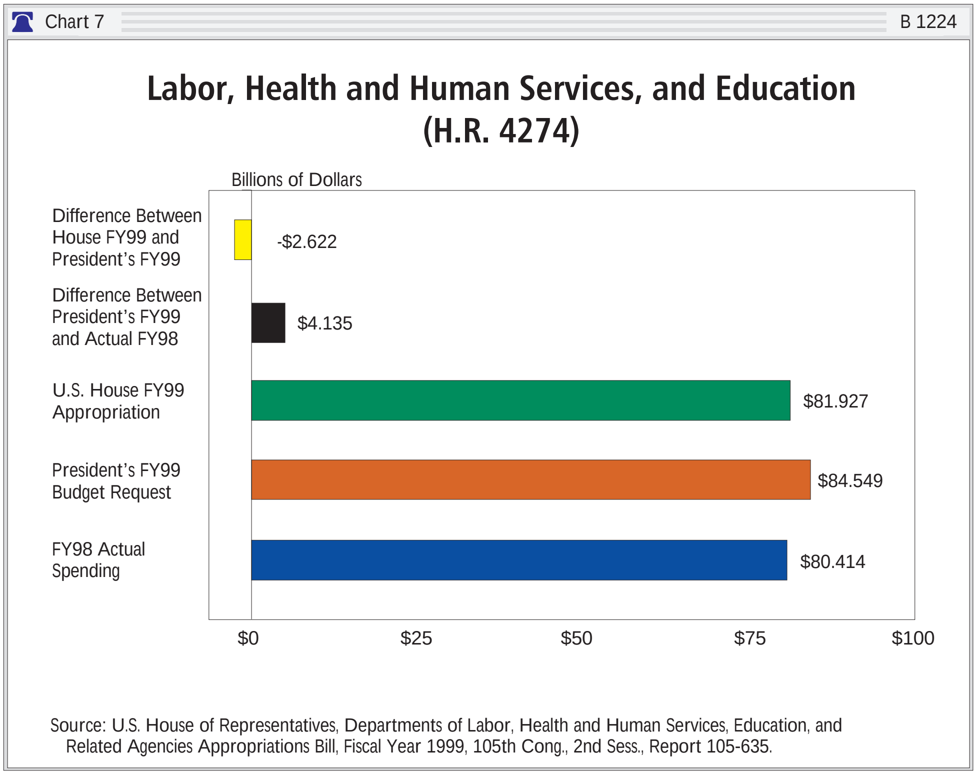
167.See Mark Wilson, Nina Shokraii, and Angela Antonelli, "Labor–Health–Education Appropriations: Eliminating Waste and Enhancing Accountability," Heritage Foundation *Backgrounder* No. 1212, August 7, 1998.

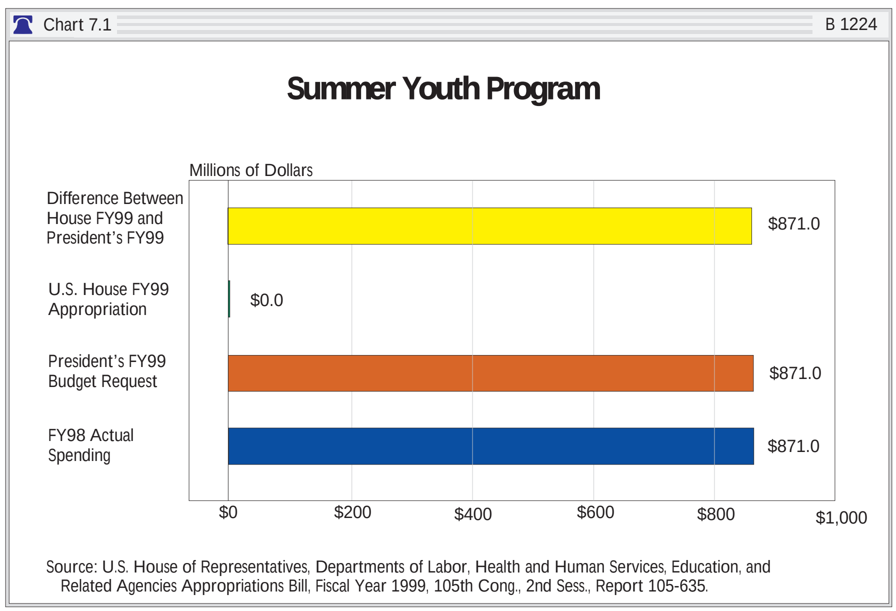
Health and Human Services."[168]

Facts: Consider the following facts for various agencies and programs:

U.S. Department of Labor

Summer Youth Employment and Training Program





The Summer Youth Employment and Training Program, funded under Title II-B of the Job Training Partnership Act (JTPA), provides jobs and training during the summer months for economically disadvantaged youth aged 14 to 21. For FY 1998, the Labor Department is obligating $871 million to the states through block grants. As the GAO points out, however, there already are 19 federal programs that focus directly on youth training and employment.[169] Together, these programs spend $2.8 billion per year, and this does not include the $1 billion spent on vocational education programs.[170] Almost half of the youth in the summer jobs program are 14 and 15 years old and are paid essentially to go to summer school to learn what they should have learned during the regular school year.

168.H.R. 4274, Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations Bill, FY 1999, August 4, 1998 (House), pp. 1–8. Available at *http://www.whitehouse.gov/WH/EOP/OMB/SAP.*

169.U.S. General Accounting Office, *Information Crosswalk on 163 Employment Training Programs*, GAO/HEHS–95–85FS, February 14, 1995. This group of 19 programs does not include many other programs that also provide services to youth.

170.*Ibid*.

- A report by then-Secretary of Labor Robert B. Reich acknowledges that summer jobs programs do not work.[171] The report notes that subsidized work experience has not been successful in improving the employability of youths once the subsidized job has ended. The graduation rates and grades of participants do not improve, and young girls in the program are just as likely to become pregnant as those that do not participate in the program.
- A national controlled scientific study of JTPA reported that youth programs had no statistically significant effect on either the average earnings of young females or their employment.[172] Even worse, the programs had a large *negative* effect on the earnings of young males and no effect on their employment.

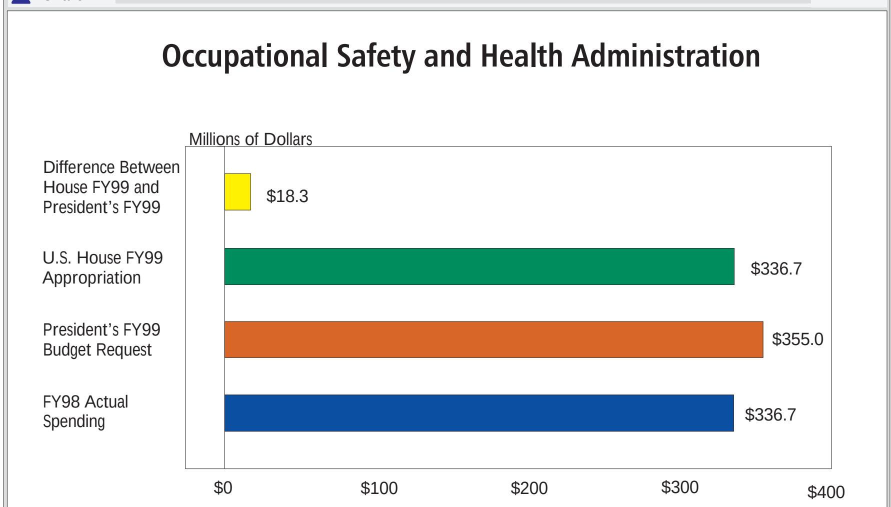
Occupational Safety and Health Administration (OSHA)

Enforcement and Compliance Strategy. OSHA has been enforcing safety and health standards for 27 years. There are serious questions, however, as to whether it has improved worker safety.

OSHA often pits the employer against the inspector, a model that fosters distrust and suspicion and flies in the face of true partnership efforts that are the key to worker safety. The threat of large fines for non-compliance when millions of safety-conscious employers do not know how to comply undermines the enhancement of worker safety and protection. OSHA should work with employers who are concerned about worker safety and health and encourage them voluntarily to seek expert advice on how to comply with OSHA's regulations. It also should provide adequate funding for its compliance assistance programs.

To this end, Congress passed, and the President signed on July 16, 1998, the OSHA Compliance Assistance Act (P.L. 105–197). This law codifies OSHA's consultation program, which provides states with funding to perform on-site consultations, as well as other education and training activities. Employers who voluntarily requested a consultation would be able to work with the state to correct any hazards and safety violations; only if they failed to correct hazards would enforcement authorities be notified. Employers who corrected hazards identified in the consultative visit would be exempt from subsequent "general schedule" inspections for one year.

Chart 7.2 B 1224



Source: U.S. House of Representatives, Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-635.

Since the 1970s, Congress has allotted money for a small grant program—now codi-

171. "What's Working (and What's Not): A Summary of Research on the Economic Impacts of Employment and Training Programs," U.S. Department of Labor, January 1995.

172. U.S. Department of Labor, Employment and Training Administration, *The National JTPA Study: Title II-A Impacts on Earnings and Employment at 18 Months*, 1993.

fied by P.L. 105–197—under which state agencies provide these services to a limited number of small businesses. But this program has been chronically underfunded. In some states, employers requesting consultation assistance must wait more than one year, and sometimes two; this denies employees vital safety and health protections.

In addition, while overall funding for compliance assistance has increased in the past few years, nearly all of the increase has been kept in Washington. Among other problems, this federalizing of compliance assistance means that employers and employees in nearly half of the states do not receive any benefit from the funding.

Funds for federal enforcement activities should be redirected to consultation grants that go directly to states.[173] The House Appropriations Committee's bill holds back a requested funding increase for FY 1999 and sends an important message to OSHA by shifting more of OSHA's funding away from enforcement programs and into compliance activities.

U.S. Department of Education

Goals 2000

Enacted in 1994, the Goals 2000: Educate America Act is expected to provide $491 million in FY 1998 to states and local districts. Under the program as recently amended, states and local school districts may apply to the U.S. Department of Education for funds to apply to academic standards, model curricula, staff training, student assessments, technology, or magnet and charter schools. Goals 2000 funding, however, duplicates other federal programs or pays the states to do what they already are doing. Moreover, states are paying the federal government at least 13 percent of the program money—$67 million of the $491 million in FY 1998—to maintain this duplicative federal bureaucracy.[174]

A 1994 survey by the Council of Chief State School Officers, conducted after the passage of Goals 2000, found that virtually all states had implemented or were formulating curriculum content and pupil performance standards. There is little evidence that any reforms currently taking place would not have been implemented if Goals 2000 had not been enacted.

School-to-Work Programs

Since the program was created in 1994, 43 states have received School-to-Work implementation grants. In FY 1997 and FY 1998, $400 million was appropriated each year for these programs. School-to-Work's authorization is scheduled to expire on October 1, 2001. Proponents claim that the program focuses on building school, business, and community partnerships; academic and occupational integration; the integration of school and work-based learning; and connections to post-secondary education. However:

- Since FY 1994, the U.S. Department of Education has granted the states money from other federal programs—$4.4 billion in vocational education grants, $1.1 billion in professional development grants, and $1.3 billion in program innovation grants—to do the same things the School-to-Work program does.
- Of the $200 million appropriated in FY 1998 for the Department of Education's responsibilities under the School-to-Work Opportunities Act, less than one-half (about $93 million) actually is used in

173.House appropriators have redirected $5.6 million from federal enforcement activities to state consultation grants in the Labor–HHS–Education appropriations bill. Even with this reallocation of resources, however, total spending on federal and state enforcement activities will still be 6.4 percent higher than 1996.

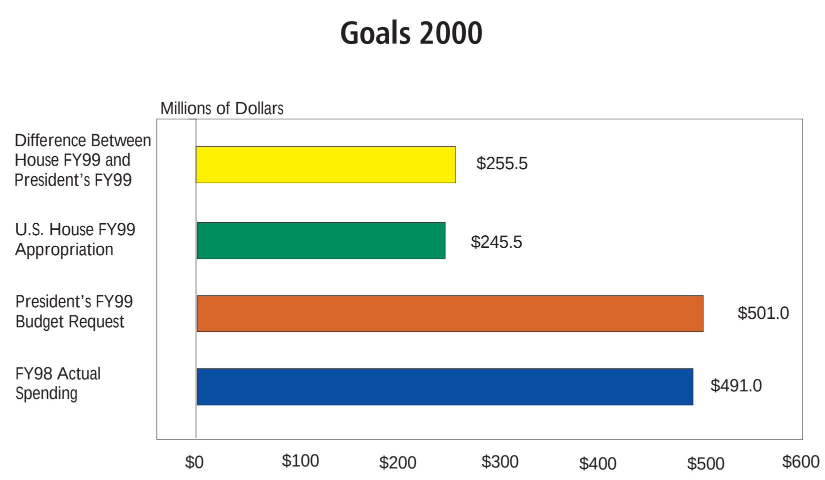
174.Memorandum from Wayne Riddle, Specialist in Education Finance, Education and Public Welfare Division, Congressional Research Service, to the Honorable Joseph Pitts, April 28, 1998, p. CRS-4.

classrooms, according to the Congressional Research Service.[175]

- A report on how states have implemented School-to-Work programs already has concluded that efforts to raise academic and vocational standards are peripheral to School-to-Work priorities and that the links between school and worksite learning are limited.[176]

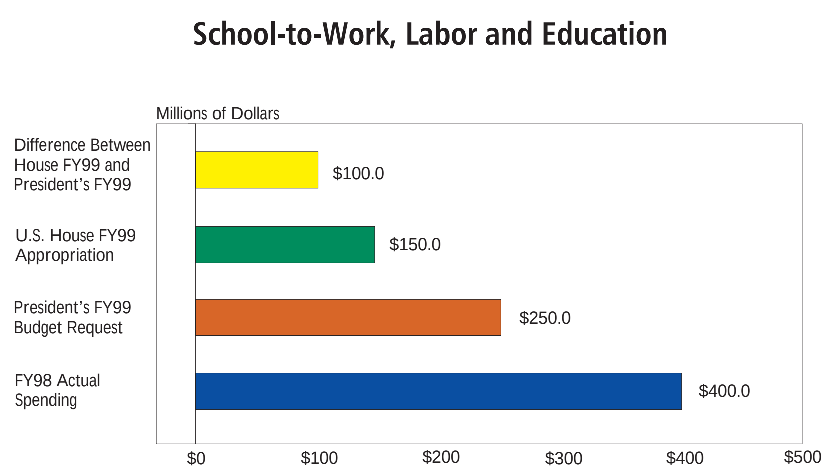
The $2.8 billion currently planned to be spent on School-to-Work programs between 1994 and 2001 will continue to have a negligible effect on teaching the basic skills that employers require. In the first national evaluation of school-to-work programs, Mathematica Policy Research, Inc., is assessing the states' progress in creating these systems for the U.S. Department of Education. It will measure, among other things, the outcomes students achieve in high school and post-secondary education and employment. (The study does not use a rigorous control group evaluation methodology, however, and this raises serious concerns about its ultimate usefulness.[177])

Chart 7.3 B 1224



Source: U.S. House of Representatives, Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-635.

Chart 7.4 B 1224



Source: U.S. House of Representatives, Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-635.

Eisenhower Professional Development Program

The Eisenhower Professional Development Program, funded at $335 million in FY 1998, provides grants to state and local education

175. *Ibid*.

176. Alan Hershey, "Partners in Progress: Early Steps in Creating School-to-Work Systems," Mathematica Policy Research, Inc., April 1997.

177. The only method for evaluating training programs effectively is to conduct an experimental design study that randomly assigns individuals either to a treatment group that can receive services from the program under study or to a control group that cannot, and then evaluate the outcomes. See Orley Ashenfelter, "The Case for Evaluating Training Programs with Randomized Trials," *Economics of Education Review*, Vol. 6, No. 4 (1987).

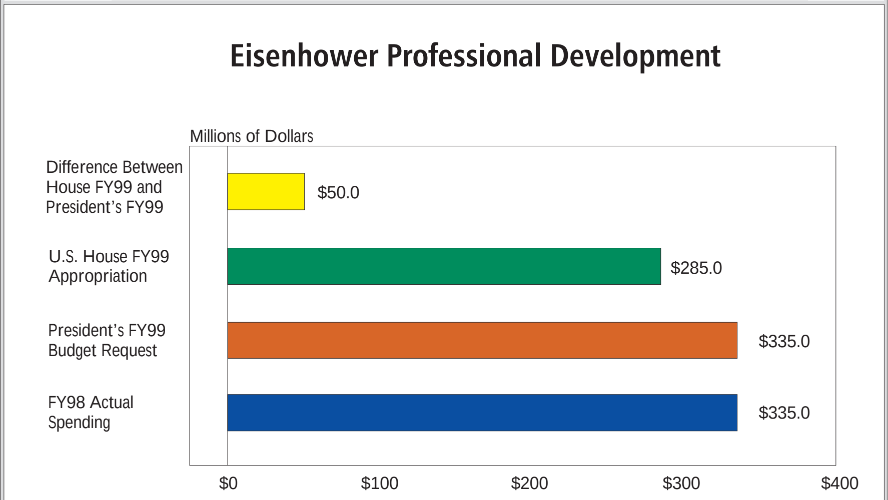
agencies, state agencies for higher education, institutions of higher education, and qualified nonprofit organizations to support professional development in core academic subjects.

While the Department of Education currently funds several professional programs, it "does not have an estimate of the amount expended for teacher professional development under these programs."[178] It also does not keep records on funding provided for these purposes by other agencies, such as the National Aeronautics and Space Administration and the National Science Foundation.[179] Despite this duplication and the lack of any clear demonstration of need, Congress has increased funding for the Eisenhower program steadily since 1992.

The Department proposes using some of the Eisenhower program's funding to support the National Board for Professional Teaching Standards, which administers a voluntary assessment and certification process based on national standards of excellence developed by the National Commission on Teaching and America's Future (NCTAF). The Department has requested that funding for the Board's certification process be doubled to $5 million in FY 1999, arguing that this increase is needed to reach NCTAF's goal of certifying 105,000 teachers by 2006.

However, a recent appraisal of NCTAF's goal by University of Missouri economists Dale Ballou and Michael Podgursky raises important questions about who really stands to benefit. Noting the close ties between teachers' unions

Chart 7.5 B 1224



Source: U.S. House of Representatives, Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-635.

and the NCTAF, the authors point out that NCTAF has yet to prove whether the achievement of this goal, other than simply generating a larger number of teachers, actually will improve the quality of teaching in a way that demonstrably benefits children and whether it can accomplish this in a cost-effective way.[180]

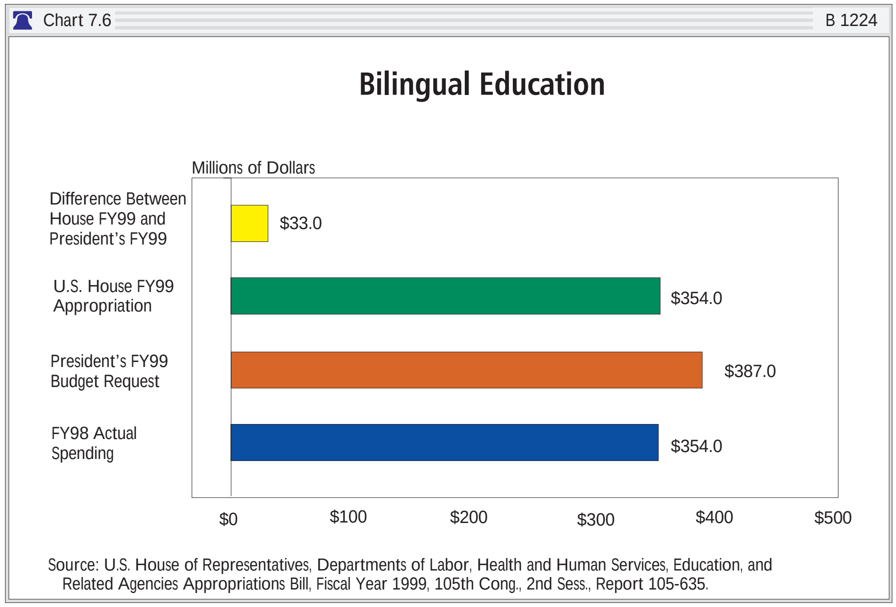
The House Appropriations Committee has proposed reduced funding for this program. States should be allowed to use funds for professional development as they deem appropriate. For example, state and local education agencies should have the freedom to use federal funds for scholarships to encourage teachers to study core subjects at area universities and community colleges.

178.Departments of Labor, Health and Human Services, Education and Related Agencies Appropriation Bill, 1997, Report No. 104– 659, Committee on Appropriations, U.S. House of Representatives, 104th Cong., 2nd Sess., July 8, 1996, p. 132.

179.*Ibid*.

180.Dale Ballou and Michael Podgursky, "Reforming Teacher Training and Recruitment: A Critical Appraisal of the Recommendations of the National Commission on Teaching and America's Future," *Government Union Review*, Vol. 17, No. 4 (November 1997), p. 43.

Bilingual Education[181]



The House Appropriations Committee bill contains several measures designed to improve the education of Limited English-Proficient (LEP) students. Research and evaluation on methods of second language instruction have been inconclusive at best.

In 1997, the Department of Education and several independent foundations evaluated the available research on English language instruction. One of the reports concluded that nearly $100 million and 30 years of research and evaluation had yielded scant results in terms of classroom achievement.[182] Not surprisingly, the Department of Education's FY 1999 annual performance plan fails to include the measurements it will use to determine what, if anything, the program actually accomplishes.[183]

The Department of Education has been inattentive to the results of its own in-house research projects and has failed to build on original research.[184] For example, during a 1992 audit of Office of Bilingual Education research, a budget analyst from the Department's Office of the Under Secretary discovered that, of the 91 research evaluations or studies funded with $47 million of Title VII appropriations from 1980 to 1991, 40 of the final reports had been discarded or lost. Of the remaining 51 studies available, just 29 were relevant to policy formation and only 12 were described as "large-scale policy-relevant studies."[185]

U.S. Department of Health and Human Services (HHS)

Low-Income Home Energy Assistance Program (LIHEAP)

LIHEAP provides federal funding to help pay home energy costs (heating and cooling) for some low-income households. Funds are distributed through annual block grants to states, the District of Columbia, more than 100 eligible Indian tribes, two commonwealths, and four territories. Up to 10 percent of the funds may be used to pay planning and administrative costs.

The United States has spent over $27.1 billion on LIHEAP since the program began in 1982. As the Congressional Budget Office points out:

181. For more information, see Nina H. Shokraii and Sarah E. Youssef, "What Congress Can Do to Help Limited English-Proficient Children Learn English," Heritage Foundation *Backgrounder* No. 1206, July 23, 1998.

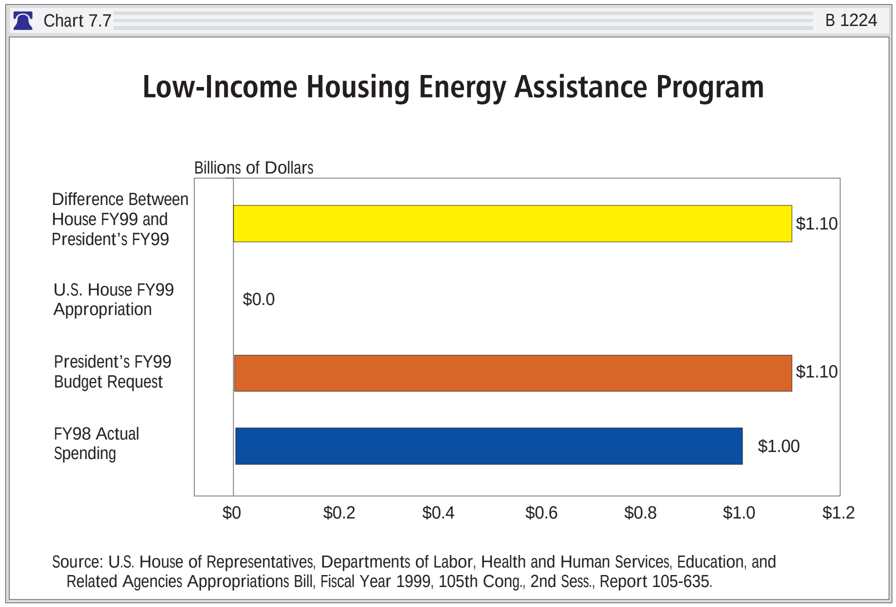
182. Charles Glenn, *A Review of the National Research Council Study: Improving Schooling for Language Minority Children: A Research Agenda* (Amherst, Mass.: Institute for Research in English Acquisition and Development, May 1997), p. 2.

183. U.S. Department of Education, FY 1999 Plan, Vol. 2, Program Performance Plans, February 25, 1998. Available at *http://www.ed.gov/PDFDocs/apvol2.pdf*.

184. *Ibid.*, p. 315.

185. *Ibid*.

LIHEAP was created in response to the rapid increases in the price of energy used in the home in the late 1970s and early 1980s. Since 1981, however, inflation in fuel prices has lagged far behind general inflation: fuel prices are up about 25 percent since 1981 in comparison with an overall inflation rate of 70 percent. That fact might now warrant either eliminating or reducing LIHEAP.[186]



The LIHEAP program is now obsolete. The extreme conditions it was created to address no longer exist. In addition, the states have been given more discretion over how they use federal welfare money, and this enables them to address the needs of low-income households more creatively. Continuing the LIHEAP program would needlessly preserve a federal bureaucracy to manage an obsolete program and drain resources that more appropriately should be available to states, local communities, and families. The House Appropriations Committee, therefore, has proposed to terminate funding for LIHEAP in FY 1999.

Head Start[187]

Since 1965, the Head Start program has served more than 15 million children at a total cost of over $30 billion. The program's general purpose is to provide comprehensive health, social, educational, and mental health services to disadvantaged students.[188] According to the GAO, however, the early childhood development program has continued to operate without any valid, useful study of how well it works.[189]

The Administration has asked Congress to increase funding for the program from $4.4 billion in FY 1998 to $4.7 billion in FY 1999. With these funds, the government anticipates serving an additional 30,000 to 36,000 children, raising the total number of children served annually to approximately 860,000.

Yet, in its five-year strategic plan submitted to Congress on September 30, 1997, Head

186. Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options,* August 1996, p. 305.

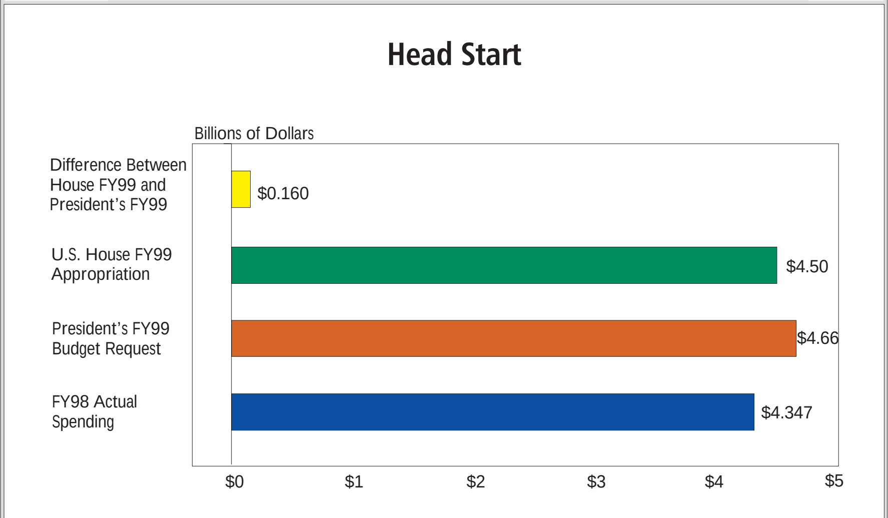
187. For more information, see Nina H. Shokraii and Patrick F. Fagan, "After 33 Years and $30 Billion, Time to Find Out If Head Start Produces Results," Heritage Foundation *Backgrounder* No. 1202, July 15, 1998.

188. See U.S. General Accounting Office, *Head Start: Participant Characteristics, Services, and Funding*, GAO/HEHS–98–65, March 31, 1998, for detailed information on the populations that receive Head Start services, what types of services are delivered, and when and where such services are available.

189. U.S. General Accounting Office, *Head Start: Research Provides Little Information on Impact of Current Program*, GAO/HEHS–97–59, April 15, 1997, p. 4.

Start's parent agency, HHS, was unable to describe precisely what the 30-year-old program is supposed to accomplish.[190] Worse, the agency's FY 1999 annual performance plan makes no mention of what American parents and taxpayers reasonably might expect in return for the $4.7 billion the Administration is asking them to give.[191]

Chart 7.8 B 1224



Source: U.S. House of Representatives, Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, Fiscal Year 1999, 105th Cong., 2nd Sess., Report 105-635.

The House Appropriations Committee bill proposes to fund a study by HHS, but this study—the Family and Child Experience Survey (FACES)—has serious methodological shortcomings.[192] In June 1998, the GAO testified before Congress that "we are not convinced that [HHS] initiatives will provide definitive information on impact, that is, on whether children and their families would have achieved these gains without participating in Head Start."[193] Thus, Congress should require HHS to perform the following much-needed analyses:

- **Evaluate** the differential effects of Head Start on participants' income as shown by its Survey of Income and Program Participation (SIPP).
- **Use** the National Longitudinal Survey of Youth (NLSY)—which since 1988 has gathered data on children who attended Head Start—to study a wide range of outcomes, including cognitive, socio-emotional, behavioral, and academic development, while controlling for such factors as family background and the mother's IQ and level of education.
- **Employ** the Survey of Program Dynamics, a new longitudinal survey required by the 1996 welfare reform act, to conduct an additional study of Head Start.
- **Mandate** that the Survey of Program Dynamics be linked with the NLSY at least once by the use of a common performance test. This would enable greater generalization of NLSY Head Start data.

After 30 years and more than $30 billion, Congress would be wise to demand that HHS competently study and effectively demonstrate that the Head Start program produces results.

190.The Department of Health and Human Services' strategic plan can be found on the Internet at *http://aspe.os.dhhs.gov/hhsplan*. Of the 24 strategic plans graded by Congress, this plan ranked 13th with a failing grade of 43 out of a possible 100 points.

191.See *http://www.hhs.gov/progorg/fin/99perfpl.html*. Of the 24 performance plans graded by Congress, this plan ranked 14th with a failing grade of 36.5 out of a possible 100 points.

192.U.S. General Accounting Office, *Head Start: Research Provides Little Information on Impact of Current Program*, p. 4.

193.Carlotta Joyner, "Challenges Faced in Demonstrating Program Results and Responding to Societal Changes," testimony before the Subcommittee on Early Childhood, Youth and Families, Committee on Education and the Workforce, U.S. House of Representatives, 105th Cong., 2nd session, GAO/T–HEHS–98–183, June 9, 1998.

National Labor Relations Board (NLRB)

Jurisdictional Thresholds. The House Appropriations Committee has included a provision in the Labor–HHS–Education appropriations bill that requires NLRB to adjust its jurisdictional thresholds for inflation. The NLRB settles labor disputes between unions and management. Most of its jurisdictional thresholds were set in 1959 and are based on the gross receipts of a business. Labor disputes involving businesses below the threshold are subject to resolution in state courts rather than by the NLRB. The threshold for non-retail businesses is currently $50,000 to $310,000 in 1997 dollars.

With no adjustment for inflation, businesses and the NLRB have been caught in "bracket creep." As inflation has increased since 1959, the NLRB has acquired jurisdiction over smaller and smaller businesses, needlessly increasing both its own and businesses' workloads. Congress never intended for businesses with as few as two employees to be covered by the NLRB, but up to 20 percent of the NLRB's workload now involves small businesses, and its budget has grown to $145 million.

The NLRB claims it cannot change its jurisdiction without an act of Congress. The corrective language in the appropriations bill does exactly that. By indexing jurisdiction to the rate of inflation, the NLRB once again will be able to focus on the larger businesses for which the law originally was written. At the same time, the corrective language continues the NLRB's current authority to adjudicate egregious cases below the thresholds and does nothing to alter the right of workers to organize or bargain collectively.

—Angela Antonelli is Director of the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.