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Obama's Earmark Reform Promises Can Help Restore Federal Budget Discipline

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President Obama's proposal to freeze a portion of the federal budget over the next three years is a very modest start toward restoring fiscal discipline. However, much more needs to be done to erase the \$13 trillion in federal deficits projected for the next 10 years.¹ Among the many spending restraint initiatives that must be implemented are the several excellent proposals to reform the earmark process that President Obama made on the campaign trail and in office.

In fiscal year (FY) 2009, earmark spending by Members of Congress totaled nearly \$20 billion.² If earmarks were eliminated in next year's budget and total spending were adjusted accordingly, the one-year savings would be greater than that expected from the President's proposed freeze, which is estimated to save only \$15 billion in the first year.

The Sordid Nature of Earmarks. Earmarks have become a popular way for Members of Congress to pander to influential constituents and lobbyists and are sometimes characterized by corruption and criminal behavior (as was the case with former Congressman Randy Cunningham, now serving time in a federal prison). Even under the best of circumstances, earmarks divert valuable federal dollars to projects of trivial value to the nation.

Under current congressional practice, an earmark begins life as a line item in legislation, typical of which is the \$5 million grant to MTS Technologies, Inc., for Army Vehicle Condition Based Maintenance, which Congressman John Murtha (D-PA) inserted in the FY 2010 appropriations bill for the

Department of Defense. This was one of 23 earmarks (totaling \$76.5 million) sponsored by Subcommittee Chairman Murtha; ranking member C. W. Bill Young (R-FL) received 36 earmarks totaling \$83.7 million.

Altogether, the FY 2010 DOD appropriations bill contains 1,720 earmarks worth \$5.3 billion.³ By including earmarked projects in legislation, federal agencies are legally bound to spend that money on that business for that project.

The chief reason Members of Congress use earmarks is to force federal, state, and local leaders to fund their pet projects, however worthless those projects might be. Indeed, the chief purpose of earmarking is to circumvent the usual process of competitive selection, as well as the expert analysis of government professional staff and members of the uniformed services.

In the case of many domestic programs, earmarks circumvent the competitive award process, as well as the priorities of state and local officials. As an indication of how utterly worthless many earmarks are for the communities to which they are targeted, historically less than half the earmarks authorized are actually funded, because many communities

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conclude that the projects are of such little value that the cost of the local match is not worth getting the federal funds being made available

The President's Solution. President Obama—both on the campaign trail and throughout his first year in office—has been highly critical of the earmarking process and has made numerous recommendations for how it might be limited. Specifically, the President proposed that:

- The annual cost of earmarks should be no greater than \$7.8 billion, the level they were at in 1994, when the Republicans took control of Congress; and
- Any earmark for a for-profit company should be subject to the same competitive bidding requirements as other federal contracts.⁴

The first commitment, if implemented, would reduce FY 2010 earmark costs (and federal spending) by as much as \$12.2 billion from FY 2009 levels.

The second commitment would also yield savings by requiring that services or products acquired from a for-profit company be competitively bid, thereby leading to lower costs than if acquired through a sole-source, sweetheart contract. The exact amount of money saved is difficult to determine, but studies of the extensive competitive contracting conducted by the Department of Defense (DOD) find that savings average between 25 to 35 percent of what it cost the government.⁵

A detailed analysis of the FY 2010 DOD appropriations bill reveals that 532 of the 1,083 earmarks requested by the House and 382 of the 781 requested by the Senate are being provided to private companies that, for the most part—and not surprisingly—are located in the district or state of the Member requesting the earmark.⁶

Each of these 914 earmarks funds some sort of defense-related research, service, and/or product. However, by using earmarks as the funding mechanism, Congress circumvents the federally required competitive bidding process and essentially mandates that DOD award sole source contracts to favored businesses, giving these businesses a monopolistic control of the research and products.

And while it is appropriate for Congress to direct the DOD to focus resources on specific types of research, services, and products that could enhance national security, the use of the competitive bidding process in this effort, as President Obama has pointed out, would ensure that the nation receives the best products at the best prices.

While the President is to be commended for his bold earmark reform policy, the mandate for competitive bidding should also be extended to the many not-for-profit entities (largely universities) that are to receive DOD earmarks. There is simply no reason why universities or other not-for-profits should be exempt from competition and be given monopoly control over vital research.

1. The White House, "The Budget Message of the President," February 1, 2010, at <http://www.gpoaccess.gov/usbudget/fy11/pdf/budget/message.pdf> (February 4, 2010).
2. Citizens Against Government Waste, "Pork-Barrel Report," Statistics: Pork Trends, 1991–2009, at <http://www.cagw.org/reports/pig-book> (February 4, 2010).
3. Taxpayers for Common Sense, "1,720 Earmarks in Final Defense Bill," December 17, 2009, http://www.taxpayer.net/search_by_category.php?action=view&proj_id=2696&category=National%20Security&type=Project (February 4, 2010).
4. See Obama/Biden Campaign, "The Change We Need in Washington: Stop Wasteful Spending and Curb Influence of Special Interests So Government Can Tackle Our Great Challenges," at http://obama.3cdn.net/0080cc578614b42284_2a0mvyxpz.pdf (February 4, 2010); President Barack Obama, "Remarks by President Barack Obama on Earmark Reform," March 11, 2009, at http://www.votesmart.org/speech_detail.php?sc_id=452720&keyword=earmark&phrase=&contain?q=print (February 4, 2010).
5. Ronald D. Utt, "Improving Government Performance Through Competitive Contracting," Heritage Foundation Backgrounder No. 1452, June 25, 2001, p. 6, at <http://www.heritage.org/Research/GovernmentReform/BG1452.cfm>.
6. Taxpayers for Common Sense, Earmarks: Fiscal Year 2010 Earmark Databases, at http://www.taxpayer.net/search_by_category.php?action=view&proj_id=2655&category=Earmarks&type=Project (February 4, 2010). The actual number may be more than 914 because some earmarks provide no information on the recipient, while others provide insufficient information to determine whether the recipient is a for-profit or not-for-profit entity and, thus, were not included in the for-profit total.

With the DOD bill's earmarks totaling \$5.3 billion, a 25 percent saving through competitive bidding could save as much as \$1.3 billion per year—funds that should be used to ameliorate the shortfall in defense funding.⁷ Though this paper focused on earmarks in the DOD appropriations bill, earmarks are pervasive across all appropriations bills.⁸

End Earmarks Now. With the deficit looming ever larger, the President must engage in a determined effort to restrain the out-of-control spending in which Congress and the White House have both engaged. His freeze proposal is but a very modest start, and a useful supplement would be

to reform the wasteful and sometimes corrupt congressional process of providing earmarks to influential businesses.

President Obama has promised repeatedly that his Administration would be transformational, and the fulfillment of his earmark reform pledge would certainly do that by ending a sordid, lobbyist-driven practice that undermines the value of government and provides unearned benefits to special interests.

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7. Baker Spring, "2010 Defense Budget Request," Heritage Foundation *Backgrounder* No. 2286, June 19, 2009, at <http://www.heritage.org/Research/NationalSecurity/bg2286.cfm>.

8. Brian M. Riedl, "Business as Usual in Washington: Another Bloated, Pork-Filled Omnibus Spending Bill," Heritage Foundation *WebMemo* No. 2728, December 10, 2009, at <http://www.heritage.org/Research/Budget/wm2728.cfm>.