

GOVERNMENT

# Waste Watch

THE OFFICIAL NEWSPAPER OF  
CITIZENS AGAINST GOVERNMENT WASTE  
&  
THE COUNCIL FOR CITIZENS AGAINST  
GOVERNMENT WASTE  
Fall 2012

## CCAGW 2011 CONGRESSIONAL RATINGS

Since 1989, the Council for Citizens Against Government Waste (CCAGW) has examined roll call votes to help identify which members of Congress have defended taxpayer interests and which have backed down on their promises of fiscal responsibility. The ratings separate the

## COUNCIL FOR CITIZENS AGAINST GOVERNMENT WASTE 2011 Congressional Ratings



# Message

FROM THE

# President

**\$16,000,000,000,000... Really?**



By Thomas A. Schatz

In January 1984, when the Grace Commission issued its report, the included estimate that the national debt would exceed \$13 trillion in 2000 unless action was taken to reduce wasteful spending was loudly and roundly dismissed as being outrageously pessimistic and extremely unlikely. The projection was not inaccurate; it was just premature.

On September 4, 2012, as Democrats began their convention to celebrate the renomination of President Obama and tout his achievements as one of the reasons to elect him for four more years, there were no speeches commemorating the fact that earlier that day, the Treasury announced that the national debt had exceeded \$16 trillion. The subsequent speakers also assiduously avoided any discussion of this "achievement." Clearly, the convention took place in an alternate universe, where everything that the President had done since taking office has just been perfect, and the debt is simply an insignificant and unworthy matter rather than a massive obligation.



### Really?

The following provides some perspective on the significance of the gross national debt exceeding \$16,000,000,000,000:

It is such a large number that it takes a fair amount of brainpower just to write out (and double-check) the correct number of zeroes.

The national debt has increased from \$10.6 trillion to \$16 trillion, or 50 percent, since President Obama took office.

The national debt will increase from \$16 trillion to \$25.4 trillion, or 59 percent, in 2022, under President Obama's budget plans.

Every man, woman and child in the U.S. owes more than \$50,000 as his or her share of the national debt.

Every taxpayer owes more than \$140,000 as his or her share of the national debt.

There are no nations in the Eurozone that have a per person debt greater than that of the United States.

The national debt is greater than the nation's gross domestic product, which measures the output of the entire U.S. economy.

In the last four years, the national debt has increased by more than it did in the previous 17 years.

The facts speak for themselves, and paint an abysmal, grim picture of the state of the nation's finances. The \$16 trillion figure for the reported gross national debt is difficult enough to comprehend; estimates of the true national debt, including all unfunded liabilities for programs such as Social Security and Medicare, are between \$150 billion and \$210 trillion.

### Really?

Every day that goes by without action being taken by elected officials to reduce the debt makes prophecies of impending doom for the United States look more reasonable. Of course, if the U.S. implodes, the rest of the world will follow.

### President's Message (continued on page 12)

**Government Waste Watch** is published quarterly by Citizens Against Government Waste and the Council for Citizens Against Government Waste 1301 Pennsylvania Ave. NW Suite 1075 Washington, D.C. 20004 1-800-BE-ANGRY

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*Citizens Against Government Waste is a nonpartisan, nonprofit educational organization.*

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### Introduction (continued from page 1)

praiseworthy from the profligate by evaluating important tax, spending, transparency and accountability measures. CCAGW applauds those members of Congress who stood up for taxpayers and ignored the temptations of satisfying local or special interests. However, those who supported a big-government agenda should be prepared to face the consequences for their spendthrift behavior.

CCAGW's 2011 Congressional Ratings scored 120 votes in the House and 38 votes in the Senate. By comparison, in 2010, CCAGW rated 46 votes in the House and 62 votes in the Senate. The shift in vote numbers is largely due to an uptick in the number of important spending cut votes in the Republican-led House and a lack of substantive votes in the Democratic-led Senate.

CCAGW rates members on a 0 to 100 percent scale. Members are placed in the following categories: 0-19% Hostile; 20-39% Unfriendly; 40-59% Lukewarm; 60-79% Friendly; 80-99% Taxpayer Hero; 100% Taxpayer Super Hero.

### HOUSE AND SENATE BREAKDOWN

In the House, Reps. Steve Chabot (R-Ohio), Tom Graves (R-Ga.) and Ron Paul (R-Texas) achieved the highest scores with a grade of 98 percent. No members earned a perfect score in 2011. In 2010, Reps. Paul Broun (R-Ga.), Jeff Flake (R-Ariz.), Tom Graves (R-Ga.), Jeb Hensarling (R-Texas), Pete Hoekstra (R-Mich.), and Sam Johnson (R-Texas) achieved "Taxpayer Super Hero" status with a grade of 100 percent. There were 76 "Taxpayer Heroes" with a grade of 80 percent or above in 2011, 47 percent lower than the 144 in 2010.

In 2011, Sens. Ron Johnson (R-Wis.) and Pat Toomey (R-Pa.) each scored 100 percent and took home the coveted "Taxpayer Super Hero" title. In 2010, Sens. Tom Coburn (R-Okla.), Mike Crapo (R-Idaho), Jim DeMint (R-S.C.) and James Risch (R-Idaho) earned a perfect 100 percent score. There were a total of 33 Taxpayer Heroes in 2011, 6 percent lower than the 35 in 2010.

### REPUBLICAN-LED HOUSE GETS TAXPAYERS HALFWAY THERE

After a Democratic majority in the House, Senate and White House during the 111<sup>th</sup> Congress brought about intense partisanship, budget gimmickry, decreased transparency, increased regulatory burdens, and legislative monstrosities that grew the national debt, taxpayers were ready for a change.

On November 2, 2010, Americans voted with their feet, turning out to the polls in droves to vote out incumbents and big spenders and to instead support those who ran on a fiscally conservative platform. The first session of the 112<sup>th</sup> Congress included 14 new senators (13 Republicans, 1 Democrat) and 96 new representatives (87 Republicans, 9 Democrats), with a new GOP majority in the House. The Democrats retained control of the Senate and, thus, the battle between the chambers began. In 2011, the House succeeded in passing many waste-cutting bills, only to watch its hard work be shut down when the legislation reached the Senate.

**East-West Center:** Meant to promote improved relations among Pacific nations, the East-West Center in Hawaii has received 10 earmarks worth a total of \$103.8 million since fiscal year (FY) 1997. In a moment of rare candor, Senate Appropriations Committee Chairman Daniel Inouye (D-Hawaii) admitted in 2007, after receiving an award from the center, that it was created in 1960 without congressional hearings and over State Department opposition. The State Department has tried for years to kill the organization by not requesting any money in the department's budget request. On February 17, 2011, the House voted 274-155 in favor of an amendment that would strike \$10.7 million in funding for the East-West Center.

Funding for the East-West Center might have gone south by now if it were not located in the Senate Appropriations Committee Chairman's home state. Despite the House's success in stripping funding in 2011, the East-West Center

was retained in the Senate and appeared as an earmark in CAGW's 2012 *Congressional Pig Book*.

**Obamacare:** The government takeover of healthcare will only exacerbate the fiscal distress from which the nation already suffers. The \$2.5 trillion package is packed with tax increases, insurance mandates, Medicare cuts, and unfunded Medicaid expansions. Beginning in 2014 under the new law, individuals will either have to purchase health insurance or pay a financial penalty to the government.

Despite the fact that the House successfully voted 245-189 on January 19, 2011 to repeal Obamacare, the Senate failed to follow its lead. On February 2, 2011, Senate Minority Leader Mitch McConnell (R-Ky.) offered an amendment that would have repealed the job-killing healthcare law and healthcare-related provisions in the Health Care and Education Reconciliation Act of 2010, but the amendment failed in a 47-51 vote.

**Net Neutrality:** Net neutrality proponents have tried to force an unnecessary government intrusion into the free market in an attempt to solve a problem that does not exist. The broadband industry is already a competitive market, and the Federal Communication Commission's (FCC) adoption of a Report and Order favoring net neutrality on December 21, 2010, will only stifle Internet innovation, limit the dissemination of knowledge and ideas, and adversely affect economic growth.

On February 17, 2011, the House voted 244-181 in favor of Rep. Greg Walden's (R-Ore.) amendment to the FY 2011 Continuing Appropriations bill that would bar the FCC from using funds in the bill to implement the agency's net neutrality rules.

Additionally, on April 8, 2011, the House voted 240-179 in favor of a joint resolution that would nullify the FCC's net neutrality rules. However, the Senate rejected the joint resolution by a vote of 46-52 on November 10, 2011.

### Introduction (continued on page 4)

<p><b>Introduction</b> <i>(continued from page 3)</i></p> <p><b>Ethanol Blender Pump and Storage:</b> In October 2010, the Environmental Protection Agency (EPA) increased the amount of ethanol that can be blended with fuel from 10 percent to 15 percent. In 2009, the ethanol industry was producing 13 billion gallons while the U.S. consumed only 138 billion gallons of gasoline, meaning that ethanol producers had almost hit their 10 percent “blending wall.” It appears that the EPA came to their rescue by increasing the blend ratio just in the nick of time.</p> <p>On February 19, 2011, the House voted 261-158 in favor of Rep. Jeff Flake’s (R-Ariz.) amendment that would bar funding for the construction of an ethanol blender pump or ethanol storage facility in the FY 2011 Continuing Appropriations bill. Lawmakers in the House recognized they could not indefinitely prop up a wasteful and unnecessary industry on the taxpayer’s dime. However, when Senator John McCain (R-Ariz.) offered the same amendment in the Senate on June 16, 2011, it was rejected by a vote of 41-59.</p> <p><b>VICTORIES</b></p> <p><b>Alternate Engine:</b> The Joint Strike Fighter alternate engine was a multi-billion dollar boondoggle that quickly became the epitome of senseless government waste, diverting resources away from important military projects and expenditures that keep the nation and our troops safe and secure. Congress has earmarked more than \$1.2 billion for the alternate engine since 2004. Despite White House and Pentagon opposition, the 112<sup>th</sup> Congress’s earmark moratorium and the Senate’s omission of funding for the program, the House version of the FY 2011 Continuing Resolution included a \$450 million anonymous earmark for the alternate engine.</p> <p>Rep. Tom Rooney’s (R-Fla.) amendment to eliminate the alternate engine was approved in a 233-198 vote on February 16, 2011, saving \$3 billion for taxpayers. On April 25, 2011, the Department of Defense announced its decision to terminate its contract with the General</p>	<p>Electric/Rolls Royce Fighter Engine Team for the production of the alternate engine.</p> <p><b>Free Trade Agreements:</b> The free trade agreements (FTA) with Colombia, Panama, and South Korea will create hundreds of thousands of new jobs; increase U.S. imports, allowing consumers to purchase goods and services at lower, more competitive prices; and, improve the nation’s overall economic outlook.</p> <p>On October 11, 2011, the Senate passed the South Korea, Panama and Colombia FTAs in 83-15, 77-22, and 66-33 votes, respectively. The next day, the House followed the Senate’s lead, passing the Colombia, Panama and South Korea FTAs in 262-167, 300-129, and 278-151 votes, respectively.</p> <p><b>Ethanol Subsidy:</b> The Volumetric Ethanol Excise Tax Credit (VEETC) is a targeted tax benefit to blenders who already receive federal incentives from the Renewable Fuels Standard, which requires fuel to be blended with ethanol. The \$0.45 per gallon ethanol tax credit and \$0.54 per gallon tariff on imported ethanol has produced many unfavorable consequences, including higher food prices, lower fuel efficiency, and increased incidences of engine damage in motor vehicles.</p> <p>On June 14, 2011, the Senate voted 40-59 against the amendment of Senators Tom Coburn (R-Okla.) and Dianne Feinstein (D-Calif.) that would have fully repealed the VEETC, in large part because the amendment did not include a tax offset. Two days later, however, the Senate got another pass at the amendment, which was paired with an amendment offered by Senator Jim DeMint (R-S.C.) to offset costs by repealing the Renewable Fuel Standard and eliminating the Estate Tax. On June 16, 2011, the Senate finally voted 73-27 in favor of the Coburn-Feinstein amendment to repeal VEETC.</p> <p><b>Weatherization Assistance Program:</b> The Weatherization Assistance Program (WAP) is a Carter-era Department of Energy (DOE) program originally designed to lower consumers’</p>	<p>energy bills during the 1970s oil crisis. Under the 2009 American Recovery and Reinvestment Act (ARRA), the program, whose budget had hovered at approximately \$250 million for years, received an injection of roughly \$5 billion.</p> <p>Prior to ARRA, the program had been operating virtually without oversight from DOE. Since its expansion, WAP has left in its wake reports of substandard work, abandoned projects and fraud. Numerous states have experienced problems with fraud and mismanagement.</p> <p>On February 16, 2011, Rep. Paul Tonko (D-N.Y.) attempted to remove a provision from the FY 2011 Continuing Appropriations bill that would bar funds for WAP. His amendment was rejected in a 208-223 vote.</p> <p><b>FAILURES</b></p> <p><b>Essential Air Service:</b> The Essential Air Service (EAS) was created in 1978 to subsidize airline carriers that provide service to small communities. Originally funded at \$7 million, the program has since grown to cost taxpayers \$200 million, subsidizing a dozen airline carriers in more than 100 communities.</p> <p>On February 17, 2011, senators voted 61-38 to kill Senator John McCain’s (R-Ariz.) amendment to repeal the subsidy for the EAS. The Senate did, however, subsequently adopt by voice vote Senator Tom Coburn’s (R-Okla.) amendment that would restrict the EAS to airports more than 90 miles from certain larger airports, while providing an exemption for flights in Alaska.</p> <p>On November 1, 2011, the Senate also rejected Senator Coburn’s amendment to eliminate the Small Community Air Service Development grant program by a vote of 41-57.</p> <p><b>Government Duplication:</b> On April 6, 2011, the Senate voted 64-36 to adopt Senator Tom Coburn’s (R-Okla.) amendment that would direct the Office of Management and Budget (OMB) to coordinate, within 150 days, with department and agency officials to eliminate and consolidate duplicative</p> <p><b>Introduction</b> <i>(continued on page 5)</i></p>
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<p><b>Introduction</b> <i>(continued from page 4)</i></p> <p>government programs identified in a comprehensive March 2011 Government Accountability Office (GAO) report.</p> <p>The amendment stipulated that OMB would be required to find at least \$5 billion in spending rescissions. On September 15, 2011, Senator Coburn offered the same amendment with a slightly more stringent requirement for OMB to find \$7 billion in spending rescissions, only to see it rejected in a 54-45 vote.</p> <p>On June 29, 2011, the Senate rejected by a vote of 63-34 an amendment by Senator Coburn that would require an independent review of every bill by the Congressional Research Service before the legislation could be considered by the Senate. The review would determine whether the bill creates new programs that duplicate existing programs,</p> <p><b>Market Access Program:</b> The U.S. Department of Agriculture’s Market Access Program (MAP) is the epitome of a corporate welfare program, spending millions of taxpayer dollars annually for advertising and promotion to profitable, private companies. Recipients have included Butterball, Tyson, Monsanto, Dole and Sunkist.</p> <p>President Obama’s Terminations, Reductions and Savings for the FY 2011 federal budget identified MAP as a potential spending cut and the National Commission on Fiscal Responsibility and Reform report also listed MAP funding among its \$3 billion in recommended agriculture program reductions.</p> <p>On June 16, 2011, Rep. Jeff Flake (R-Ariz.) offered an amendment that would bar the use of funds in the FY 2012 Agriculture Appropriations bill to pay the salaries and expenses of personnel to carry out MAP. Unfortunately, this amendment was rejected in a 101-314 vote.</p> <p><b>FURTHER ANALYSIS</b></p> <p>CCAGW also analyzed ratings based on party affiliation and House membership in the Republican Study Committee and Blue Dog Democrats. The averages were: Senate Republicans – 85 percent,</p>	<p>down five percentage points from their 90 percent score in 2010; Senate Democrats – 17 percent, up nine percentage points from their grade of 8 percent in 2010; House Republicans – 69 percent, down 17 percentage points from their 86 percent score in 2010; House Democrats – 12 percent, up four percentage points from their 8 percent score in 2010; House Republican Study Committee – 73 percent, down 18 percentage points from their 91 percent score in 2010; and House Blue Dog Democrats – 23 percent, up five percentage points from their 18 percent score in 2010.</p> <p>CCAGW congratulates the members who stood by taxpayers and championed fiscal responsibility throughout the most spendthrift Congress in history, and encourages the constituents of the non-heroes to demand better results in 2012 and beyond.</p> <p><i>The CCAGW 2011 Congressional Ratings were written by Erica Gordon, Director of Policy and Government Affairs, and edited by Thomas A. Schatz, President, and P. J. Austin, Policy and Government Affairs Associate.</i></p>	<p><b>Privileged Class</b> <i>(continued from page 16)</i></p> <p>to exorbitantly high wages and pledged unrealistic retirement benefits that taxpayers cannot meet, and state employee unions have fought, at the expense of taxpayers, alterations to wage and benefit packages. After noting that Warren Buffet described the money owed to public sector retirees as a “time bomb,” Fareed Zakaria called public pensions “the single biggest threat to the U.S.’s fiscal health. If the U.S. is going to face a Greek-style crisis, it will not be at the federal level, but rather with state and local governments.”</p> <p>If that crisis occurs sooner rather than later, it could end up being directly related to a dangerous ballot initiative in Michigan this November. The Protect Our Jobs Amendment, or Prop 2, “would add the right to collective bargaining for public and private sector employees to the state Constitution.” This would make collective bargaining a constitutional right, giving unions the unprecedented ability to override all past, current, and future state and local laws, including long-standing pension reforms that have helped save taxpayers more than \$4 billion. If Prop 2 wins, other states will follow, setting off a nationwide avalanche of bankrupt cities, counties, and states.</p> <p>Hard working Americans who are struggling to pay their bills, find a job or set aside enough for retirement are being forced to pay for extravagant state government employee compensation. These employees are supposed to be public servants, not a privileged class. Taxpayers know it is unfair, it is unaffordable and it cannot continue. Someone needs to cry “enough!” A good place to start is by holding elected officials accountable for this massive waste of tax dollars.</p> <p><i>Tom Schatz is President of Citizens Against Government Waste, a private, non-partisan, non-profit organization committed to eliminating waste, mismanagement, and inefficiency in the government.</i></p>
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# Guest Column

## The Future of the Internet in Jeopardy



*CAGW Interview with  
FCC Commissioner  
Robert M. McDowell  
by Deborah Collier*

The concept of today's Internet was first developed at the Defense Advanced Research Projects Agency (DARPA) in 1965, when a team of developers began to create the Interface Message Processor to send packets of information along network lines and routers for the Advanced Research Projects Agency Networks (ARPANET). In 1972, the Internet Assigned Numbers Authority (IANA) was established to oversee global Internet protocol address allocation under a Department of Defense contract. On January 30, 1998, the IANA was transformed into the International Corporation for Names and Numbers (ICANN), a nonprofit organization that has the primary responsibility of performing tasks previously performed by IANA, as well as promoting competition and developing policies on the Internet's unique identifiers.

While there have been rumblings in the past from some countries about creating a new international body to govern the Internet, they have been generally dismissed until now. On December 3-14, 2012, the United Nations will be convening the World Conference on International Telecommunications (WCIT) in Dubai, United Arab Emirates, to discuss potential changes to the International Telecommunications Regulations (ITRs) treaty in order to impose international regulations over the Internet. WCIT is a global treaty conference hosted by the UN's International Telecommunications Union (ITU), which writes treaty language governing telecommunications. While the ITU maintains it is the international body

specializing in information and communications technologies, it does not currently have a mandate to govern the Internet.

Among the proposals under consideration at WCIT is a proposal by several ITU member states, including China and Russia, which seek to broaden the scope of the ITRs and set up a new layer of international bureaucracy to replace ICANN and more broadly govern the Internet. These new international rules could eventually result in the kind of censorship and control of information that now happens in China, Russia, and other countries.

Federal Communications Commissioner (FCC) Robert M. McDowell responded to questions from CAGW about this proposal and the upcoming meeting in Dubai. Commissioner McDowell was first appointed to the FCC in 2006 by President George W. Bush, and reappointed by President Obama in June, 2009. He currently serves as one of two Republicans on the five-member commission.

**CAGW: The UN's ITU will be convening the WCIT in December, 2012. The renegotiation of the ITRs treaty is on the agenda. What key proposals should most concern the United States?**

**Commissioner McDowell:** Any proposals that expand the ITU's jurisdiction into the complex Internet ecosystem should concern not only the U.S., but any nation that cherishes freedom and prosperity. Even the smallest of expansions could be devastating to not only the industrialized world, but to developing nations, as well. As Russian Prime Minister Vladimir Putin said almost one year ago, the goal of this well-organized and energetic effort by some countries, including Russia, China and their allies, is to establish "international control over the Internet using the monitoring and supervisory capabilities of the [ITU]." We should take Mr. Putin seriously.

**CAGW: What would be the impact on U.S. companies of changing the ITRs treaty to allow the ITU or another international body to become the official governing entity for the Internet?**

**Commissioner McDowell:** The effects would be wide-ranging due to the chaos and uncertainty such changes would create. For instance, some of the proposals could ultimately force technologists to seek intergovernmental bureaucratic permission to innovate and invest. This, in turn, would effectively drive up development costs, slow down investment and snuff out innovation throughout the expansive Internet market. The uncertainty created by a new regulatory regime would also increase costs as cross-border communications traffic and cloud computing become more complicated and vulnerable to regulatory arbitrage. Ultimately, such costs are always passed on to the end user consumer in the form of more money out of their pockets and fewer innovative choices in the marketplace.

**CAGW: How would the proposed changes impact individual citizens?**

**Commissioner McDowell:** If such changes were included in the renegotiation of the ITRs, that would mean that some countries would opt out of the incredibly successful "multi-stakeholder" non-governmental Internet governance model of today

McDowell (continued on page 12)

## The J. Peter Grace Legacy Society

*Established in 1997 by the Grace family, the J. Peter Grace Legacy Society is a living memorial to the late Grace Commission chairman and CAGW co-founder, J. Peter Grace—and to his vision of a fiscally responsible government that is accountable to taxpayers.*

*With support from individuals and estates, the legacy society helps provide the financial underpinning for CAGW's ongoing role as the independent voice of the taxpayer. Members of the society have joined the Grace family in preserving Peter's legacy by working to ensure that the American taxpayer's interest wins out over the special interests in Washington.*

*For more information about the J. Peter Legacy Society, please contact us at 1-800-USA-DEBT.*

## Vote Comparisons

and descriptions provided by Congressional Quarterly Floor Votes  
edited by CCAGW.

Averages	Highest and Lowest Scores
<b>House of Representatives</b> <i>112th, 1st Session</i> Total House: 44% Democrats: 12% Blue Dog Democrats: 23% Republicans: 69% Republican Study Committee: 73%	<b>House Highest</b> <i>Democrats: 44%</i> Jim Matheson (D-UT)
	<i>Republicans: 98% (3)</i> Steve Chabot (R-OH)    Tom Graves (R-Ga.)    Ron Paul (R-TX)
	<b>House Lowest</b> <i>Democrats: 3% (4)</i> Corrine Brown (D-FL)    Brad Miller (D-NC) André Carson (D-IN)    Bobby Rush (D-IL)
	<b>House Lowest</b> <i>Republicans: 34%</i> Steve LaTourette (R-OH)
<b>U. S. Senate</b> <i>112th, 1st Session</i> Total: 49% Republicans: 85% Democrats: 17%	<b>Senate Highest</b> <i>Democrats: 37%</i> Joe Manchin (D-WV) <i>Republicans: 100% (2)</i> Ron Johnson (R-WI) Pat Toomey (R-PA)
	<b>Senate Lowest</b> <i>Democrats: 5% (3)</i> Sherrod Brown (D-OH) Jack Reed (D-RI) Sheldon Whitehouse (D-RI) <i>Republicans: 55%</i> Thad Cochran (R-MS)
<b>State Delegations</b> <i>Highest</i> Wyoming 91% Utah 82% Idaho 81%  <i>Lowest</i> Rhode Island 7% Vermont 8% Hawaii 11%	





**McDowell** (continued from page 6)

and choose instead to take an unprecedented leap into the quagmire of intergovernmental regulation thus creating a balkanized Internet. This would be devastating to global free trade, rising living standards, national sovereignty and the spread of freedom and democracy. Additionally, it would impair economic growth most severely in the developing world.

**CAGW:** *What benefit would a country have in supporting the proposal by Russia and China to allow the ITU to control the Internet as opposed to retaining the current multi-stakeholder approach?*

**Commissioner McDowell:** Some countries view these proposals as opening up opportunities to “tax” the Internet, perhaps on a “per-click” basis for certain Web destinations, with money flowing to state-owned phone companies and government treasuries. And, let’s face it, strong arm regimes fear the ‘Net’s ability to help their political opponents organize.

**CAGW:** *Do each of the 193 member states in the ITU have an equal vote at the WCIT?*

**Commissioner McDowell:** Yes. Unlike the UN Security Council, no country has a veto power in ITU proceedings. It’s one country, one vote. Period.

**CAGW:** *If the proposal passes and becomes part of the ITRs treaty agreement, what recourse is available to the U.S.?*

**Commissioner McDowell:** If the proposals are included as part of the ITRs, the renegotiated treaty would still have to go before the U.S. Senate for ratification. Assuming the U.S. would not ratify the treaty, it could join with other like-minded countries to try to figure out how to navigate the new engineering, economic and political morass created by those countries that wish to opt out of today’s multi-stakeholder system. The confusion arising from this scenario would have a profound, and negative, effect on the future of the global economy (and, therefore, the U.S. economy) as well as the proliferation of democracy and freedom.

**CAGW:** *On August 1, 2012, Terry Kramer, the U.S. ambassador to WCIT, issued a Fact Sheet containing the U.S. position and reiterating opposition to any proposals that will not maintain the existing multi-stakeholder approach. On August 2, 2012, the House of Representatives also unanimously*

*passed H. Con. Res. 127, which expresses the sense of Congress that a multi-stakeholder approach should be followed in these treaty negotiations. What else can the U.S. or its citizens do to oppose the proposal by Russia and China and support the current multi-stakeholder approach to the Internet?*

**Commissioner McDowell:** This issue will not go away even if the proposals are not included in the upcoming treaty negotiations in December. The proponents of these regulations are patient and will target other negotiations in the future. Therefore, it is imperative that citizens urge their policymakers to be vigilant in their bi-partisan opposition to these efforts. Policymakers should also be reminded that they should be skeptical of “minor tweaks” or “light touch” changes because, as we all know, every regulatory action has consequences. And regulations only grow – they never seem to shrink.

**President’s Message** (continued from page 2)

Yet official Washington, for the most part, continues to pretend that all is well.

For example, the Senate has not passed a budget since April 2009, or more than 1,200 days. In fact, earlier this year, after Senate Budget Committee Chairman Kent Conrad (D-N.D.) said he was ready to produce a budget resolution, Majority Leader Harry Reid (D-Nev.) said, “We don’t need no stinkin’ budget.” (With apologies to “Blazing Saddles,” that is not exactly what he said, but it is what he meant.)

On the other side of the Capitol, the House has passed a budget resolution for fiscal year 2013, along with dozens of bills to help create jobs and get the economy moving forward.

There is a plethora of other plans to cut wasteful spending and the deficit, starting with Citizens Against Government Waste’s Prime Cuts, which would reduce spending by \$1.2 trillion over five years. The Government Accountability Office has issued two reports identifying \$400 billion in annual duplication and overlap, according to estimates by Sens. Tom Coburn (R-Okla.) and Jeff Sessions (R-Ala.). And the Congressional Budget Office issues its own report on spending options every year, identifying hundreds of billions in savings.

There is no shortage of ideas, just a continuing lack of bipartisan will to agree to solutions. That is one of many reasons why polls show Congress at record-low approval levels. It is also why many pundits are calling the November elections the most important of our lifetime.

**Really.**

### Council for Citizens Against Government Waste

The Council for Citizens Against Government Waste (CCAGW) is the lobbying arm of Citizens Against Government Waste (CAGW), a private, nonpartisan, nonprofit organization representing more than one million members and supporters nationwide dedicated to eliminating waste, mismanagement, and inefficiency in government. Founded in 1984 by the late industrialist J. Peter Grace and syndicated columnist Jack Anderson, CAGW is the legacy of the President’s Private Sector Survey on Cost Control, also known as the Grace Commission. CCAGW tabulates its annual *Congressional Ratings* to measure the willingness of each member of Congress to fight government waste and reduce the national debt.

# Membership



By Martin Rundle  
Director of Development

## By the Books

As nonprofit organizations, Citizens Against Government Waste (CAGW) and the Council for Citizens Against Government Waste (CCAGW) are audited on an annual basis by an independent accounting firm. Our complete financial operations are reported each year in annual tax filings, as required by the IRS. Our accountants have confirmed that in fiscal year 2011 CAGW’s and CCAGW’s research, public education, and advocacy activities accounted for 85 percent of total expenditures; fundraising accounted for 10 percent; and administrative expenses absorbed 5 percent.

CAGW and CCAGW accept no government funding and rely entirely on the private support of individuals, foundations, and corporations. We are indebted to the generous support of America’s taxpayers and thank all that have joined us in the fight against government waste. Together we are making a difference!

## CAGW Ramps up Social Media Outreach

In August, CAGW launched the Daily Waste Cut, short, hard-hitting vignettes exposing the most ridiculous examples of government waste. The Daily Waste Cut puts to rest any argument that the federal budget is stretched too thin, further cuts to federal spending are impossible, and tax increases are necessary to reduce the deficit. To catch the latest news in government waste, follow CAGW on Facebook, Twitter, and on our blog [www.swinline.org](http://www.swinline.org).

## Taxpayer News Wire

CCAGW President Tom Schatz spoke at a press conference held at the National Press Club opposing the 2012 Farm Bill. CCAGW joined representatives from other taxpayer watchdog, environmental, consumer, and nutrition organizations.

**June 21** – New York City Mayor Michael Bloomberg was named CAGW’s June 2012 Porker of the Month for proposing a ban on sugary drinks larger than 16 ounces at restaurants, food carts, movie theaters, and any other venues that receive letter grades from the city for food service.

**June 28** – Following the Supreme Court’s 5-4 decision to uphold the Patient Protection and Affordable Care Act (Obamacare) based on the individual mandate’s classification as a tax, CCAGW President Tom Schatz called the ruling a devastating blow to taxpayers. The ruling undermines President Obama’s 2009 assertion that his healthcare law was “not a tax” and makes it clear that he tried to deceive the American people in order to get the bill passed by Congress. Now, Obamacare represents the single largest tax increase on young people in the nation’s history.

**July 20** – After the United States Postal Service’s (USPS) announcement that it will default on its August 1 future retiree health benefit payment, CCAGW slammed Congress for failing to enact a meaningful set of structural reforms that would improve USPS’s fiscal health. The Postal Service lost \$8.5 billion in fiscal year (FY) 2010, \$5.1 billion in FY 2011, and \$3.3 billion in the first quarter of FY 2012.

**July 24** – CAGW named House Agriculture Committee Chairman Frank Lucas (R-Okla.) and Ranking Member Collin Peterson (D-Minn.) its July 2012 Porkers of the Month for sponsoring the Federal Agriculture Reform and Risk Management Act (FARRM). FARRM is a massive waste of taxpayer dollars at a time of record profits for farmers, maintains the command-and-control system that has been in place for decades, and falls far short of the \$180 billion in savings for the Farm Bill that was included in the House-passed

budget resolution. The bill would reduce Farm Bill spending to \$957 billion over ten years, a difference of \$35.1 billion and a paltry savings of 3.5 percent.

**August 3** – CAGW praised the release of the fourth annual edition of “Generic Drug Savings in the U.S.” from the Generic Pharmaceutical Association. The report documents \$1.1 trillion in savings from the use of generic drugs over the past decade, with almost half of those savings coming from generic drugs that entered the market since 2002. Nearly 80 percent of the 4 billion prescriptions dispensed in the United States last year were for generic drugs. These trends are critical, since spending on healthcare constituted 18 percent of the nation’s GDP in 2010, and is expected to climb to 25 percent by 2018.

**August 13** – CCAGW released a comparison of the 2012 vice presidential candidates’ voting records on legislation affecting government waste and the fiscal health of the federal government. House Budget Committee Chairman Paul Ryan’s (R-Wis.) 92 percent lifetime rating with CCAGW has earned him the status of ‘Taxpayer Hero,’ a distinction that he has earned both in the aggregate and during each of the 12 years that his votes have been rated. In contrast, Vice President Biden earned an ‘unfriendly’ lifetime rating of just 22 percent during the 18 years in which CCAGW rated his votes in the Senate.

**August 16** – Senate Appropriations Committee Chairman Daniel Inouye (D-Hawaii) and Ranking Member Thad Cochran (R-Miss.) are named August 2012 Porkers of the Month for including a \$380 million earmark for the wasteful and widely-criticized Medium Extended Air Defense System (MEADS) in the Senate Appropriations Subcommittee’s version of the fiscal year 2012 Department of Defense spending bill. CAGW’s *Issue Brief* examining the MEADS program is available on its website, [www.cagw.org](http://www.cagw.org).

# Watch Dogs



## Owe Back Taxes? Have Some More Cash

By Luke Gelber  
Research Associate

It has long been clear that, when monitoring the activities of the federal government, one must often suspend natural expectations for sanity and integrity. For example, anyone who fails to pay taxes should be last in line to collect benefits paid for by taxpayers. But if the results of four reports are any indication, tax deadbeats are raking in federal cash.

The first report, released by the Government Accountability Office (GAO) in July, 2012, found that Medicaid providers with tax debt had received an estimated \$6.6 billion in Medicaid reimbursements in Florida, New York, and Texas alone. GAO investigated 40 Medicaid providers in those three states and found that they had received \$235 million in Medicaid reimbursements, but owed approximately \$26 million in taxes as of September, 2011. GAO extrapolated those numbers to arrive at a global estimate of \$6.6 billion in those three states. Worse, since it relies on the amount of unpaid taxes reported by individual providers or uncovered by Internal Revenue Service (IRS) audits, the report “likely

understates the full extent of unpaid taxes owed by these or other businesses and individuals.”

What is most frustrating about these findings is that much of the missing money could have been collected had the federal government applied a continuous levy on the reimbursements being paid to known tax cheats, as is already done for Medicare providers. By garnishing a portion of the reimbursements to delinquent providers over time, as much as \$330 million of those providers’ debt, according to GAO, could have been repaid. Instead, responsible taxpayers are on the hook for \$6.6 billion.

But Medicare, despite its use of continuous levies, has problems of its own. A June, 2008 GAO report analyzed 27,000 providers (roughly 6 percent of the country’s 436,000 Medicare providers at the time) who owed back taxes and found that they owed the federal government more than \$2 billion. That number is also likely understated. Among the 25 “case studies” conducted by GAO, 15 revealed “abusive or potentially criminal activity,” including the case of a nursing home with \$7 million in back taxes that received \$15 million in Medicare claims despite the fact that its owner possessed a personal residence and another property, each valued at more than \$1 million.

A similar GAO report released in May, 2012 found that the Federal Housing Administration

(FHA) had issued \$1.44 billion in mortgage insurance for 6,327 borrowers with an average of \$20,340 in tax debt. In that case, FHA issued insurance to thousands of borrowers who should have been ineligible, since many had not reached repayment agreements with the IRS. Despite the fact that borrowers with tax debt carry foreclosure risk “two to three times” greater than those without unpaid taxes, applicants for FHA mortgage insurance are not required to provide their federal debt status to FHA.

Finally, a February, 2012 IRS report found that about 98,000 federal employees owed the federal government \$1.03 billion in 2010. That amount included \$833,970 in unpaid taxes from 36 White House aides, an average of \$23,156. While IRS employees – who presumably are more familiar with the tax code than most government workers – can be fired for tax delinquency, other federal employees cannot.

In all, it seems clear that tens of billions of dollars are doled out by the federal government to taxpayers who have shirked on their taxes each year. In a world where the fairness and shape of the federal tax system is fiercely debated, fixing such an obvious injustice must be a priority. After all, it might be the only issue in Washington on which everyone can agree.

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*Government WasteWatch*, the official newspaper of Citizens Against Government Waste (CAGW), is distributed to all active CAGW members. To join CAGW and receive *Government WasteWatch*, please fill out this coupon and mail it with your tax deductible contribution.

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# Capitol Watch



## How Congress Should Avert the Fiscal Cliff

By Madeline Eldridge  
CAGW Intern

As the economy teeters precariously on the edge of the so-called “fiscal cliff,” it is difficult not to imagine what advice Milton Friedman, the brilliant economist and staunch advocate of limited government and fiscal restraint, would have offered our nation’s lawmakers had he lived to celebrate his hundredth birthday.

For those not fluent in wonk jargon, the “fiscal cliff” refers to a gauntlet of tax increases and mandatory spending cuts that are scheduled to take effect at the end of this year. The scheduled changes include the expiration of the 2001, 2003, and 2010 tax cuts; an expansion of the Alternative Minimum Tax; the expiration of the 2 percent payroll tax holiday; the expiration of expanded unemployment benefits; the expiration of the so-called “doc fix” for Medicare providers; and the expiration of various tax extenders, such as the research and development tax credit. At the same time, the federal spending sequester is scheduled to automatically cut spending on Medicare, defense, and non-defense discretionary programs by approximately \$65 billion in FY 2013 and \$980 billion over the next decade.

The Congressional Budget Office (CBO) is warning that, should Congress fail to act to prevent the nation from falling over the cliff, the economy may plunge into another recession. According to CBO’s most recent estimates, if all of the fiscal cliff’s provisions are allowed to take effect, the economy will contract by 0.5 percent in the coming calendar year, and unemployment will climb from 8.3 percent to 9 percent. Nonetheless, lawmakers have so far been too busy wringing their hands and posturing for political ends to address the looming crisis.

Democrats, at least according to Sen. Patty Murray (D-Wa.), are more than willing to let the Bush-era tax cuts expire for everybody, in order for the Obama administration and its allies to impose punitive rates on individuals earning more than \$200,000 a year and households earning more than \$250,000 a year. Meanwhile, Republicans are fretting over the specter of a defense sequestration, under which the Pentagon’s inflation-adjusted 2013 baseline budget would still exceed its baseline budget for 2006.

However, those who would allow the Bush tax cuts to expire seem to be of two minds on whether stimulus or “fairness” (in the form of tax hikes) is the more pressing issue. Case in point: President Obama, who has dusted off his American Jobs Act – which consists of \$447 billion in new spending and tax cuts – for the campaign trail. It is hard to avoid the conclusion that the Democrats would rather score political points than provide a stable platform for growth.

Regardless, policymakers who argue that higher taxes are needed to reduce the deficit should heed the advice of Friedman, who once stated, “Higher taxes never reduce the deficit. Governments spend whatever they take in and then whatever they can get away with.” Increasing taxes by letting current rates expire will not get the fiscal house in order; it will merely give Congress an implicit free license to continue on its prodigal spending spree.

On the other hand, lawmakers who fear the \$1.2 trillion in automatic spending cuts set to take effect over the next decade should bear in mind that this amount constitutes a mere 2.6 percent of the administration’s projected outlays over that same time period. Considering that the federal government amassed a \$1.2 trillion deficit in FY 2012 alone, allowing at least this amount of spending to be “cut” – perhaps with a different mix of programs – seems like a reasonable way to limit the growth of government spending over the next decade.

As the nation stares down the barrel of a gun loaded with a \$16 trillion debt, trillions more in unfunded liabilities, an impending debt ceiling debate, and a healthcare law rife with regulations and tax hikes, lawmakers should embrace policies that will avert a recession in the short run and facilitate economic growth in the long run.

For example, one might suggest that Congress limit the size and scope of government and substitute a simple, flat rate for the labyrinthine, Kafkaesque morass otherwise known as the Internal Revenue Code. Given the confines of political reality, however, reasonable reductions in spending, coupled with tax cut extensions for all taxpayers, seems like a smart way to encourage long-run fiscal restraint without sending the economy toppling over a cliff.



# Public Service or Privileged Class

By Tom Schatz  
President

**T**hink fast: Who is compensated better – state government workers or their private sector counterparts? Those who answer the private sector would be incorrect.

While many people believe that government employees make significant financial sacrifices, they are in fact doing quite well compared to the private sector. A new study commissioned by Citizens for Government Waste (CAGW) found that in 22 major job categories, state governments, on average, pay 6.2 percent more per hour in wages and benefits, including pension benefits, than their counterparts in the private sector. Even worse, unfunded liabilities for pensions for all state and local governments are estimated to range from \$2 to \$4 trillion, or an average of between \$40 billion and \$80 billion.

This combination of excessive wages, pensions and other benefits at the state and local level is wreaking havoc on public finances across the country. It helps explain why cities and states from coast to coast are either bankrupt or heading in that direction, and why governments are struggling to provide basic services, from police protection to paving potholes. Despite this dire fiscal situation, there has been a great deal of backlash by public employee unions and their supporters against efforts to normalize what are often extravagant government compensation packages.

CAGW's analysis compared state employee wages to private sector wages and benefits for the same occupations across all 50 states, utilizing state government data from the National Compensation Survey (NCS) of the Bureau of Labor Statistics (BLS).

Some states are out of control. Texas has the largest difference in pay for state government employees

versus the private sector. California has the highest weighted average hourly wages, and not just because of higher costs of living. Public employee pension plans in California are largely responsible for the bankruptcy of cities like Compton, Mammoth Lakes, San Bernardino and Stockton. More will follow.

Some states are better than others. Utah and Montana compensate state government employees closest to the private sector, but still pay higher wages and benefits than those paid to private sector workers. In fact, no state on average pays public employees less than their private sector counterparts.

The CAGW study also uncovers some big surprises. For example, an architect employed by a state government makes roughly 40 percent more in salary, retirement pensions and health care benefits than an architect working for a private company.

Generally speaking, the crisis in public pension liabilities has occurred because politicians have agreed

**Privileged Class** (continued on page 5)

GOVERNMENT

# Waste Watch

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