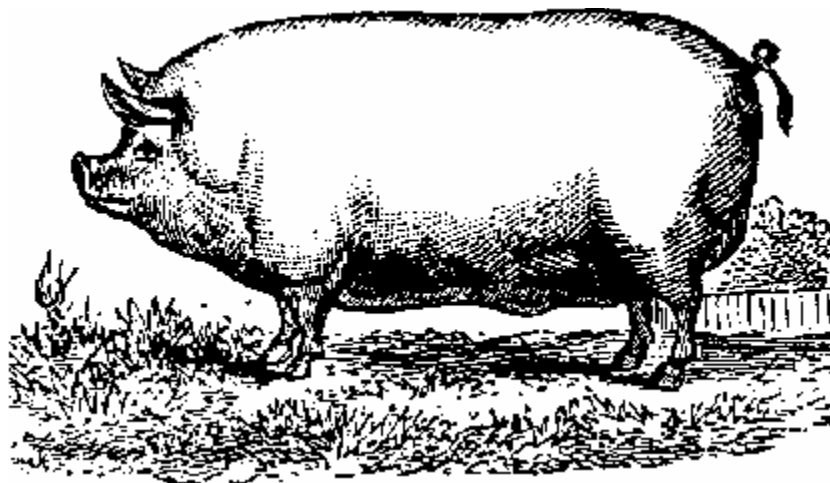


**Citizens Against Government Waste
and
The Goldwater Institute**



**2002 ARIZONA
PIGLET BOOK**

“The Book Phoenix Doesn’t Want You to Read”

CITIZENS AGAINST GOVERNMENT WASTE

Citizens Against Government Waste (CAGW) is a private, nonprofit, nonpartisan organization dedicated to educating the American public about waste, mismanagement, and inefficiency in the federal government.

CAGW was founded in 1984 by J. Peter Grace and nationally-syndicated columnist Jack Anderson to build support for implementation of the Grace Commission recommendations and other waste-cutting proposals. Since its inception, CAGW has been at the forefront of the fight for efficiency, economy, and accountability in government.

CAGW has one million members and supporters nationwide. Since 1986, CAGW and its members have helped save taxpayers more than \$686 billion.

CAGW publishes a quarterly newsletter, *Government Waste Watch*, and produces special reports, monographs, and television documentaries examining government waste and what citizens can do to stop it.

CAGW is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1954 and is recognized as a publicly-supported organization described in Section 509(a)(1) and 170(b)(A)(vi) of the code. Individuals, corporations, companies, associations, and foundations are eligible to support the work of CAGW through tax-deductible gifts.

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THE GOLDWATER INSTITUTE

The Goldwater Institute was established in 1988 as an independent, nonpartisan research and educational organization dedicated to the study of public policy in Arizona. Through research papers, commentaries, policy briefings and events, Goldwater scholars advance public policies based on the principles championed by the late Senator Barry Goldwater during his years of public service—limited government, economic freedom and individual responsibility. Consistent with a belief in limited government, the Goldwater Institute neither seeks nor accepts government funds and relies on voluntary contributions to fund its work.

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Introduction:

Twenty years ago President Reagan empaneled a team of 161 senior business executives and more than 2,000 private sector volunteers to undertake a comprehensive review of the federal government. The report of the President's Private Sector Survey on Cost Control, better known as the Grace Commission after the panel's chairman, the late J. Peter Grace, made 2,478 recommendations to eliminate waste, mismanagement, and inefficiency in Washington, with three year-year savings of \$424.4 billion. More importantly, Peter Grace joined with syndicated columnist and Pulitzer Prize winner Jack Anderson to form Citizens Against Government Waste (CAGW) to promote implementation of Grace Commission recommendations and promulgate additional recommendations at every level of government. Since 1984, CAGW and its one million members and supporters have helped taxpayers save more than \$686 billion.

CAGW's most well-known publication is the *Congressional Pig Book*. Since 1991, CAGW has published this annual expose of pork-barrel spending in the 13 federal appropriations bills. After 11 years of documenting pork, CAGW has compiled a database of 32,443 projects costing federal taxpayers \$140 billion. The list of federal pork includes everything from building a canoe in Hawaii to a parking garage in Maine. The *2002 Pig Book* cites \$20.1 billion in pork and 8,341 projects, both record numbers.

CAGW also produces *Prime Cuts*, a comprehensive look at the depth and breadth of waste throughout the federal government. Issues ranging from eliminating corporate welfare to unneeded defense systems are listed as potential cost savings. *Prime Cuts 2001* identified \$159 billion in potential one-year savings and \$1.2 trillion in five-year savings. Considering that the federal deficit is \$157 billion, *Prime Cuts* alone could go a long way in bringing back fiscal sanity.

CAGW's lobbying arm, the Council for Citizens Against Government Waste, has been active in fighting waste at the state level with grassroots efforts to make generic drugs available to all seniors in Florida and fighting tax increases in California. Local Taxpayer Action Network activists have successfully thwarted tax increases in Lubbock, Texas, and fought against excessive construction costs in Tampa, Florida.

While Congress and the President debate the budget at the federal level, the battlefield against wasteful spending has spread to the state legislatures. Many states that recently saw surpluses are staring at deficits as far as the eye can see. For example, Arizona is facing a \$400 million deficit that could balloon up to \$1 billion next year.

Arizona's budget mess has become a campaign issue. Most legislators and candidates realize that spending cuts have to be at least part of the solution to balancing the budget. The republican candidate's plan is a lengthy document outlining the problems and potential solutions. The independent candidate published a short but meaty list and the democratic candidate issued a document that relies more on tax increases than spending cuts.

With the help of the Goldwater Institute, CAGW has compiled a list of questionable expenditures to educate the public, the media, and state representatives and senators about the available options to balance Arizona's budget.

Modeled after CAGW's two most prominent publications, the *Arizona Piglet Book* combines the ridiculous examples of the *Pig Book* with the seriousness of *Prime Cuts* to illustrate that spending has not been cut to the bone and that the real culprit for Arizona's budgetary mess is runaway expenditures. Before one more tax dollar is sacrificed from hard-working Arizona families, the state legislature must take a good hard look at the budget and eliminate waste, fraud, and abuse.

The following list, by agency or budget entity, describes the programs that could be reduced or eliminated in Arizona's budget.

Department of Agriculture - \$1.3 million

Agriculture Consulting and Training—Provides advice and consultation to the agricultural community on how to comply with state statutes, regulations, policies, and federal mandates. In the absence of privatization, this program should be paid for by the direct beneficiaries through user fees.

Animal Food Product Inspection—Regulates and licenses poultry, milk, and egg producers. Unlike the inspection programs for commercial feed, fertilizer, pesticides, seeds, fruits, and organic food, this inspection program is funded mostly through general tax revenue. It should be up to the industry, not taxpayers, to pay for these functions through fees, as do other food producers. Like other inspection programs, this one could also be reformed. One reform would be to allow all food manufacturers to waive paying the state for an inspection if they receive inspections by state certified or private inspection firms. This reform would save taxpayers money in the long run.¹

¹ Canada has privatized its national food inspection system with great success. See Ted C. Shroeder, Clement E. Ward, James Mintert, and Derrel S. Peel, "Beef Industry Price Discovery: A Look Ahead," in *Concentrated Markets: Issues, Answers, Future Directions*, ed. Wayne Purcell, Research Institute on Livestock Pricing, Virginia Polytechnic Institute and State University, Blacksburg, Virginia, February 1997, p. 31. Gov. Frank Keating of Oklahoma has recommended privatizing the animal inspection program in Oklahoma. See "Budget Proposal Highlights Listed," *Shawnee News*, February 2, 1999, www.news-star.com/stories/020299/new_budget.shtml.

Arizona Health Care Cost Containment System - \$213,000

Indian Advisory Council—Assists Arizona’s Native American population in developing a comprehensive health care delivery system. Tribes should make and fund their health care decisions autonomously.

Board of Directors for Community Colleges - \$106 million

This agency oversees the community colleges. However, most of the funding comes from local taxes. There is no need to centrally control the community college system. The duties of this board should go only to distributed equalization aid and capital aid. Each community college should find ways to make its operations more efficient. Some state legislators have already suggested getting rid of the Board for Community Colleges. Privatization should be considered as an alternative way to provide this service.

Department of Commerce - \$7 million

Entire General Fund Appropriation—The state government should not be involved in micromanaging county and city development. Nor should it force taxpayers to fund grants directly to businesses or provide services that help profit-making enterprises advertise or promote themselves. The Department of Commerce is primarily a vehicle for these sorts of corporate welfare programs. It is certainly not a proper role of government to woo Hollywood producers through the Motion Picture Office, or to provide special treatment to sports teams through the Office of Sports Development. Indeed, government should provide no special treatment to any business. The environmental funds within Commerce could be transferred to the Department of Environmental Quality.

CEDC Fund—The Commerce and Economic Development Commission fund should be closed. The commission, which consists of 35 public and private sector members serving at the request of the governor, oversees the handing out of subsidies to industries and corporations in the name of “short-term and long-term economic development initiatives in the statewide economic development strategic plan.”² As many studies have shown, there is “no statistical evidence that business incentives actually create jobs and incentives are not the primary or sole influence on business location decision-making.”³ Although subsidies and special treatment for some companies might work in the short run, what ultimately determines whether a company will relocate to the state or leave the

² “Appropriations Report: Fiscal Years 2000 and 2001,” Joint Legislative Budget Committee, 1999, p. 63.

³ See Roger Wilson, *State Business Incentives and Economic Growth: Are They Effective? A Review of the Literature*, Council of State Governments, as quoted in Lawrence W. Reed, Lexington, Ky., 1989, and “Time to End Economic War between the States,” *Regulation* 19, No. 2, Cato Institute, Washington, D.C., 1996.

state is the tax burden and the climate of regulation and litigation.⁴ Money saved by abolishing the Department of Commerce and the CEDC fund should not go to pay for new general fund spending. It should instead go to new tax cuts, which is the most effective strategy to help businesses and the economy.

Department of Corrections - \$15.2 million

New Prison Beds—During the third special session, the legislature committed the state to provide 2,495 new prison beds in government-run prisons. The state should instead contract with private prisons to provide those beds, which could result in substantial cost savings.

Privatize the Phoenix and Tucson Prisons—The state’s current private prisons save taxpayers money. Privatizing the Phoenix and Tucson prisons could serve as a first step to privatizing additional state prisons, which could save taxpayers even more money.⁵

Department of Economic Security - \$2.3 million

Governor’s Advisory Council on Aging—This program does little more than lobby for new legislation. In fact, one of its key performance goals is to increase the number of bills passed regarding “aging issues.”⁶ Moreover, its functions duplicate the other elderly care programs in the Department of Economic Security.

Summer Youth Program and Summer Youth Employment and Training—These programs fund summer youth employment, education, and gang prevention programs. The last of these is duplicated by Superior Court programs, federal anti-gang programs, and Project GITEM. The training programs are not a proper function of a limited government, nor are they likely to be effective.⁷

⁴ For a case study, see Dennis A. Rondinelli and William J. Burpitt, “Do Government Incentives Attract and Retain International Investment? A Study of Foreign Owned Firms in North Carolina,” *Policy Sciences* 33, No. 2, 2000.

⁵ The auditor general has reported that private prisons save taxpayers 12 percent of the cost of comparable prison beds and services. It is on this estimate that the budget savings are based. See “Arizona Department of Corrections—Private Prisons,” Office of the Auditor General, Report No. 01-13, July 2001.

⁶ See *Master List of State Government Programs 2000-2001*, Office of Strategic Planning and Budgeting, www.state.az.us/ospb/master.html.

⁷ Whether government-run job training programs actually help workers is questionable. See General Accounting Office, “Job Training Partnership Act: Long-Term Earnings and Employment Outcomes,” GAO/HEHS-96-40, March 4, 1996, and James Bovard, “The Failure of Federal Job Training,” Cato Institute Policy Analysis No. 77, August 28, 1986.

Department of Education - \$19.5 million

Early Childhood Block Grants—This program pays for low-income kindergarten classes and services for students in kindergarten through third grade. There is little evidence that preschool significantly benefits children, regardless of income.⁸ Private alternatives exist to government-funded preschool and kindergarten.⁹ A more cost-effective way of improving schools is through competition and local innovation.

Arizona Geological Survey - \$868,000

This agency creates and indexes geological maps and data, provides support for other agencies, and regulates the production of geothermal resources. The regulation components could be shifted to the State Land Department and the other functions could be privatized.

Governor's Office for Excellence in Government - \$1.5 million

This program provides management consulting services for the executive branch. If agencies are truly seeking greater efficiency, they will pay for these services through their existing budgets. In any case, this program is not essential to the function of individual agencies.

Arizona Historical Society - \$4.5 million

This program is a membership-supported, nonprofit state trust agency that gives money to preserve and maintain museums pertaining to the history of Arizona. This program can proceed without support from government, and a nonprofit foundation could accomplish the same task and collect the same dues from its members without a commitment by the state government.¹⁰

⁸ See Darcy Olsen, "Universal Preschool is No Golden Ticket," Cato Institute Policy Analysis No. 333, February 9, 1999.

⁹ Michigan has had considerable success with privatizing school programs. See Janet Naylor Vandenberg and Craig Garrett, "Privatized Programs Cut Costs in Public Schools," *Detroit News*, May 4, 2001, www.detnews.com/2001/schools/0105/04/a01-220298.htm.

¹⁰ There are numerous privatized museums across the country. For a case study from Philadelphia, see John McCalla, "Expanding History," *Philadelphia City Paper*, January 1, 1998, www.citypaper.net/articles/122597/h&r1.shtml. Portions of the historic Civil War battlefield in Gettysburg, Pennsylvania, have been privatized. See "Gettysburg Park Plans Privatization," *Entertaining Privatization*, Mackinac Center for Public Policy, Spring 1999, www.mackinac.org/1862.

Prescott Historical Society - \$770,000

This program funds historical preservation and museums in Prescott and could easily be financed by the locality or a member-supported nonprofit foundation. It should be devolved to the local government or privatized.¹¹

Department of Mines and Mineral Resources - \$717,000

This nonregulatory agency provides technical assistance to mining companies at taxpayer expense and runs the Mining and Mineral Museum. The technical and economic development assistance provided by state government to miners amounts to corporate welfare. That function, which subsidizes a remarkably small portion of the state economy, should be funded by voluntary fees or eliminated. The museum could be privatized and run by a nonprofit foundation.¹²

Office of Tourism - \$10 million

This agency promotes tourism through visitor centers and advertising. The visitor centers could be privatized or run by fees. The advertising campaigns constitute a transfer to the leisure industry in the state and should be considered corporate welfare. The trade associations of this industry are capable of paying for such advertising.

Universities - \$102 million

Personal benefits should typically be paid for entirely by the beneficiaries. The Arizona constitution says that university education should be provided to the taxpaying residents of the state with a cost “as nearly free as possible.” The state attorney general has interpreted the clause so that its meaning depends on relative circumstances (how much in-state tuition costs in other states).¹³ The Arizona Board of Regents has decided it will satisfy this constitutional provision by keeping state tuition ranked “in the bottom one-third of the 50 American public flagship universities.”¹⁴ To satisfy all of these principles, it is reasonable to make the universities responsible for at least one-third of their budgets through tuition and independent fundraising by their well-funded development departments (they currently are only responsible for one-fourth). Even if 100 percent of the increase in budget obligation were covered by increases in tuition, tuition for in-state students would still fall within the bottom one-third of flagship American public

¹¹ Ibid.

¹² Ibid.

¹³ Opinion of the Arizona Attorney General, no. I99-011 (R99-099), May 11, 1999, www.ag.state.az.us/opinions/I99-011.html.

¹⁴ See Elizabeth Ervin, “As Nearly Free As Possible,” *Higher Education Issues*, update to Vol. 1, No. 1, University of Arizona Office of the Provost, April 2000, w3.arizona.edu/~provost/issues/issue1-2000.html.

universities. Also, the state universities should be given more autonomy to find savings in their individual school budgets.

More thought must be given to innovative ways to supply higher education in the state. State money could follow students (through vouchers or subsidized loans) instead of automatically going directly into school budgets. Vouchers or tuition tax credits would not only encourage more competition between state schools but promote the creation of more private alternatives in higher education.

Conclusion

Arizona's problems are not unique. Other states, such as California and Oregon are facing massive debt and a slowing economy. Initial solutions to these problems have been to raise taxes. But instead of burdening taxpayers with even more taxes, states should be getting rid of government waste. For example, in Colorado a 1993 constitutional amendment requires voter approval for any tax increases and limits increases in spending to the rate of inflation plus population growth. As a result, the budget is balanced, expenditures have grown by only 8 percent over the past four years, and the state has returned \$3 billion to taxpayers since 1997.

The first step Arizona should take is to implement the cost-cutting recommendations identified in this report. From privatizing Tuscon and Phoenix prisons to eliminating the Office of Tourism, Arizona must take immediate action to ensure a strong fiscal future for everybody in Arizona.

Second, Arizona needs to establish a Budget Realignment Commission to analyze every nook and cranny of the Arizona budget to cut waste. With private sector expertise and the help of nonprofit organizations like the Goldwater Institute, such a commission would scrutinize all expenditures to ensure that every tax dollar is accountable and follow up to make sure that the waste is eliminated.

Arizona's problems are not insurmountable. With the right leadership in Phoenix and the support of Arizonians, change can be made. The question remains whether the politicians will have the resolve to sacrifice some of their goodies or the taxpayers of Arizona will be asked to sacrifice more of their hard-earned money.