

The 2006 Tennessee Pork Report

Wasteful Spending in the Tennessee State Government Revealed

by Drew Johnson & Trapper Michael

The Book Nashville Doesn't Want You to Read

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To report wasteful spending by the Tennessee State Government, or submit an item for consideration for next year's "Pork Report," please contact the Tennessee Center for Policy Research at info@tennesseepolicy.org.

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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 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 more than one million members and supporters nationwide.

Since 1986, CAGW and its members have helped save taxpayers more than \$758 billion.

CAGW's official newsletter is *Government Waste Watch*, and the group produces special reports and monographs 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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Introduction

In 1982, President Ronald Reagan established a panel 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—made nearly 2,500 recommendations that would save taxpayers \$424.4 billion during a three-year period by eliminating waste, mismanagement and inefficiency in Washington.¹

After the report was published in 1984, commission chairman J. Peter Grace joined with syndicated columnist and Pulitzer Prize-winner Jack Anderson to form Citizens Against Government Waste (CAGW) to promote implementation of the recommendations at every level of government.

During the past 21 years, CAGW and its more than 1 million members and supporters have helped taxpayers save more than \$825 billion.² Since 1991, CAGW has published the “Congressional Pig Book,” an annual exposé of pork barrel spending in federal appropriations bills. CAGW also produces “Prime Cuts,” a comprehensive look at the depth and breadth of waste throughout the federal government.

Recommendations range from eliminating corporate welfare to cutting unnecessary defense systems. “Prime Cuts 2005” identified \$232 billion in potential one-year savings and \$2 trillion in five-year savings.

Implementing the recommendations made in “Prime Cuts” alone could go a long way toward returning fiscal

sanity to Washington, especially in light of the current \$318 billion federal deficit.

Since its founding in 2004, the Tennessee Center for Policy Research (TCPR) has been Tennessee's leading voice for fiscal responsibility in state government. TCPR has authored a series of studies and articles advocating commonsense policy recommendations to reduce the state tax burden and government spending without undermining the important role of government or sacrificing necessary services.

The “Monthly Misuse,” TCPR's popular email series highlighting extreme examples of government waste and misuse of taxpayer money, has become a must-read for legislators, the media and taxpayers across the state.

The Tennessee Budget Spend-O-Meter, a real-time, constantly updating gauge of state spending available at the Tennessee Center for Policy Research's website (www.tennesseepolicy.org), has been so effective at demonstrating exactly how fast government spends tax dollars that it has been adopted by over 20 public policy organizations across America and around the world. As the Tennessee Budget Spend-O-Meter illustrates, the state government devours an astonishing \$818 every second.

The battle against wasteful spending is spreading from Washington—with its budget debates by Congress and the president—to Nashville and other state capitals. Therefore, CAGW is teaming up with TCPR and other think tanks to produce a series of state publications that expose overspending and identify areas of potential savings.

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This report, a list of questionable expenditures compiled by CAGW and the Tennessee Center for Policy Research, is modeled after two prominent CAGW publications: the outrageous government-spending examples found in the “Pig Book” and the more serious-minded “Prime Cuts” publication. The resulting Tennessee Pork Report reveals rampant and undisciplined spending by Tennessee’s state government. It unmaskes an ingrained addiction to over-spending as the real culprit behind the Volunteer State’s ballooning budget.

Before asking hard-working Tennessee families to sacrifice one more dollar in taxes, lawmakers should first reduce the state budget by eliminating waste, fraud and abuse.

This thesis acknowledges that a tax dollar taken from a struggling single mother and spent to subsidize improvements to a state-run golf course might be better spent purchasing new school clothes for her children. Every public dollar spent to purchase 50-inch televisions in the Capitol might instead be saved to pay for a senior’s prescriptions. By reducing unnecessary public spending, individuals can use their own money to spend or save in a way that allows them to improve their lives.

State Government Pork

The Tennessee state budget topped \$26.3 billion in fiscal year 2005-06.³ The state consumed \$4,460 for each man, woman and child in the state. In fact, if all the dollar bills the state spends in just one single day were laid end-to-end, they would stretch from Nashville to Baghdad with 250 miles to spare.

The state budget has swelled by more than 32 percent in the past five years alone—a level nearly four times the rate of inflation. Perhaps most tellingly, the state government devours more cash in 35 seconds than the average Tennessean earns in an entire year.⁴

With so much money funding the state government, it begs the question: “How much is enough?” If the following examples of questionable spending are any indication, the answer appears to be: “A lot less than we’re spending now.”

A Taxpayer-Funded Pork Party

Everybody loves a party. But everybody also knows the morning after effects of unrestrained partying. When any level of government parties at the expense of the taxpayer, the hangover is the bill that has to be paid by state taxpayers.

Tennessee state legislators will be rolling out the red carpet for legislators from across the country when Nashville hosts the National Conference of State Legislatures (NCSL) meeting in August 2006. Rather than serving as an example of fiscal restraint for policymakers from

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other states, Tennessee's legislators stuck taxpayers with a \$700,000 bill for the revelry.⁵

The hefty tab covers convention space at the Gaylord Opryland Resort & Convention Center; local transportation; children's programs; entertainment; 2,000 Tennessee-themed T-shirts; plus miscellaneous funding for unknown additional activities for the private soiree.⁶

Taxpayers' commitment to NCSL does not end with throwing a party for legislators with state money. Every year the state gives legislators \$150,252 to pay NCSL dues for Tennessee General Assembly members.⁷

Remodeling State Government in Style

The state legislature earmarked \$2.2 million to remodel five hearing rooms at Legislative Plaza, including the installation of multimedia presentation systems as a part of the Capitol Hill complex's \$14.3 million refurbishment plan.⁸ This expenditure went largely unnoticed until the discovery of the Senate's secret "Cloakroom."⁹ The hidden meeting room, tucked behind the front of the Senate Conference room, is lavishly furnished with 14 chairs that retail for \$907 each with a \$3,600 high definition 50-inch flat screen television.¹⁰

There are scores of similar new chairs and no fewer than six additional 50-inch television sets spread throughout the complex, throwing into question the need for the entire project.

The High Cost of High Cotton

The Southeastern Boll Weevil Eradication Program is responsible for making Tennessee boll weevil-free. The

Certified Cotton Growers' Organization Fund, which pays into the program, received \$4.97 million in state tax dollars last fiscal year, and another \$4 million this year.¹¹ The catch is that this subsidy continues despite the fact that almost no boll weevil population remains in Tennessee and the program is no longer needed.

The boll weevil prevention fund, administered under the Tennessee Department of Agriculture, has previously been referred to as a favorite pork-barrel spending project of Lt. Gov. John Wilder. A cotton planter and ginner, Wilder is a past president of the Tennessee Cotton Ginner Association and vice president of his family's gin, the Longtown Supply & Gin Company. One of Tennessee's four boll weevil eradication program offices is located in Wilder's hometown of Somerville.

You Sure Made Pigs of Yourself

The Division of Mental Retardation Services reimbursed the Community Services Network (CSN) of West Tennessee more than \$23,000 for expenses incurred by CSN employees while pigging out at birthday lunches, Christmas parties and other meals.¹²

It's Not As if They Had to Pay for It

A state audit of Tennessee's Mental Health Developmental Centers showed \$470,615 worth of missing equipment.¹³ Inadequate recordkeeping was blamed for the nearly half million dollars worth of equipment items that could not be located. Additionally, serial numbers and

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locations listed in the equipment records were not correct, and state tags were missing.

The Department of Safety reported \$230,000 in lost and stolen equipment.¹⁴ Equipment costing \$225,000 was lost or stolen during a recent audit period. Two pieces of active equipment costing at least \$5,000 each “could not be found.”

Where Do I Sign Up?

The Department of Human Services’ Child Support Enforcement Program overpaid a contractor by \$421,000 in 2003.¹⁵ The contractor ignored the terms of the contract and calculated its fee using an estimate of collections instead of using actual collections as required by the agreement, resulting in a taxpayer-funded windfall.

Amazingly, the department did not perform a reconciliation between the amount the contractor was actually paid and the amount the contractor should have been paid. In other words, no effort was made to recoup the money.

The Cost of Cronyism

The Tennessee Highway Patrol (THP) has been riddled with several recent scandals. The scandals include the revelation that then-Highway Patrol Commander Col. Lynn Pitts violated state law by purchasing a boat at auction that had been seized by his department and an allegation that employees of a Knox County meat packing plant got out of traffic tickets by bribing THP officers with gifts of meat.

No scandal, however, rocked the state like the cronyism scandal uncovered after an investigation revealed that two-thirds of Tennessee Highway Patrol officers tapped for promotion under Gov. Phil Bredesen either gave money to his campaign or had family or political patrons who did. More than half of those officers were promoted over troopers who scored better on impartial exams or rankings.¹⁶

To add insult to injury, Gov. Bredesen authorized \$200,000 for a New York-based consulting firm to assist in reforming THP following allegations that the THP showed favoritism in promoting officers who donated to Bredesen’s own campaign.¹⁷

More troubling still, the cronyism continued with the selection of the consulting firm that was supposed to clean up cronyism. The no-bid contract was awarded to Kroll Inc., whose “senior person in Nashville,” Michael Shmerling, has donated \$12,500 to Bredesen’s campaign fund since 2002.¹⁸

The Pork Spending Caucus

Tennesseans of all ethnicities paid \$20,000 to fund the Legislative Black Caucus Retreat and Training Seminar.¹⁹ This payment was made despite the Caucus’s two-decade-long lapse in filing disclosures and failure to reapply for tax-exempt nonprofit status after having its 501(c)(3) status revoked.²⁰

The retreat featured seminars on public policy issues, including education and healthcare, with politicians, lob-

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byists, ministers and civic leaders in attendance. No other “specialty” caucuses have similar retreats.

State tax dollar-funded entities sponsoring the retreat included:

- The University of Tennessee system
- The Tennessee Department of Economic and Community Development
- The University of Memphis²¹

Health Department Commissioner Kenneth Robinson ran up an \$8,000 tab for travel and registration fees for himself and 28 others to attend the Black Caucus retreat.²²

In addition, several local governments, including the City of Chattanooga, donated generous taxpayer-funded contributions to the retreat.²³

A Pig by Any Other Name

What’s in a name? The answer, as Tennessee taxpayers found out, is about \$5,400—the cost to rename the Tipton County armory the “Speaker Jimmy Naifeh National Guard Armory.” A stretch of highway in Tipton County and the Covington campus of Dyersburg State Community College also carry Naifeh’s name at taxpayer expense.²⁵

Plans to install the name of longtime State Senator Ward Crutchfield on a recently completed \$28 million engineering, math and computer science building at the University of Tennessee-Chattanooga were abandoned after Crutchfield was indicted on charges of accepting \$12,000 in bribes.²⁶

Government Spending Didn’t Take the Day Off

State employees received two extra paid days off over the Christmas and New Year’s holidays—for a total of four paid vacation days during the 2005 Christmas season.²⁷ Since Christmas and New Year’s Day each fell on a Sunday, schedule-makers gave state employees the Friday before and the Monday after off with pay, even though most private sector employees only received paid holidays for the Monday after Christmas and the Monday following New Year’s Day. The two “free” days cost taxpayers \$7.6 million.

Road Hogs

An individual who called the Department of Audit’s toll-free hotline for reporting fraud, waste and abuse of government funds and property alleged improper use of state funds by the Department of Transportation. The caller’s allegations were not substantiated, but review did identify an apparent overpayment of approximately \$26,000 in transportation funds.²⁸

Housing Assistance for Governors?

While Tennessee’s Executive Residence is neither particularly grand nor historic, it is very expensive to maintain. Even though most Tennesseans will never visit the Governor’s Mansion, they still pay \$48,000 for the house’s annual maintenance.²⁹ If First Lady Andrea

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Conte has her way, that will just be the beginning. The First Lady has requested \$10 million for an extensive restoration of the Governor's Mansion.³⁰ Conte says that 60 percent to 80 percent of the project will be privately funded. Assuming 70 percent is raised privately, \$3 million of the project will still be paid by state taxpayers.

Davidson County property assessors appraised the Governor's Mansion for \$900,100 in 2005.³¹ It would literally be cheaper for taxpayers to raze the Mansion and build an entirely new executive residence—or sell it off and let future governors live on their \$85,000 annual salary.

Tax Dollars for Tourism

In 2005, the Tennessee Department of Tourist Development tapped taxpayers for \$4.5 million to provide funds to launch Tennessee's new advertising campaign "Tennessee, The Stage is Set for You!" in markets targeted for having the highest potential for increasing tourist visits to the state.³² Commercials made for the campaign feature Dolly Parton and Isaac Hayes (currently best known as the voice of "Chef" on the television show South Park).

Welcoming Wasteful Spending

The Department of Tourist Development provides a good example of the state charging taxpayers for something private enterprise could easily—and gladly—provide. The operation of Tennessee's 13 Welcome Centers located on state interstate highways will consume \$5 million this year.³³

Through a strategic overhaul, it would be possible to move the operation of the Welcome Centers to the Department of Transportation—which currently oversees rest areas. Private food vendors and service stations could then lease or buy some or all of the Welcome Centers, offsetting the current cost of managing them.

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TennCare: Tennessee's Medicaid Money Pit

TennCare, Tennessee's version of Medicaid, is a means-tested public healthcare program funded by both the federal and the state governments.

In 2006, the TennCare program will devour a total operating budget of \$8.7 billion under the weight of the enrollment of 1.4 million Tennesseans.³⁴ Despite recent cuts, the Tennessee state budget boasts that TennCare will still be “the seventh most comprehensive Medicaid program in the country.”³⁵

Compared to other Medicaid programs, TennCare is disproportionately large. While other programs enroll 18 percent of their state's citizens in their Medicaid programs, 23 percent of Tennesseans are enrolled in TennCare. Other states on average spend \$5,000 per enrollee, but TennCare spends \$6,200. Even within the context of other costly state programs, TennCare is by far the most expensive, annually consuming 35 percent of the state budget.

Yet this spending has not stopped Tennessee from maintaining one of the poorest health rankings among its peers. According to the *2005 America's Health Rankings*, Tennessee ranks 48th out of the 50 states in overall health measures, with only Louisiana and Mississippi scoring worse.³⁶

With so much spending buying so little health, perhaps it is time to ask, “Where exactly is the money going?”

Cut the Poor, but Pay the Lawyers

Because of TennCare's unsustainable budget, 173,784 TennCare recipients received benefit termination notices in 2005.³⁷ Each of those individuals had the opportunity to appeal the termination with the benefit of a state-funded attorney by their side during the appeals hearing.

Even though attorneys working for the Tennessee Secretary of State maintained that they could handle the appeals with no new staff and no additional cost to taxpayers, temporary lawyers were hired to hear TennCare appeals—at a cost of \$1 million.³⁸

The Secretary of State's lawyers have heard TennCare appeals for years. Nevertheless, in July 2005 the Department of Human Services began hiring 120 “special hearing officers,” at a cost of at least \$348,000 a month, to hear the appeals of enrollees being cut from TennCare.³⁹

In addition, private attorneys working to decipher the logistics and legalese related to the TennCare cuts billed taxpayers as much as \$350 an hour for their work—a rate significantly higher than the state customarily pays.⁴⁰

According to a February 2006 Tennessean article, “The lawyers billed for \$7.38 million in legal fees and another \$346,000 in expenses, including one lawyer who stayed at the exclusive Hermitage Hotel, Nashville's only five-diamond hotel,” in March of 2005.⁴¹

To Make Matters Worse...

State healthcare money went to fund inept commissions and programs. This fiscal year, \$16,500 will go to fund a TennCare Advisory Commission appointed by the gov-

In 2006, the TennCare program will devour a total operating budget of \$8.7 billion ...

error to advise the director of TennCare issues.⁴² Despite the existence of the commission, TennCare remains remarkably expensive and ineffective at delivering certain services and is rife with fraud.

The Office of TennCare Inspector General received \$5.1 million to prevent, identify, investigate and prosecute individuals who commit or attempt to commit fraud and/or abuse the TennCare Program.⁴³

As of November 2005, only 26 people had been convicted for recipient fraud—for such things as using TennCare to purchase and sell drugs or misrepresenting identity or income to get free services. In most cases, the restitution paid by the individuals convicted of fraud was just a few thousand dollars. The largest amount was \$40,000.⁴⁴

Medical Misspending

Even worse than its wasteful internal programs is the expensive mess TennCare creates when trying to make payments or reimbursements for services. Among the most egregious examples of wasted tax dollars by the TennCare Bureau are:

- \$784,205 to provide TennCare benefits to dead people. This has resulted in federal costs of \$507,997 in addition to the \$276,208 cost to the state. This was the fourth consecutive year that state audits uncovered payments for services to deceased enrollees.⁴⁵
- \$18,657 in TennCare claims paid on behalf of full-time state employees who are actually ineligible for the program, resulting in federal questioned costs of \$11,801 and an additional cost to the state of \$6,856.⁴⁶

- \$421,806 paid in the form of state-funded TennCare reimbursements made for children not in state custody. By incorrectly reimbursing the Department of Children’s Services, errant TennCare payments totaled a combined \$1.2 million in federal and state costs.⁴⁷
- \$10,159 paid for TennCare services provided before eligibility requirements were met. In the most recent TennCare audit, 89 percent of the 120 claims examined contained deficiencies in Medicaid Home and Community-Based Services Waivers recipient eligibility reviews, resulting in \$29,025 in questionable expenditures—including over \$10,000 in state costs.⁴⁸
- \$5,694 lost to duplicate claims paid to TennCare Skilled Nursing Facilities. A state audit discovered duplicate claims totaling \$16,269 for these facilities, of which the state portion—based on a state match of 35 percent—was \$5,694.⁴⁹

The state errantly sent nearly \$8 million in TennCare funds in the form of an incorrectly issued check to a single provider. Fortunately, the provider discovered the error and reported it.⁵⁰

For the second consecutive fiscal year, TennCare managers improperly recorded administrative payments to Premier Behavioral Systems of Tennessee. Additionally, TennCare overpaid the administrative payments to other behavioral health organizations, resulting in federal questioned costs of \$4.9 million and state questioned costs of \$15,260.⁵¹

Additional administrative errors led to at least \$93,992 in TennCare benefits to people ineligible for the program and \$3,247 in undocumented TennCare claims.⁵²

\$784,205 to provide TennCare benefits to dead people ... This was the fourth consecutive year that state audits uncovered payments for services to deceased enrollees.

Environment and Conservation: Conserving Everything but Money

The Tennessee Department of Environment and Conservation (TDEC) administers state parks, hazardous waste management, and even an environmental program for dry cleaning solvent that manages to tax dry cleaners up to \$1,500 a year. In addition, TDEC lays claim to the conservation of ground water, natural heritage, forestlands and the ozone layer. It seems the only thing that the pork-laden TDEC does not conserve is taxpayers' money.

Teed Off at TDEC

The state government owns golf courses at eight state parks. Only two of the eight supposedly self-sustaining golf courses generated enough revenue to pay for their own operation in 2005. The remaining six courses combined for a shortfall of more than half a million dollars. In total, the state would save \$436,590 by shuttering the courses or selling them to the private sector.⁵³

Golf-related pork spending did not end there. Construction of a golf cart crossing at Warriors Path chipped \$285,000 from state coffers.⁵⁴ New golf cart storage and course restrooms at Paris Landing cost taxpayers another \$140,000 in general funds and \$425,000 in bonds.⁵⁵

| Golf Course | Budget | Revenue | Total: |
|-------------------------|--------------------|--------------------|-------------------|
| Fall Creek Falls | \$586,200 | \$464,368 | -\$121,832 |
| Henry Horton | \$820,200 | \$715,246 | -\$105,154 |
| Montgomery Bell | \$874,400 | \$822,232 | -\$52,168 |
| Old Stone Fort | \$309,500 | \$317,995 | \$8,495 |
| Paris Landing | \$689,700 | \$654,691 | -\$35,009 |
| Pickwick Landing | \$698,500 | \$624,883 | -\$73,617 |
| T.O Fuller | \$480,400 | \$334,010 | -\$146,390 |
| Warrior's Path | \$679,200 | \$768,285 | \$89,085 |
| Total: | \$5,138,300 | \$4,701,710 | -\$436,590 |

Source: Tennessee Department of Environment and Conservation

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Pork in Print

The Courier, the Tennessee Historical Commission's thrice-yearly newsletter, comes with a price tag to taxpayers of \$4,050 each year. The "free" publication features articles on Tennessee history and openly applauds unwarranted state government spending on historical sites.⁵⁶

Well-"Rooted" Pork

Alex Haley was one of Tennessee's literary icons and his memory lives on in the culture of the Volunteer State. Unfortunately, with a \$1.2 million visitors' center at the state-owned Alex Haley Home, the state government made sure the Pulitzer Prize winning author lives on in the pocketbooks of Tennesseans as well.⁵⁷

A Monument to Government Waste

The state made history with a budget-busting 14-foot tall Tennessee State monument at Shiloh National Military Park. The monument—depicting three Confederate soldiers—is the largest unveiled on the Civil War Battlefield in 88 years. The monument was erected at a cost of \$250,000.⁵⁸

A Taxpayer-Funded Tribute

In 2005, the Tennessee General Assembly voted to name an existing inn at Fall Creek Falls State Park in honor

of the late Shelby Rhinehart at a cost of about \$2,000.⁵⁹ Rhinehart, who for 36 years served Van Buren County in the State House of Representatives, was influential in persuading the building of one of the most wasteful pork projects in Tennessee history: the 18-hole golf course at Fall Creek Falls.

Playground Pork

Despite the fact that most of the children in the state rarely visit a state park, TDEC forced taxpayers to pony up \$205,000 for new playgrounds and playground equipment at various state parks.⁶⁰

Guzzling your Greenbacks

TDEC spent \$442 for 68 cases of bottled water with a "Tennessee State Parks" logo on the label. The bottles were produced primarily to refresh the Governor and other dignitaries during meetings at Montgomery Bell and several other state parks. The same purchase of bottled water without a "Tennessee State Parks" label would cost about \$230 at most grocery stores in the state.⁶¹

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The Myth—and the Expense— of Economic Development

The Department of Economic and Community Development (ECD) will spend more than \$111 million this fiscal year in combined federal and state tax dollars.⁶² Despite this staggering sum, the only jobs created by the department are the 211 bureaucrats employed for the administration of the agency.

Even if well-intentioned and honestly pursued, a commitment to developing business through government subsidies is seriously flawed. First, it is redundant. In a capitalist society, Tennesseans can support good businesses by purchasing their products on the free market. Second, it is costly and ineffective. The best way for government to support existing businesses while attracting new ones is by offering an environment low in taxes and regulatory burdens. Allowing government to pick and choose winners in the business market results in harm to existing businesses, while increasing the tax burden of all businesses and individuals. Third, it carries unintended consequences, such as encouraging business growth in areas that cannot sustain it.

Rather than improving the lives of honest, hard-working Tennesseans, these subsidies often serve those who already have much, such as established businesses and politically well-connected individuals. Then, of course, there is the problem that impure intentions lead to even more misuse, misappropriation and waste.

A “FastTrack” to Nowhere

As part of ECD, the state spent \$40.6 million to fund the unproven FastTrack Infrastructure Development Program (FIDP) in 2005.⁶³ A state audit chided FIDP, saying, “It is unclear whether the program has been successful in encouraging job creation and retention or encouraging businesses to locate or expand in the state.”⁶⁴ Further, EDC does not have any policies requiring staff to ensure contract commitments are met, including monitoring to see that companies have provided required hiring figures and verifying those figures.

Intentional bureaucratic mismanagement appears to plague the FIDP program. No FIDP project may receive more than \$750,000 without obtaining State Funding Board approval. However, an infrastructure project in the Town of Smyrna related to the expansion of the town’s Nissan North America plant received more than \$2.8 million in FIDP funds without obtaining necessary State Funding Board approval.⁶⁵ Additionally, ECD awarded Oak Ridge nearly \$1.1 million in FIDP funds for a pair of Boeing-related projects—again exceeding the \$750,000 FIDP limit without approval by the State Funding Board.⁶⁶

More Pork on the “FastTrack”

The state also funded the failed FastTrack Job Training Assistance Program at a level of \$12.96 million in FY 2004-05 and \$9.35 million in FY 2005-06.⁶⁷ According to ECD, “the FastTrack staff helps a company plan, de-

... the only jobs created by the department are the 211 bureaucrats employed for the administration of the agency.

velop and implement a customized training program that meets initial training needs with follow up to insure each phase of the training program is effective and flexible.”⁶⁸

Despite this laudable claim and hefty expense to taxpayers, a 2005 state audit demonstrated that there does not “appear to be a connection between the amount of assistance given to a company and the number of jobs created or the wage level” of those jobs.⁶⁹ In fact, among the 10 contracts reviewed in the audit, the companies receiving FastTrack Job Training Assistance Program grants promised 835 new hires as a result of the FastTrack grants. Combined, the 10 companies reported only 407 hires—fewer than half of the promised number—at a cost to state taxpayers of \$664 per hire.⁷⁰

The audit also found that ECD commonly “reimbursed companies without documentation” for promised FastTrack training.⁷¹ Auditors identified unjustified FastTrack Job Training Assistance Program payments in 60 percent of the contracts reviewed for a total of \$29,000. A prime example of FastTrack’s penchant for pork spending occurred when ECD paid \$5,625 to American Yeast for staff training in areas of “Maintenance,” “Packaging,” “Process Operations” and “Quality” even though the company had previously received taxpayer-funded training in each of those areas.⁷²

If questionable and improper reimbursements occurred at the same rate in FastTrack Job Training Assistance Program contracts not sampled in the audit, the estimated cost to taxpayers would reach nearly a quarter of a million dollars.

Rewarding Plant Closures with Your Money

In 2005, \$43,350 was earmarked for job training at Carrier Corp.’s Collierville plant despite the fact that the company eliminated about 3,500 jobs in Tennessee over the past three years, shuttering its International Comfort Products air-conditioning plant in Lewisburg in 2002 and its Morrison plant in 2005.⁷³

Say “Sayonara” to Your Money

Taxpayers spent \$55,000 sending Gov. Bredesen and administration officials to travel to Japan to attend the Japan-U.S. Southeast Association annual meeting. Joining the Governor were ECD Commissioner Matthew Kisber; Loren Chumley, state Department of Revenue Commissioner, ECD Assistant Commissioner of Business Development, Paul LaGrange; and ECD director of Asian Business Development, John Gregory.

There was no word on how Tennesseans benefited by sending the state Commissioner of Revenue to the meeting in Japan. There was also no word on why a three-day trip that would cost the average citizen about \$2,000—according to a November 2005 Orbitz.com search—to fly from Nashville to Tokyo and stay at a five star hotel actually cost an average of \$11,000 for each of these five individuals, based on the \$55,000 receipt footed by taxpayers.⁷⁴

Development Dollars Down the Drain

ECD employees abused their position and violated the trust of Tennessee’s taxpayers by spending more than

Auditors identified unjustified FastTrack Job Training Assistance Program payments in 60 percent of the contracts ...

\$20,000 on luggage and golf shirts with tax dollars. By concealing transactions through a Nashville Area Chamber of Commerce bank account, ECD circumvented internal controls, violated state law and concealed questionable transactions, including expenditures of \$2,300 to purchase luggage, \$17,523 to buy sport shirts and \$748 paid to department employees for various unsubstantiated expenses.⁷⁵

ECD also paid an additional \$70,000 for duplicated services, according to an almost cryptic entry in the Department of Audit's 2004 Annual Report to the General Assembly. The entry noted that ECD had two sole-source contracts performing the same service. By circumventing state contract procedures, the department paid two service providers for the same service during a seven-month period at a total cost of \$10,000 per month.⁷⁶

Some ECD funds were used to benefit favored businesses at the direct expense of other not-so-lucky businesses. In FY 2005-06, all taxpayers—including business owners and employees of competing businesses—paid over \$11.7 million to subsidize private businesses. Specific programs include Existing Industry Services, the Office of Small Business Services and the Office of Minority Business Enterprise.⁷⁷

A Lesson in Pork: Education Spending in Tennessee

The Tennessee state government, unlike the federal government, is authorized to provide for the education of children in its Constitution.⁷⁷ Educating children well is a vital function of a free and civil society. A quality education requires excellent teachers, an involved support system at home and, to be sure, a substantial amount of financial resources. In Tennessee, however, the question is rarely asked: Is the state spending its vast taxpayer investment in education properly?

The State of Tennessee spent over \$6.9 billion on education in FY 2005-06, yet government education advocates often declare the need for additional funding.⁷⁹ In fact, the FY 2006-07 budget calls for an additional \$240 million in taxpayer funds for education. From expanding Tennessee's bureaucratic pre-kindergarten monopoly to pouring more money into state universities and community colleges, education-related requests for tax dollars never cease. Unfortunately, state policymakers rarely conduct sincere evaluations on how well the state is educating children and how carefully it spends taxpayers' money to do so.

By concealing transactions ... ECD circumvented internal controls, violated state law and concealed questionable transactions ...

An Education in Wasteful Spending

Taxpayers outfitted Tennessee's state universities and community colleges with everything from new shrubbery to a softball field press box. Some of the costly lowlights include:

- \$1.1 million in new state bonds for an outdoor pool at Austin Peay State University's Student Recreation Center⁸⁰
- \$580,000 to replace the tennis courts at Middle Tennessee State University⁸¹
- \$290,000 to renovate the Gill Gym at Southwest State Community College⁸²
- \$220,000 for landscaping at Northeast State Technical Community College⁸³
- \$100,000 for a new press box at the Volunteer State Community College softball field⁸⁴

The "Big Orange" Pig

University of Tennessee (UT) athletics have always been a point of pride for Tennesseans. Unfortunately, the Vols come with a hefty debt to the Tennessee State School Bond Authority. The following amounts were "volunteered" to be financed with bond debt for UT athletics:

- \$16 million for improvements to Neyland Stadium
- \$15 million for basketball practice facilities
- \$13 million in improvements to the Thompson-Boling Arena

- \$5.4 million in improvements to the University of Tennessee soccer field
- \$5 million for improvements to the Lady Vols' softball field
- \$2 million for site improvements at various University of Tennessee athletic fields
- \$1 million for artificial turf for intramural playing fields⁸⁵

The Undisputed President of Pork

At the request of former University of Tennessee president Dr. John Shumaker, taxpayers footed the bill for \$493,137 in unapproved renovations and items for the school's executive residence.⁸⁶ The scope of the renovations was not determined at the outset and the projects were completed piecemeal, thereby avoiding the necessary approvals from the UT Board of Trustees, the Tennessee Higher Education Commission and the State Building Commission. In addition, the necessity of the renovations and some of the items that were purchased for the house were questionable. Budgets were not established for the renovations and items purchased, and UT's management did not question the renovations and purchases or attempt to set limits on the spending.

Tennesseans also picked up a \$319,347 tab for entertainment and receptions during Dr. Shumaker's tenure.⁸⁷ Dr. Shumaker admitted that some of the expenses were excessive, but he stated that he was told that no budget existed for these events. Several of the events appeared

Tennesseans picked up a \$319,347 tab for entertainment and receptions during Dr. Shumaker's tenure.

to involve primarily UT employees rather than being directed at potential donors to the school.

York Pork

The state-administered Alvin C. York Agricultural Institute—named for the World War I hero and Pall Mall native who led an eight-man attack on a German machine-gun nest, killing 32 German soldiers and capturing 131 others—is an agriculturally focused 600-student high school in Jamestown. The school cost taxpayers more than \$4.3 million, or \$7,222 per pupil, in 2005.⁸⁸

According to the Tennessee Department of Education, the state spends an average of \$3,185 per K-12 pupil (not considering federal or local monies).⁸⁹ If the state redesigned the school as a traditional high school with local support, it would save Tennesseans \$4,037 per student, or nearly \$2.4 million in all.

The state also burdened taxpayers with a \$315,000 tab to build covered walkways at the Agricultural Institute.⁹⁰ The covered walkways will be installed over the existing sidewalks that connect the main building to both the science and English buildings. This project will protect students walking between buildings in inclement weather. Despite what this project would indicate, Sgt. York did not have the luxury of a covered walkway during the battle of Argonne.

The Department of Children’s Disservice

On paper, the Department of Children’s Services (DCS) provides child protective services, foster care, adoption, programs for delinquent youth, probation/aftercare, and treatment and rehabilitation programs for identified youth.⁹¹ In reality, however, DCS is a flawed bureaucracy, which, despite 5,022 employees and a \$591.6 million budget, continuously fails many of the children in its care and all of the taxpayers in the state.⁹²

On April 26, 2005, the Comptroller of the Treasury released an audit exposing more than \$1.3 million in unjustified and questioned costs based on only a small sampling of children’s case files.⁹³

Unfortunately, the waste of tax money is the least of the concerns facing DCS. Now in its 10th year in existence, the beleaguered department is routinely charged with failing to supervise and protect the children in state custody. The following news items have proven cause for concern for DCS in recent months:

- In October 2004, two DCS workers waited three days to respond to a report that a 19 month-old toddler swallowed crack cocaine. The child survived, but hospital tests proved the report accurate.⁹⁴
- In January 2006, the state identified 183 children as runaways from DCS custody—38 of whom had a history of violence.⁹⁵

... DCS is a flawed bureaucracy, which, despite 5,022 employees and a \$591.6 million budget, continuously fails many of the children in its care and all of the taxpayers in the state.

- In February 2006, Tennessee’s Juvenile Court judges gave DCS its second no-confidence vote in as many years, calling for the creation of a separate cabinet-level department for juvenile justice services. The judges maintain that DCS continues to place serious youth offenders in foster care when they should be housed in secure facilities and that the DCS runaway problem has reached epidemic proportions.⁶⁹
- In March 2006, DCS was found guilty of five acts of negligence stemming from the 2000 killing of a 10-year-old girl by her 17-year-old brother. The boy was on a court-approved extended visitation at the time. The state must now pay \$4.5 million in damages to the parents of the children.⁹⁷

If reams of fault-finding reports and articles and highly critical state audits are any indication, DCS is far from properly serving the children and taxpayers of Tennessee.

A Suspension is Like Vacation...but Better

In 2003, DCS placed eight employees on administrative leave with pay for disciplinary reasons. These suspensions lasted from 32 to 111 business days. DCS failed to obtain the necessary authorization from the Department of Personnel to pay these individuals’ administrative pay for more than 30 calendar days—the typical limit for such paid suspensions—but paid the employees anyway.⁹⁸ The suspended employees cost taxpayers \$67,546—\$42,022 of which came from state funds.

Documentation? When Did We Require That?

In 2004, taxpayers doled out \$74,208—\$26,348 in state funds and another \$47,860 in federal funds— for foster care payments made despite improper or even fraudulent documentation. This amount included payments made to foster parents whose files did not contain documents that criminal background checks were performed—putting tax dollars and, more importantly, the safety of Tennessee’s foster children at risk.⁹⁹

Just Keep It. Who Will Know?

In FY 2003-04, the year of the most recent audit, the state divvied out \$52,609 in overpayments to foster care and adoption assistance parents that were not reimbursed by the recipients. This marked the tenth consecutive year in which overpayments went uncollected by the state.¹⁰⁰

In total, over the ten-year period, there is nearly \$1.2 million due in uncollected overpayments from foster care and adoption assistance parents. Federal payments represent approximately 64.5 percent of this cost, with the state paying the remaining 35.5 percent. Thus, roughly \$417,000 of the total overpayments were made with state tax dollars.¹⁰¹

... DCS was found guilty of five acts of negligence stemming from the 2000 killing of a 10-year-old girl by her 17-year-old brother.

Tennessee Has Spending Down to an Art

****Warning: This section contains language and subject-matter that some may find objectionable.*

Most taxpayers already know that a balanced budget is even nicer than a few pretty pictures. Unfortunately, the state government has yet to come to that realization. In 2006, the state government is forcing taxpayers to spend \$7 million to support the arts through the Tennessee Arts Commission.

Government funding of the arts is problematic on several levels. Since bureaucrats determine what art receives government funding, the state ultimately has the authority to determine what defines or constitutes art. This paves the way for government censorship of art.

Furthermore, government funding of art rests on the questionable notion that a group of government officials knows what art is good, or at least worthy of support. Art—like all other goods and services—should exist in a market environment. If art is of value to a society, people will buy it, listen to it, watch it and enjoy it. It should not be left to the government to tax individuals to support art deemed worthy or acceptable by a state bureaucracy.

In a free market, patrons of the arts could freely decide to buy a ticket to a theater showing the film “Gay Sex in the ‘70s” or pay to attend a choral concert of Christmas tunes, both of which received grant money from the state this year.

Eliminating government funding of the arts means that taxpayers would have more money to attend the ballet, buy a sculpture, go to a concert and personally choose the art that they wish to support.

The Art of Government Waste

The Tennessee Arts Commission financially supported the following projects in the 2004-2005 fiscal year:¹⁰³

- \$80,000 to Fisk University—a private university—to maintain the Steiglitz art collection
- \$34,500 for the annual Nashville Film Festival, which screened films such as “Lipstick and Dynamite: The First Ladies of Wrestling” and “Don’t Fuck with the Lewises”
- \$10,420 in general operating support to the Actors Bridge Ensemble, which recently featured a production of “The Vagina Monologues”
- \$5,100 for the Ruby Green Foundation, whose gallery recently housed an exhibit featuring a painting of President Bush carrying Saddam Hussein’s severed head on a well-garnished silver serving platter
- \$5,000 to actor Matt Chiorini who then adapted George Orwell’s 1984 for the stage in partnership with the ACLU of Tennessee

In the 2005 appropriations bill, the State Museum was awarded \$200,000 to support the Rau collection—an exhibition of European masterpieces.¹⁰⁴ A small entrance fee would have almost certainly offset this unnecessary burden to taxpayers.

Eliminating government funding of the arts means that taxpayers would have more money to attend the ballet, buy a sculpture, go to a concert ...

Spending in “Soulsville”

In the fine print of the 2005 appropriations bill, Memphis-area legislators secured a \$100,000 Arts Commission grant to the Stax Museum—the Museum of American Soul Music—for acquisitions, operating expenses and general improvements.¹⁰⁵

New Punishments for Government Waste?

The Tennessee Arts Commission also granted \$32,500 to another Memphis-based museum—the National Ornamental Metal Museum.¹⁰⁶ Among the recent displays at the museum is “Impenetrable Devices,” an exhibit of stainless steel genital prostheses intended to maim would-be sexual partners or attackers.

Among the sculptures included in the exhibit were a metal rendition of women’s underwear named the “Intimate Electric Fence,” which delivers a 500-volt electrical jolt, and a codpiece called the “Cremasteric Reflex Corset,” featuring high-pressure pneumatic cylinders with razor blades attached to sever anything in its path. That may be the only thing more painful than the waste of Tennessee tax dollars on the arts.¹⁰⁷

Conclusion

As the examples of wasteful spending in this report demonstrate, the State of Tennessee does not have a spending problem—it has a spending addiction. For far too long, policymakers have viewed government programs with their concentrated benefits and diffused costs as the simple way to help their own interests by appeasing donors and lobbyists and buying votes back home.

As a result of the state’s recent ethics scandals and the growing awareness of the increased size and power of government, a new day is dawning in Tennessee. The people of the Volunteer State are becoming less impressed by what lawmakers say they will do, and more impressed by what they say they won’t do—namely increase spending and raise taxes.

The first step policymakers should take is to cut the waste identified in this report — from subsidized golf courses to excessive administrative costs for state agencies. In total, the lowlights in government waste included in this report represent over \$240 million in spending.¹⁰⁸ To put this number into perspective, according to Jim W. White, the Executive Director of Fiscal Review, Tennessee’s 6 percent sales tax on grocery items generates \$346 million in tax revenue for the state.¹⁰⁹

In other words, by cutting the wasteful and ineffective spending listed in this report, legislators could lower the state sales tax on grocery items from 6 percent to less than 2 percent without raising any other tax or fee.

Lawmakers should also establish a Tennessee version of the Grace Commission. This group would function

... by cutting the wasteful and ineffective spending listed in this report, legislators could lower the state sales tax on grocery items from 6 percent to less than 2 percent without raising any other tax or fee.

as a standing committee for the purpose of analyzing every nook and cranny of the state budget in order to find waste, fraud, abuse and mismanagement.

With private-sector expertise and the help of independent and nonpartisan organizations like the Tennessee Center for Policy Research, such a commission would scrutinize expenditures, account for every tax dollar and ensure the elimination of wasteful spending.

Finally, legislators should work to strengthen the “Copeland Cap,” Tennessee’s flimsy tax and expenditure limitation.

In 1978, prudent legislators attempted to prevent the problem of wasteful spending by instituting the Copeland Cap, an innovative constitutional amendment intended to limit the growth of state expenditures. Under the Copeland Cap, state spending can grow no faster than the annual growth in personal income, an amount sufficient to administer a well-greased government, but without offering legislators as much latitude to waste tax dollars on pork spending.

The Copeland Cap’s greatest weakness is the ease with which it can be overridden. Legislators can countermand the Copeland Cap by a simple majority vote, leaving the cap feeble and ineffective at preventing outbursts in spending. In fact, legislators desiring to dig deeper into the pockets of taxpayers have broken through the Cap’s glass ceiling a dozen times over the last 21 years.

It is possible to prevent state spending splurges in the future by strengthening the Copeland Cap. Amending the state constitution to require a two-thirds vote by the state

legislature—rather than a simple majority—to exceed the limit prescribed under the Copeland Cap would help ensure that state spending would not grow faster than taxpayers’ ability to pay for it. Importantly, requiring a two-thirds vote to exceed the spending cap would still offer legislators the latitude to raise additional state funds in times of emergency or disaster.

Capping state spending does not prevent legislators from funding important projects or enacting valuable new legislation, it simply forces them to do what every family in the state already does—prioritize. The resulting honest and open discussion will cut millions of dollars in wasteful and duplicative programs to make way for worthy new programs.

Legislators owe it to Tennesseans to spend each dollar carefully. Every member of the Tennessee General Assembly should make it a top priority to trim every ounce of pork and waste from the Tennessee state budget. Doing so would demonstrate a new commitment on the part of the government to the people of this state—the commitment to spend their hard-earned tax dollars *well*.

It is possible to prevent state spending splurges in the future by strengthening the Copeland Cap.

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