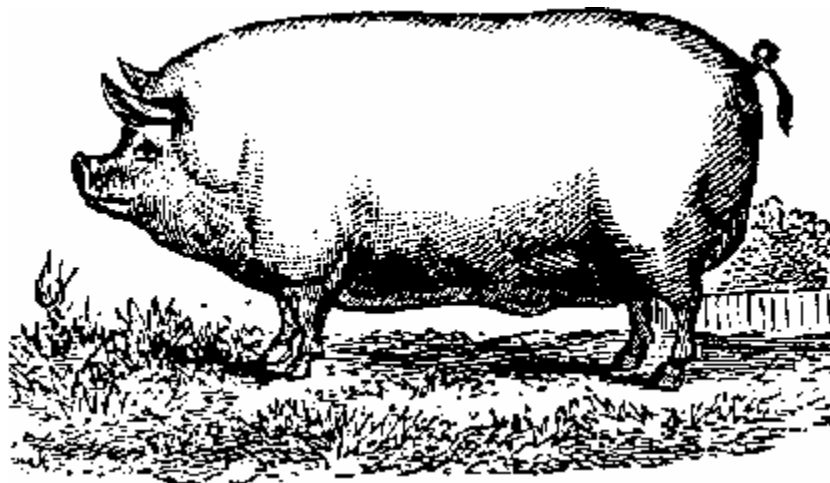


**Citizens Against Government Waste
and
The Taxpayers Association of Oregon**



**2002 OREGON
PIGLET BOOK**

“The Book Salem 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 Taxpayer Association of Oregon (TAO) was formed in the year 2000 by Don McIntire and Jason D. Williams. TAO is a full-service taxpayer advocacy group that works to defend taxpayer rights in the state legislature, at the ballot box, and at the local level. It runs a popular daily news website called OregonWatchdog.com. It publishes a quarterly newsletter called the Oregon Waste Watch Report to chronicle waste, pork and abuse of taxpayer dollars. TAO's sponsorship rate is \$9.00 a year, purposely low because they know that Oregonians are overtaxed.

TAO also has partner organizations like the Taxpayer Association PAC which helps elect taxpayer friendly candidates and publishes voter scorecards. The Taxpayer Association Measure Pac helps pass pro-taxpayer ballot measures. The Taxpayer Foundation of Oregon, a 501 c(3) education organization which conducts research into government spending and taxation.

Introduction

Almost 20 years ago, President Reagan empanelled 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 savings of \$424.4 billion. More importantly, Peter Grace joined with Nobel-winning syndicated columnist Jack Anderson to form Citizens Against Government Waste (CAGW) to promote implementation of Grace Commission recommendations and publicized additional recommendations at every level of government. Since 1984, CAGW has helped taxpayers save more than \$686 billion.

The Base Realignment and Closure Commission (BRAC) and the Chief Financial Officer's Act are two of the most prominent Grace Commission success stories. In 1988, Congress passed the first BRAC. After four base closure rounds in 1988, 1991, 1993 and 1995, the Pentagon has closed 97 major bases in the United States to save taxpayers \$25 billion through fiscal 2003 and \$3 billion per year thereafter. In 1990, Congress passed the Chief Financial Officer's Act, which finally mandated by law that federal agencies adhere to generally accepted accounting principles. This was an important first step toward eliminating the government's wasteful financial management habits at the expense of American taxpayers.

Following the Grace Commission's success, CAGW's most well-known publication is the *Congressional Pig Book*. Since 1991, CAGW has published this annual exposé 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.

CAGW and its 1 million members and supporters have also been active at the state level through grassroots efforts by the Council for Citizens Against Government Waste, CAGW's lobbying arm, to make generic drugs available to all seniors in Florida and against 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 President Bush debate the budget at the federal level, the battle 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. Last year, Oregon projected a surplus of \$1.3 billion in the general fund in 2001. Instead, this year's budget deficit has been more than \$1 billion.

Oregon's finances are clearly spiraling out of control. The state legislature is struggling to pass its two-year budget, having entered its fifth special session with increasing talk of raising taxes rather than cutting spending to make up for the shortfall. It always seems easier for politicians to increase taxes than to cut spending. CAGW, with the help of the Taxpayer Association of Oregon (TAO), has compiled a list of questionable expenditures to educate the public, the media, and state representatives and senators about the available options.

Modeled after CAGW's two most prominent publications, the *Oregon 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 Oregon's budgetary mess is runaway expenditures. Before hard working Oregon families are asked to sacrifice one more dollar in taxes, the state legislature must take a good hard look at the budget and eliminate waste, fraud, and abuse.

Lining Their Own Pockets and Misguided Priorities

In times of crisis, families analyze all expenditures with an attempt to best utilize their income. For example, faced with less revenue, a typical family will cut out the nonessentials and forego luxuries. Unfortunately, Oregon's leaders don't look at the state's budget with the same logic.

One high-profile pork program this year was a \$74,000 state grant to a private membership organization called the World Affairs Council. This nonprofit organization helps recruit guest speakers to Oregon. The grant's survival may be due to the fact that the executive director of this private business is State Representative Jeff Merkley (D-Portland).

Not only is state money going directly to enhance politicians' careers, legislators are creating new state jobs for themselves. Oregon State Representative Jim Hill resigned in the spring of 2002 to take a position as a \$100,000-per-year Internet program manager with the state—a position he helped create as a lawmaker. Rep. Ben Westlund (R-Tumalo), who created the Oregon Cultural Trust arts fund, is also applying for the \$80,000 per year director's position.



Managers of the Department of Administrative Services authorized the purchase of a fleet of Ford Excursions, the nation's largest sports utility vehicle.

During budget cutbacks, Eric Mason of ABC affiliate KATU in Portland discovered that the Oregon Department of Administrative Services had purchased a fleet of seven fancy Ford Excursions at a cost to taxpayers of \$208,000. The SUVs were bought for the Department of Public Safety Standards, which needed vehicles with heavy tow capacity. The Excursion just happens to be the largest towing vehicle of its kind. The department also added premium CD players, but the reasoning behind this decision was not offered. Officials defended their actions by saying they got a good bargain for the money

they spent.

The Department of Adult and Family Services this year ordered more than a dozen high-end \$300 Palm Pilots for their employees. A less popular name brand but equally effective handheld computer costs \$150 on the Internet. This story, exposed by KXL radio host Lars Larson, is just a sample of government waste revealed by his listeners.

Oregon Public Employment Retirement Plan

Oregon's public employee retirement system (PERS) is often cited as the most generous state retirement system in the country. It is also a model for other states to not imitate. Over the years, the system has been run by board members who happen to benefit directly from the very system they manage. The board has held very little back, as massive overspending has led to an \$8.5 billion shortfall.

What caused this shortfall? First, the average retiree makes 105 percent of his salary upon retirement. The average age of retirement has slid back over the years to 51, putting even more financial pressure on the system.

Second, the plan is extremely generous. Oregon Tax Research (OTR) reports that retirees are guaranteed a minimum 8 percent return on their investment. If the PERS investment fund falls with a slumping stock market, the retiree still gets 8 percent, even if the fund lacks the ability to pay. This would be equivalent to a stock broker guaranteeing a return on the stock market and covering any amount less than promised. If the PERS investments expand with a rising stock market, the retirees get the extra funds added to their retirement. In addition, at retirement a 2 percent cost-of-living benefit gets added every year to keep ahead of inflation. Retirees also get a \$60 per month health care benefit. Employees hired after 1996 receive a scaled-down, but still generous package.

OTR has been sounding the alarm about PERS for more than a decade and breaks down the elements that have caused the \$8.5 billion deficit (see www.oregontaxes.org). OTR notes, “In many ways, the system is a hybrid of the ‘defined contribution’ and ‘defined benefit’ plans common in the private sector. PERS takes the best elements of both kinds of plans to give Oregon’s school district and state and local government retirees among the best and most generous retirement plans in the world.”



State Representative Tim Knopp (R-Bend) has been leading the legislative charge for controllable costs and has submitted many bills, including those to create a new system for new hires, update the mortality tables and get legislators out of PERS. The use of incorrect mortality tables, based on 1978 life expectancy rates rather than 2002 rates is costing Oregon’s taxpayers \$51 million per year. However, even the simple change of updating the mortality tables to be factually accurate was met with resistance in the state capitol, in public employee unions and on the PERS board. Lawsuits and mass early retirements were some of the problems leveled against changing the tables.

The Economic Development Department

Every year, the Oregon Economic and Community Development Department receives greater scrutiny. Over the past 10 years, the department has spent more than \$1 billion to help stimulate the economy through bonds, tax abatements, loans and grants. The department has found itself in a difficult spot this year as Oregon’s economy became so weak that the state ranked number one in unemployment. Companies receiving tax breaks in exchange for guaranteed employment growth were closing their doors or moving out of state.

During the 1990s the department attempted to revive rural areas of Oregon after federal government policies devastated the timber industry. They spent hundreds of millions of dollars on business-boosting grants and infrastructure improvements such as gas and water lines and high speed cable. Despite the expenditures, rural Oregon still suffers from double digit unemployment. While the rest of the state and nation were enjoying the greatest economic expansion in history during the 1990s, rural Oregon was going backward. As a final insult, those rural counties were not shielded from the recession this past year.

Embarrassed by Oregon’s high unemployment, several lawmakers introduced a bill requiring the department to immediately develop a plan to revive the economy. It was a strange moment—the legislature passed a bill to tell an agency, designed to stimulate the economy and armed with a \$470 million

budget with 149 employees, to write an emergency report on how to fix the economy.

Phony Philanthropy – Oregon Style

In 1998, CAGW published *Phony Philanthropy*, which chronicled environmental nonprofit groups that received federal funds through the Environmental Protection Agency to pursue their agendas. Among the different uses of taxpayers' funds, CAGW's report identified organizations that used taxpayer dollars for their own advocacy or received so much money from the federal government that they were practically government dependents. Phony philanthropy, however, is not limited to the federal level.

Oregon state monies have also been used by nonprofit groups to lobby the state government. For example, in the fall of 2001 the state legislature conducted public hearings regarding the recession. One of the participants, the Oregon Environmental Council, recipient of \$15,000 from the Economic Development Department, lobbied for a new \$900 million eco-tax. Articles featured by these groups talked of a new eco-revolution as big as Martin Luther's Reformation because America's capitalism had utterly failed. The Natural Step Network, which received \$3,000 from the Economic Development Department, runs a website that features articles attacking capitalism and promoting radical environmental groups such as Earth First! which have a history of eco-terrorism.

Helping usher in Oregon's new environmental mandate is a \$90,000 state-run website called OregonSolution.com. The website alerts the public to important community events like learning and mentoring skills from the life of coyotes. It also helps link the public to agriculture organizations in the state. Farmers, ranchers and growers are not listed, but lobby groups like 1000 Friends of Oregon who are anti-growth and favor laws restricting farming are listed.

Here is a partial list of other environmental groups receiving state funds:

\$66,000 for the Ecosystem Workforce Management;

\$15,000 for the American Environmental Review-Media Piece;

\$13,000 for Green Building-Healthy Living;

\$7,500 for the NW Environmental Councils;

\$5,000 for the Sustainable NW Forum;

\$5,000 for the Zero Waste Alliance (it is a shame that the Zero Waste Alliance isn't dedicated to getting rid of fiscal waste); and

\$950 for the NW Environmental Conference.

With a staff of 4,228 employees and a budget of \$1.2 billion that the state spends for natural resource related agencies, state taxpayers should not be footing the bill to promote the agendas of select groups.

High Density Housing

Housing is a problem throughout the nation. From dilapidated public housing to housing shortages, housing can also be an issue that wins or loses an election. In 2001, the state of Oregon introduced a new tax break for high density housing. The higher the building, the greater the tax break: up to 80 percent of property taxes, for up to 10 years.

Unfortunately, this program is duplicative of local initiatives such as the one in Portland, which provides similar tax breaks for developers that build high-density buildings, especially near key transit areas (most notably light rail). An organization, Ortem (turn “metro” around) has identified more than \$30 million in property tax breaks that are being offered to such projects over 10 years.

The unique features of high density housing shed some light on its problems. High density housing is built along major bus lines, which can produce late night noise and sidewalk traffic, and on top of businesses and along major bus lines. A few recent buildings have been located a few feet from a freeway, creating even more noise and an ugly landscape. High density housing is designed to be as compact as possible, which means little or no decks, backyards or porches. The compact element of this type of housing means aesthetics are sacrificed. Creative entryways or yards or amenities like pools are left out and the buildings are built where planners want people to live and not necessarily where people are moving. This could explain why high density housing has higher vacancy rates than normal apartments. Build it and the tax break will come. Housing construction decisions should be made based upon the free market, not government tax subsidies.

Here are some examples of Portland’s High Density Housing and subsidies (photos are available at www.ortem.org):

<u>Address:</u>	<u>10-year tax subsidy</u>
1704 SW Jefferson St	\$2,678,630
310 NW 5th Ave	\$1,143,590
1102 NW Lovejoy St	\$3,509,250
1425 NE 7th Ave	\$1,542,692
911 NW Irving St/720 Nw 10th Ave	\$163,710
New Russellville; Lot 1	\$1,516,449
New Russellville; Lot 2	\$1,175,584
New Russellville; Lot 3	\$663,011
2025 SW River Pky	\$4,600,013
0308-0320 SW Montgomery St	\$2,783,790
2115 SW River Parkway	\$3,789,760



This highly unattractive gray housing megaplex is a typical high-density housing project. The sterile conformity look, without decks, helps to give this place the look of a penitentiary. It is located just a few feet from one of Oregon's busiest highways, Interstate 84.

Travel Woes

While most people are concerned about their physical safety when traveling, Oregonians should also be concerned about their fiscal safety. Statewide office holders are taking themselves and taxpayers for a ride. In the midst of a northwest energy crisis in 2000, Oregon's Public Utility Commissioners (PUCs) were traveling around Europe educating other nations on Oregon's model utility system. Taxpayers paid \$212,000 for several PUCs to travel to Armenia, Brazil, Hungary, Latvia, Portugal, Romania and Zambia.



State School Superintendent Stan Bunn was charged with more than 2,700 ethic violations

The state Superintendent of Public Instruction, Stan Bunn, was charged with more than 2,700 ethics violations that included travel and cell phone abuses. Bunn built up airline travel miles while on official state trips. He then used the frequent flyer miles to travel to Hawaii and send his daughters to Europe. During an Alaska fishing trip, he had the state pick up part of his rental car expenses.

Before taking office, Bunn arranged to have the state issue him his own vehicle—a brand-new Ford Crown Victoria that contained extra “police package” features and amenities. Bunn requested additional features but was denied by the State Motor Pool Department. He received some anyway, including an outside temperature gauge and a visor-mounted vanity mirror, by charging them to the Department of Education.

The State Motor Pool also refused Bunn's request for “salmon” vanity license plates. But the car was issued without standard state vehicle identification and “E” license plates, which are used to help the public monitor use of state vehicles. The new car was then used by Bunn to travel from home to work, and for other personal commutes, which amounted to more than 34,000

miles from 1999 to the present. The Department of Education paid \$18,843 for the use of the vehicle, although according to state policy, home commutes may not be reimbursed.

The former director of the Commission on Hispanic Affairs, Christopher Santiago Williams, is facing 820 ethics violations from the state dealing with travel and other abuses of taxpayer dollars. Williams charged \$1,653 for his personal travel expenses. A total of \$1,381 was spent for a questionable trip to San Diego for a conference, a conference that investigators are unable to verify Williams attended. During one of the trips, Williams charged his hotel video to the state. He received \$1,495 in unused vacation time that was actually used. In addition, Williams had 777 personal cell phone calls billed to the state, a brand new computer and printer for his home use, \$200 in rent payments for use of office space in his home, and \$6,000 worth of commission contracts awarded to his wife. All of these expenses were in addition to his \$40,452 salary.

As the recession continued, Governor John Kitzhaber made a point of limiting employee travel. State agencies self-identified \$250,000 in possible travel reductions. One lawmaker identified possibly \$10 million that could have been saved.

The governor's restrictions did not stop others from traveling. Right after the legislature voted to increase taxes in June 2002, 16 legislators took a taxpayer-funded trip to Denver for a conference. Total cost to taxpayers was estimated at \$26,000. Some school districts cut travel, but the Reynolds School district spent \$10,000 to send their board members to New Orleans for a conference.

Government Employment

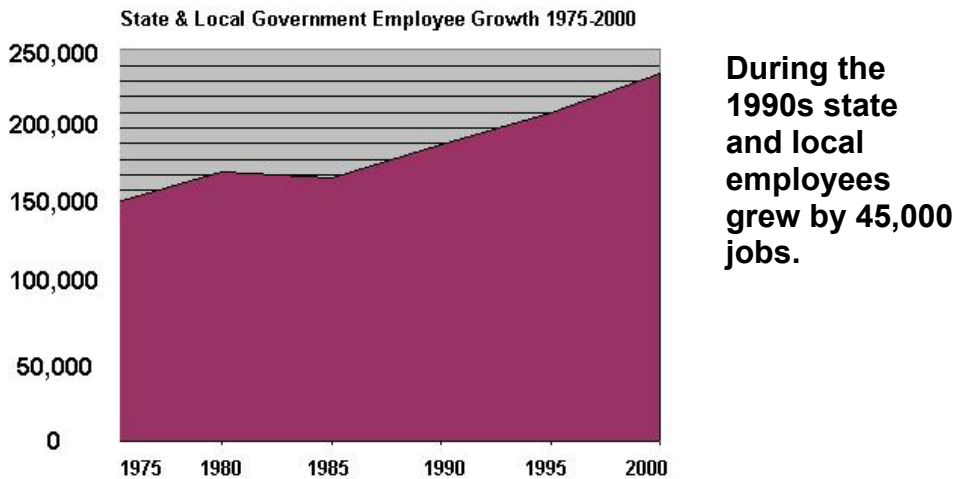
By the middle of the 2001 legislative session, Oregon had lost 10,000 private sector jobs since the year before. At the same time, lawmakers were passing a budget that added 1,000 new public employees. The job loss continued to drop by the thousands over the year until Oregon hit rock bottom as the worst job-growth state in the nation. The continued increase in government employees raises the important questions of who are these employees, why were they hired, and what are they doing? A look at the Department of Education job description categories reveals that roughly 46 percent of all its education employees are not in the teaching category. Oregon may not know exactly what all public employees are doing, but in the case of education employees we know what they are not doing—teaching.

Recent welfare reforms helped reveal the problem with employee growth and the state's refusal to downsize. Oregon was one of the first states to implement welfare reform. Since the middle of the 1990s, the number of Oregonians on welfare dropped from 41,000 to 16,000 by 2001, a true success

story. But during the same period the number of caseworkers stayed the same. Even worse, the funds going into welfare did not necessarily decrease as caseloads dropped. The department found itself with a \$20 million surplus, which it kept in a special account without notifying the legislature or the public.

One of the reasons given for keeping staffing levels high was that the nature of the job was changing for caseworkers. Caseworkers were now engaging in greater services for their welfare clients by taking on the task of finding daycare and helping with retention activities. However in 2001, when *The Statesman Journal* in Salem interviewed welfare clients to get their perspective, one client stated that she rarely talks to her caseworker and when she does it's by phone. The paper notes, "When she did ask for help after being unable to pay for day care, she said her caseworker just berated her for not managing her money well enough."

A more recent phenomenon is the growth of new state positions that simply do not get filled, with the money allocated for salary being spent for other purposes. The most high-profile example began in 1999. Rising traffic accidents, and too few cops to stop speeders and drunk drivers, painted a dangerous picture of Oregon's roads. The legislature immediately allocated funds for 100 new state troopers to make Oregon highways safe again. During the next legislative session in 2001, many lawmakers noticed that many of the 100 positions had not been filled, yet the money had been spent. More money doesn't necessarily mean better services or a guarantee that the money will be spent on the intended purpose.



Human Resources

The Human Resources Department has suffered from numerous embarrassing news stories in the past year. A state audit found that the Oregon Health Plan was awarding benefits to people who did not meet eligibility, income, or residency requirements. Caseworkers were aware of the problem but awarded the benefits nonetheless. The cost to taxpayers is estimated at \$4.3

million. The audit noted that the system's easy application process encouraged abuse, as clients can sign up for the health plan by filling out a postcard without ever having to see a caseworker face-to-face.

Lane County Adult and Family Services came under fire for giving welfare applicants a controversial book called *101 Ways to Stretch a Dollar*. The book, in use for more than two years, includes advice on how to search residential and business dumpsters.

Conclusion

Government waste, inefficiency and mismanagement are marbled throughout the Oregon state budget. In fact, during the 2001 session, one legislative panel kept receiving conflicting numbers on the human resources budget.

Oregon's problems are not unique. Other states, such as California and Arizona, 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.

The first step Oregon should take is to cut the waste identified in this report. From the phony philanthropy of state tax dollars being used to fund organizations to updating the mortality tables for the public employees' retirement system, Oregon must take immediate action.

Second, Oregon needs to establish a state Grace Commission to analyze every nook and cranny of the Oregon budget to cut waste. With private sector expertise and the help of nonprofit organizations like TAO, 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.

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