

January 2009

*Stewardship in  
Government  
Spending:  
Accountability,  
Transparency,  
Earmarks, and  
Competition*

by

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***POLICY***  

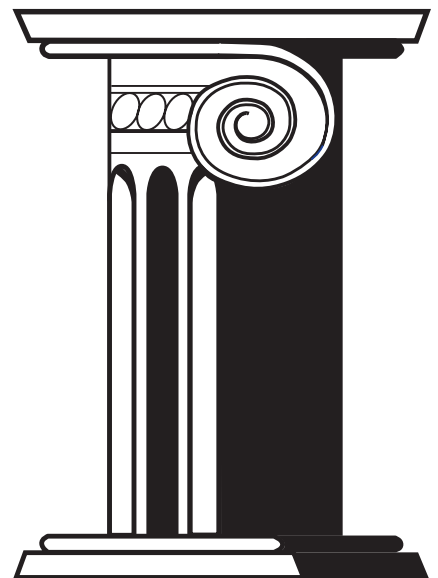
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# *Stewardship in Government Spending: Accountability, Transparency, Earmarks, and Competition*

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# Executive Summary

In a somewhat surprising juxtaposition, the language addressing parishioners' "stewardship" by leaders of the Roman Catholic Church is applicable in addressing "accountability" and "transparency" in relation to government. As defined by the *Encarta Dictionary of English*, "stewardship" is managing somebody else's property, finances, or household, guiding or directing a project to completion. The 10th Anniversary Edition of the Bishops' stewardship letter reads, "accountability is essential to building a solid foundation for a (stewardship) program." Accountability has become an important indicator of whether or not an organization is worthy of investment. Activities and reports should reflect "the highest ethics, exacting standards, and unwavering principles." Unfortunately, both in relation to church activities and State activities, this is not always true.

Concerns about congressional stewardship concerning funding were first expressed by Thomas Jefferson in a 1796 letter to James Madison warning that sending funds to local projects would be a "source of eternal scramble among the members, who can get the most money wasted in their State; and they will always get the most who are the meanest." In 1822 President James Monroe stated that federal money should only be spent on, "great national works, since if it were unlimited it would be liable to abuse and might be productive of evil." "Waste," "meanest," and "evil" would not be terms generally associated with good stewardship, either in the church or government.

Government "stewardship" is managing taxation, including the number and dollar amount of earmarks, the accountability of those spending the funds, transparency of information about spending, and competition for the money funneled through governments by grants and contracts. The most obvious demonstration of government's lack of fiscal stewardship is found in reviewing congressional earmarks, a topic of much

interest in the last few years. The official process for determining the federal budget is a three-step process of authorization, appropriation, and oversight. According to Congressman Jeff Flake (R-Arizona), the earmark process has eliminated much of the authorizing and oversight work -- Congress just appropriates. Earmarks are defined by the Office of Management and Budget (OMB) as Congress 1) circumventing merit-based or competitive allocation processes; 2) specifying location or recipient of funds; or 3) limiting the ability of the Executive Branch to manage its statutory and constitutional responsibilities." When Director of the OMB, former Iowa Congressman Jim Nussle, issued a statement concerning the Fiscal Year 2009 Senate budget resolution, "The budget resolution would result in the largest tax increase in our nation's history" and "adds \$25 billion in new spending this year and \$209 billion more over 5 years." According to the OMB, the FY 2008 federal budget has 11,209 earmarks totaling \$16,569,863,000, or over \$16.5 billion dollars.

Congressional earmarks were an issue of contention some twenty years ago. As President Ronald Reagan famously said, "I haven't seen this much lard since I handed out blue ribbons at the Iowa State Fair." Unfortunately his reference to pork in Iowa today does not mean "hogs," but pork barrel spending by both federal and state governments. At the state level poor stewardship was demonstrated last year when Governor Culver and members of the majority Democrat party refused to submit a complete budget for consideration, instead only revealing sections as they passed them. Poorly managed projects, such as the Honey Creek Resort, raise additional questions.

The American taxpayers are becoming less comfortable with earmarking. In the *Wall Street Journal* on July 24, 2008, Pat Toomey, President of the Club for Growth, reported the results of a poll on government spend-

ing issues, which asked, "All things being equal, for whom would you be more likely to vote for the U.S. Congress: 1) a candidate who wants to cut overall federal spending, even if that includes cutting some money that would come to your district or 2) a candidate who wants to increase overall spending on federal programs, as long as more federal spending and projects come to your district?" Voters indicated they were unhappy with government spending, as 54 percent would chose the frugal candidate, and only 29 percent would chose the candidate who promised to bring home the bacon.

In a demonstration of grass-roots support for limiting earmarks, 27 chairmen of "center-right" coalitions; independent, state-focused groups working on behalf of limited government, lower taxes, and free-market reforms, recently sent a letter to the Republican Congressmen voicing support for a "unilateral, self-imposed moratorium on earmarks." This includes the Public Interest Institute. Our President, Dr. Don Racheter, signed the letter as Chairman of the Iowa Center-Right Coalition. As the Legislative sessions continue, at both the federal and the state levels, all citizens should be aware of stewardship issues and work to get government to improve their stewardship of our money.

# *Stewardship in Government Spending*

*“Analysts are reviewing the issues of number and dollar amount of earmarks, the accountability of those managing the funds, transparency of information about spending, and competition for the money funneled through governments by grants and contracts.”*

## **Introduction**

In a somewhat surprising juxtaposition, the language addressing parishioners’ “stewardship” by leaders of the Roman Catholic Church is strongly applicable in addressing “accountability” and “transparency” in relation to the governments of both the United States and the State of Iowa. As defined by the Encarta Dictionary of English, “stewardship” is managing somebody else’s property, finances, or household, guiding or directing a project to completion.

The 10th Anniversary Edition of the Bishops’ stewardship letter reads, “A commitment to accountability is essential to building a solid foundation for a (stewardship) program.”<sup>1</sup> Accountability has become an important indicator of whether or not an organization is worthy of investment.<sup>2</sup> Activities and reports should reflect “the highest ethics, exacting standards, and unwavering principles.”<sup>3</sup> Unfortunately, both in relation to modern day church activities and modern day state activities, this is not always true.

Concerns about congressional stewardship and ethics concerning funding allocations were first expressed by Thomas Jefferson in a 1796 letter to James Madison warning that sending funds to specific local projects would be a “source of eternal scramble among the members, who can get the most money

wasted in their State; and they will always get the most who are the meanest.”<sup>4</sup> In 1822 President James Monroe expressed the opinion that federal money should only be spent on, “great national works, since if it were unlimited it would be liable to abuse and might be productive of evil.”<sup>5</sup> “Waste,” “meanest,” and “evil” would not be terms generally associated with good stewardship, either in the church or government.

In discussing the current state of government “stewardship,” as demonstrated by the management of income from taxation, analysts are generally reviewing the issues of number and dollar amount of earmarks, the accountability of those managing the funds, transparency of information about spending, and competition for the money funneled through governments by grants and contracts. For this policy study, the disposition of federal funds and state funds within Iowa will be reviewed.

## **No Fiscal Stewardship**

The most obvious demonstration of government’s lack of fiscal stewardship, including both accountability and transparency, is found in reviewing congressional earmarks, a topic of much interest in the last two years. The official process for determining the federal budget is a three-step process of authorization, appropriation,

and oversight. Congressional subcommittees and committees authorize federal programs after holding hearings on topics of concern or interest and reviewing proposed programs designed to address these problems. The Appropriations Committees determine program priorities, given general budget limitations, and allocate funding. Then as programs are being implemented and funds spent, the committees use their oversight powers, briefings and reports, and studies by the Government Accountability Office to ensure that the programs are properly implemented and funds spent wisely. According to Congressman Jeff Flake (R-Arizona), the earmark process has eliminated much of the authorizing and oversight work -- Congress just appropriates.<sup>6</sup>

Earmarks are defined on the United States Office of Management and Budget (OMB) website and by President Bush based on three criteria: Congress 1) “circumvents merit-based or competitive allocation processes; 2) specifies location or recipient of funds; or 3) limits the ability of the Executive Branch to manage its statutory and constitutional responsibilities for the allocation of federal funds.”<sup>7,8</sup> The job of the OMB is to develop the President’s proposed budget and submit it to Congress. Current Director of the OMB, former Iowa Congressman and Republican gubernatorial candidate Jim Nussle, issued a statement on

June 4, 2008, concerning the Fiscal Year 2009 Senate budget resolution, “The budget resolution would result in the largest tax increase in our nation’s history” and “adds \$25 billion in new spending this year and \$209 billion more over 5 years.”<sup>9</sup>

Congressional earmarks were an issue of contention some twenty years ago, when in 1987 President Ronald Reagan vetoed the Surface Transportation and Uniform Relocation Assistance Act. When vetoing this legislation because there were 121 “Demonstration projects” and over \$10 billion more in spending than he had requested, President Reagan famously said, “I haven’t seen this much lard since I handed out blue ribbons at the Iowa State Fair.”<sup>10</sup> Unfortunately his reference to pork in Iowa today does not mean “hogs,” but pork barrel spending. By 1994 there were about \$7.8 billion in earmarks placed in the federal budget, representing some 1,300 programs nationwide. Just over 10 years later, in the 2005 budget, there were 14,000 earmarks, over a 100 percent increase, totaling \$27.3 billion.<sup>11</sup> According to the OMB, the FY 2008 federal budget has 11,209 earmarks totaling \$16,569,863,000, or over \$16.5 billion dollars, which is somewhat of a reduction from 2005, but still significant.<sup>12</sup>

In a press conference on the FY 2008 budget, OMB Direc-

## *Accountability, Transparency, Earmarks, and Competition*

*“When vetoing  
this legislation...  
President Reagan  
famously said, ‘I  
haven’t seen this  
much lard since I  
handed out blue  
ribbons at the Iowa  
State Fair.’”*

## *Stewardship in Government Spending*

*“Voters are unhappy with government spending, as 54 percent would chose the frugal candidate, and only 29 percent would chose the candidate who promised to bring home the bacon.”*

tor Nussle referenced several earmarked projects contributing to the “bloated” and “gimmick” filled farm bill. Specifically egregious projects are a non-competitive national forest land sale to a privately-owned Vermont ski resort, \$250 million for a 400,000 acre land purchase from one individual, and \$382 million for one specific watershed.<sup>13</sup> Additionally the bill requires taxpayers to fund peanut storage and expands the Davis-Bacon Act. The noted example of egregious earmarking in 2005 was the infamous “Bridge to Nowhere” in Alaska.<sup>14</sup> The bridge between Ketchikan and a small island, where less than 50 people live, would have cost \$223 million to build and would have been twice as tall as the Brooklyn Bridge and almost as long as the Golden Gate bridge.<sup>15</sup> For that amount, each resident on the island could have purchased a private yacht of \$4.4 million to make the seven-minute water commute.

Most recently, the first FY 2009 spending bill passed by Congress before the August recess included veterans and military base funding. It totaled \$72.7 billion and included 510 earmarks. This is \$3.4 billion more in spending than requested by President Bush. Of the 510 earmarks, 103 were for projects sought only by lawmakers, including spending for readiness centers, parking garages, fitness centers, and chapels. Though Congressman

Flake, the most vigilant anti-earmarker in Congress, attempted to cancel these projects, his amendment was defeated 350-63. After that defeat the entire bill passed, 409-4.<sup>16</sup> Many Congressmen must have decided that if you can’t beat them, you should join them.

### **Citizen Reactions and Congressional Response**

The American taxpayers, though, are not as acquiescent. An editorial in the Wall Street Journal on July 24, 2008, by Pat Toomey, President of the Club for Growth, reports the results of a recent poll on government spending issues, which asked, “All things being equal, for whom would you be more likely to vote for the U.S. Congress: 1) a candidate who wants to cut overall federal spending, even if that includes cutting some money that would come to your district or 2) a candidate who wants to increase overall spending on federal programs, as long as more federal spending and projects come to your district?”<sup>17</sup> The results revealed that voters are unhappy with government spending, as 54 percent would chose the frugal candidate, and only 29 percent would chose the candidate who promised to bring home the bacon.<sup>18</sup>

In a demonstration of grassroots support for limiting earmarks, 27 chairmen of “center-right” coalitions, which are independent, state-focused

groups working on behalf of limited government, lower taxes, and free-market reforms, recently sent a letter to the Republican Congressmen voicing their support for a “unilateral, self-imposed moratorium on earmarks.”<sup>19</sup> This group includes the Public Interest Institute. Our President, Dr. Don Racheter, signed the letter as Chairman of the Iowa Center-Right Coalition. The broad goal of the center-right groups, led by Grover Norquist of Americans for Tax Reform, author of recently published *Leave Us Alone: Getting the Government’s Hands Off Our Money, Our Guns, Our Lives*, is to develop a 60 percent voting coalition focused on getting the central government to “leave us alone.”<sup>20</sup>

Another citizen group focusing on government stewardship is the “Show Me the Spending” Coalition. It is a joint effort by the National Taxpayers Union, Americans for Tax Reform, the Council for Citizens Against Government Waste, and Americans for Prosperity to advocate for transparency in state government spending.<sup>21</sup>

However, most Congressmen (of both parties) who are providing the pork are quite happy to do so. This was demonstrated in January 2008 when the Senate Appropriations Committee issued “preemptive” warnings to President Bush not to use the executive authority of the office of the President

to remove over \$7 billion in earmarks from the fiscal 2008 budget.<sup>22</sup> President Bush, however, was not intimidated by their threats and on January 29, 2008, issued Executive Order (EO) 13457, “Protecting American Taxpayers from Government Spending on Wasteful Earmarks.”<sup>23</sup> This Order followed the President’s statements in the 2008 State of the Union address that he would veto Fiscal Year (FY) 2009 appropriations that did not cut the cost and number of Congressional earmarks in half from FY 2008. The Executive Order prohibits federal agencies from spending funds on earmarked projects listed in Committee reports instead of in official appropriations language. It will apply to current and future congressional actions, unless repealed by a future President.

### **Opportunities for Reform**

The Congress had an opportunity in March 2008 to support President Bush in his efforts to improve fiscal stewardship by supporting an “earmark moratorium.” The amendment offered in the House Budget Committee by Representative Jeb Hensarling (R-Texas) and John Campbell (R-California) would have imposed a one-year moratorium on new earmarks and established a bi-partisan committee to make recommendations on how to reform the funding process. Unfortunately, it was rejected on a party line vote of 16 Republicans to

## *Accountability, Transparency, Earmarks, and Competition*

*“Executive Order 13457 prohibits federal agencies from spending funds on earmarked projects listed in Committee reports instead of in official appropriations language.”*

# *Stewardship in Government Spending*

*“According to  
Senator Tom Coburn  
(R-Oklahoma),  
as of June 2008  
the number of  
earmarks currently  
before the House  
Appropriations  
Committee is  
23,438, indicating  
that members of  
the House are not  
taking EO 13457  
seriously.”*

21 Democrats.<sup>24</sup> No members of the Iowa Congressional delegation are members of the Budget Committee.

According to Senator Tom Coburn (R-Oklahoma), as of June 2008 the number of earmarks currently before the House Appropriations Committee is 23,438, indicating that members of the House are not taking EO 13457 seriously.<sup>25</sup> Though President Bush’s term is over, Congress would be wise to consider that over 80 percent of Executive Orders issued from 1993-2000 are still in effect today, so EO 13457 is likely to remain in effect under President Obama. Senator Coburn is known as “Dr. No” because of putting “holds” on legislation he objects to and insisting on full and fair debate, versus the commonly used unanimous consent procedure, which allows bills, especially spending bills, to pass without debate. Senator Coburn and his supporters believe his efforts to enforce fuller debate have improved legislation and saved taxpayers money. Currently he has holds on \$10 billion in spending in some 80 bills. Coburn argues that the Senate is “shirking its duty by failing to give closer review to the hundreds of bills that slide through by unanimous consent.” Further, he does not think Congress should “be borrowing and expanding the federal government unless we get rid of stuff that is not working.”<sup>26</sup>

A list of the “Top Ten Egregious Earmarks” was recently developed by Congressman Flake as part of his vocal opposition to earmarks. Unfortunately, Number 5 for 2008 includes \$98,000 for the acquisition and/or demolition of the former beef processors production plant in Fort Dodge, Iowa.<sup>27</sup> Recently, Congressman Flake’s good stewardship fight was joined by Congresswoman Jackie Speier (D-San Francisco, California). Congresswoman Speier, who was elected in a special election, said she was “appalled by members’ earmarking....The biggest surprise since I’ve been here have been earmarks. I didn’t realize how insidious it was and how deep it ran and how accepting so many people are of it.”<sup>28</sup>

## **Earmarks and Iowa**

In discussing accountability, transparency, earmarks, and competition, long time Iowa Senators Chuck Grassley (R) and Tom Harkin (D) both have positions of seniority and leadership in the Senate, enabling them to direct significant federal funds to Iowa-specific projects. Grassley is the ranking member of the Senate Committee on Finance, as well as serving on the committees of Agriculture, Nutrition, and Forestry; Budget; and the Judiciary. Harkin is Chairman of the Senate Agriculture, Nutrition, and Forestry Committee; and serves on Appropriations; Small Business and Entre-

preneurship; and the Health, Education, Labor, and Pensions committees.<sup>29</sup> Senator Harkin was re-elected in 2008 and began his fifth six-year term in January 2009.

The total amount of federal funding coming to Iowa earmarked projects in the Fiscal 2008 budget is approximately \$246 million. The total of “Iowa Only” projects listed in the Taxpayers for Common Sense “Complete List of Earmarks in Final FY2008 Appropriations Bills,” is \$201,308,200. This includes the egregious earmark for Fort Dodge singled out by Congressman Flake. Further analysis of the data reveals that the Senators accounted for most

of the earmarking allocations for Iowa, with a total of \$183 million in requests, compared to only \$63 million for all five congressmen combined.<sup>30</sup>

According to Citizens Against Government Waste, Iowa ranks 16th in the country in total earmarks in 2008, up from 37th in 2006. While the national per capita average is \$33.77 per person, in the Iowa number is almost double that at \$61.79. This is higher than all the contiguous states except South Dakota, which comes in at 7th. The lowest ranking state is 2008 Republican Presidential candidate John McCain’s home state of Arizona, at only \$14.17 per person.<sup>31</sup>

## *Accountability, Transparency, Earmarks, and Competition*

### **Ranking of State Earmarks and Amount per Capita, FY 2008**

State	Ranking	Amount
National Average		\$33.77
Iowa	16th	\$61.79
Arizona	50th	\$14.17

*Data source: Citizens Against Government Waste*

Data from the OMB, which documents earmarks confirmed by individual agencies in their FY2008 budget and spending reports, shows Iowa with 134 separate earmark projects, totaling \$91,841,000. This ranks Iowa 19th in number of earmarks, and 30th in total dollars allocated. The current OMB numbers only include spending confirmed by the Executive

Branch agencies, not the total allocations.<sup>32</sup> As documented by Taxpayers for Common Sense, the 20 largest Iowa projects contain a total of \$125 million in spending. There is another \$139,536,000 in joint projects, most concerning water and energy issues, which is to be shared with states such as Illinois, Nebraska, Minnesota, Missouri, and Kansas.

*“The total amount of federal funding coming to Iowa earmarked projects in the Fiscal 2008 budget is approximately \$246 million.”*

## Iowa Earmarks by Legislator, ranked most to least, FY 2008

Elected Official	Congressional District	Political Party	Year First Elected	Number of Earmarks
Tom Harkin	Senate	Democrat	1984	180
Charles Grassley	Senate	Republican	1980	137
Tom Latham	CD-4	Republican	1994	59
Leonard Boswell	CD-3	Democrat	1996	27
Bruce Braley	CD-1	Democrat	2006	26
Dave Loebsack	CD-2	Democrat	2006	26
Steve King	CD-5	Republican	2002	13

Data Source: U.S. Office of Management and Budget, July 28, 2008

### *Stewardship in Government Spending*

*“Recent efforts to address earmarking have resulted in some changes, but they are mostly cosmetic.”*

#### **Congressional Reform Results**

Recent efforts to address earmarking have resulted in some changes, but they are mostly cosmetic. The 2007 Legislative Transparency and Accountability Act tried to reform lobbying and earmarking practices. It requires that earmarks submitted by Congressmen be posted on the internet at least 48 hours before a vote and include the recipient’s name and the corresponding Senate sponsor. The sponsor must submit a written statement that outlines the project details and certifies that they will not benefit personally from the project.<sup>33</sup> This followed the “Federal Funding Accountability and Transparency Act,” (S.2590) which President Bush signed in the fall of 2006. It created a free, publicly searchable website for all federal government contracts and grants of more than \$25,000. The website became available on December 13, 2007, at <http://www.usaspending.gov>. President Bush has

referred to it as being able to, “Google your tax dollars.”<sup>34</sup>

According to the Club for Growth, which works for policies promoting economic growth by reducing taxes, limiting government spending, and expanding free trade, 41 House (of 435) and 7 Senate (of 100) members have signed a “no pork” pledge.<sup>35</sup> None of the Iowa Congressman or Senators has signed the pledge. However, Congressman Steve King (R - Iowa 5) has the fewest earmarks of any Iowa Representative, only 13. As part of their efforts in this area, the Club for Growth issues an annual evaluation of congressional voting actions on legislation to reform or curb pork barrel spending and improve stewardship, called the “RePORK Card.” During 2007, there were 65 anti-pork amendments proposed in the Senate and House. Only 3 passed. In the House of Representatives, Iowa Congressmen could have voted 50 times to reform the appro-

## Iowa's 20 Largest Earmark Requests, FY 2009

House Request	Senate Request	Final Amount Requested	Bush Presidential Budget Request	Earmark Description	Intended Recipient or Location
	\$49,200,000	\$49,200,000	\$49,200,000	Industrial Waste Treatment Plant	Iowa Army Ammunition Plant
	\$13,186,000	\$13,186,000		Readiness Center	Iowa City
\$6,300,000	\$5,000,000	\$5,141,000		Lock and Dam 11, Mississippi River (Major Rehab)	
\$5,000,000	\$6,000,000	\$5,000,000		Project SOAR	U. of Northern Iowa, Cedar Falls
	\$7,500,000	\$4,790,000		Iowa Depart. of Edu. - continue the Harkin grant program	Statewide
	\$7,000,000	\$4,596,200		Statewide Bus Replacement	Statewide
\$5,000,000	\$3,000,000	\$4,400,000		Portable Rapid Bacterial Warfare Detection Unit	Advanced Analytical Tech., Ames
\$6,000,000	\$3,000,000	\$4,124,000		Des Moines Recreation River and Greenbelt	Des Moines
	\$4,308,000	\$4,050,000		Saylorville Lake	Army Corps of Engineers, Saylorville
	\$5,000,000	\$3,832,000		U. of Iowa, Iowa Institute for Biomedical Discovery.	Iowa City
\$3,500,000	\$4,000,000	\$3,500,000		Active Combustion Control System for Military Aircraft	Goodrich Corporation Turbine Fuel Tech., West Des Moines
	\$3,650,000	\$3,432,000		Red Rock Dam and Lake	Red Rock
	\$3,169,000	\$2,979,000		Coralville Lake	Army Corps of Engineers, Coralville
	\$3,067,000	\$2,883,000		Rathbun Lake	Army Corps of Engineers
\$3,000,000		\$2,820,000		Iowa State U. Forensic Science	Ames
\$2,600,000		\$2,558,000		Ventura Marsh Habitat Restoration	Clear Lake
	\$3,000,000	\$2,394,000		Iowa School Boards Foundation, The Skills Iowa program	Des Moines
	\$3,500,000	\$2,298,100		Southeast Connector Ext., SE 6th St. to SE 14th St.	
	\$3,000,000	\$2,155,000		U. of Iowa, facilities & equipment, public health research & education building	Iowa City
\$465,000		\$1,753,100		Des Moines Area Community College	Des Moines
<b>\$31,865,000</b>	<b>\$126,580,000</b>	<b>\$125,091,400</b>	<b>\$49,200,000</b>		

Data source: Taxpayers for Common Sense, <<http://www.taxpayer.net>> (July 25, 2008)

## Stewardship in Government Spending

priations process. Congressman King had the best record, voting “For” the amendments 43 times, or 91 percent. None of the other Congressmen distinguished themselves in pushing for reform, with the worst records held by Congressmen Boswell, Braley, and Loeb sack, who voted only 2 percent -- or one vote each -- to support earmark reform. Senators had 15 opportunities to vote, and while both Senator Grassley and Senator Harkin were available and voted, only Senator Grassley was a strong supporter of reform, with a record of 73 percent.<sup>36</sup>

As a result of Congressman King’s restraint on earmarks and his other fiscally and economically sound actions,

including working to make the Bush tax cuts permanent and supporting Social Security reform through personal retirement accounts, he was awarded the Defender of Economic Freedom award by The Club for Growth on July 28, 2008. This award was given to only 55 Congressmen or Senators who have a “strong voting record on economic growth issues.”<sup>37</sup> Congressman King has a 98 percent voting record on pro-growth issues, 13th highest in the House of Representatives. In contrast, both Senator Tom Harkin and Congressman Bruce Braley have scores of zero percent, while Congressmen Dave Loeb sack and Leonard Boswell are below 10 percent.

### 2007 RePORK Card - Iowa

Member	District	Party	Anti-Pork Score	Anti-Pork Votes
Steve King	CD-5	Republican	91%	43 of 47 votes
Chuck Grassley	Senate	Republican	73%	11 of 15 votes
Tom Harkin	Senate	Democrat	13%	2 of 15 votes
Tom Latham	CD-3	Republican	4%	2 of 50 votes
Bruce Braley	CD-1	Democrat	2%	1 of 49 votes
Leonard Boswell	CD-4	Democrat	2%	1 of 49 votes
Dave Leob sack	CD-2	Democrat	2%	1 of 50 votes

Data Source: The Club for Growth, RePork Card 2007

### Iowa 2007 Congressional Economic Scorecard

District	Party	Member	Rank	Score
CD-5	Republican	Steve King	13	98%
CD-44	Republican	Tom Latham	150	54%
Senate	Republican	Charles Grassley	37	51%
CD-2	Democrat	Dave Loeb sack	347	6%
CD-3	Democrat	Leonard Boswell	371	5%
CD-1	Democrat	Bruce Braley	426	0%
Senate	Democrat	Tom Harkin	97	0%

[http://www.clubforgrowth.org/2008/05/the\\_2007\\_congressional\\_scoreca\\_1.php](http://www.clubforgrowth.org/2008/05/the_2007_congressional_scoreca_1.php)

## Senator Tom Harkin's Earmarks

In contrast to his colleague's restraint, Senator Tom Harkin (Democrat) has acquired the bulk of the Iowa earmarks: 180. Projects he has supported include a wide variety of agriculture, education, health, military, and research projects for both public and private entities in several other states. Among the significant out-of-state projects he is spending your tax dollars on are:

- The Lyndon Baines Johnson Foundation in Austin, Texas, for the Presidential timeline project (\$900,000),
- The PE4Life Foundation in Kansas City, Missouri, for ex-

panding and assessing PE4Life programs (\$500,000),<sup>38</sup>

- The George Meany Center for Labor Studies (\$900,000),
- The University of Arizona Integrative Medicine in Residency program (\$250,000),
- And the University of Tennessee Baker Center for Public Policy (\$6,000,000).<sup>39</sup>

Senator Harkin apparently wants voters in all the states, not just Iowa, to think fondly of him for getting them tax money. His 71 earmarks total \$87 million in the FY2008 Labor, Health and Human Services, and Education appropriations. The largest earmark is \$13 million for Recording for the Blind and Dyslexic, Inc. This was

followed by \$8.0 million to the Special Olympics for education programs. While both organizations support citizens in need, the question still remains, "Are earmarks necessary?" If these programs are worthy, they would be win funding awards through the normal, competitive grant allocation process within the Department of Education. That action, instead of earmarking, would demonstrate good government stewardship, accountability and transparency. Further, Senators Grassley and Harkin were both sponsors of Congressman Flake's 5th most egregious earmark for 2008, the \$98,000 beef processing plant buyout.

### Senator Tom Harkin (D) Labor, Health & Human Services & Education Earmarks

FY 2008 Proposed Earmark	Recipient	Project Information
\$13,000,000	Recording for the Blind and Dyslexic, Inc.	Not specified
\$9,800,000	Not specified	Advanced Credentialing Program
\$8,000,000	Special Olympics	Education programs
\$7,500,000	Iowa Department of Education	Harking grant program
\$6,000,000	University of Tennessee	Baker Center for Public Policy
\$5,000,000	University of Iowa	Iowa Institute for Biomedical Discovery
\$3,000,000	University of Vermont	Establish the Educational Excellence program
\$3,000,000	Iowa School Boards Foundation	Continuation and expansion of the Skills Iowa program
\$3,000,000	University of Iowa	Facilities and equipment for a public health laboratory
\$2,300,000	various	Community Health centers
\$2,000,000	Iowa Department of Public Health	Harkin Wellness Grants
\$1,500,000	AFL-CIO	Working for America Institute
\$1,000,000	Community Transportation Association of America	Human services transportation providers on ADA requirements
\$1,000,000	American Academy of Orthotists and Prosthetics	Not specified
\$900,000	Lyndon Baines Johnson Foundation	Presidential timeline project
\$900,000	George Meany Center for Labor Studies	National Labor College for curriculum development
<b>\$67,900,000</b>	<b>Total Earmarks, Labor, HHS &amp; Education Committee</b>	

Data Source: Earmark Watch, August 12, 2008

## Senator Chuck Grassley's Earmarks

Senator Chuck Grassley (R), while not signing the “no pork” pledge, has made a commendable effort to further open the process up to accountability and transparency by listing every project request from Iowans which he forwarded to the Appropriations Committee for consideration. This serves to increase the transparency of the requests, at least within Senator Grassley’s office. It also allows Iowans and other interested individuals to get a better picture of just how much money citizens and organiza-

tions want from their government and how much they think government should do for them. The Senator also has an extensive form required of those asking for federal funding, which forces those making requests to be very transparent in their original request.<sup>40</sup>

Grassley’s 371 forwarded requests on behalf of his constituents include everything from \$100,000,000 for the Missouri River Fish and Wildlife Recovery Program allocated to the Army Corps of Engineers to only \$10,000 for Bacon Creek in Sioux City, again for the Army Corps of Engineers. Of these requests, most are

not funded at this time. However, major entities looking for federal government funding include the three Iowa Regents universities; the University of Iowa, Iowa State University, and the University of Northern Iowa. Potential corporate beneficiaries of government earmark largess include such major companies as John Deere, Rockwell Collins, and Carleton Life Support Systems.<sup>41</sup> If awarded as part of the budget process, fair market competition and transparent bidding will not be part of these projects as the recipients are determined in advance, the key objection to earmarks.

## Senator Charles Grassley's 10 Largest Earmark Requests FY 2009

<u>Cabinet Agency/Area</u>	<u>Project Name</u>	<u>FY09 Request</u>	<u>Committee Recommendation</u>	<u>Agency/Account</u>	<u>Recipient</u>
Energy/Water	Missouri River Fish and Wildlife Recovery Prgm	\$100,000,000	\$85,000,000	Army Corps of Engineers	State resource agencies and communities along Missouri River.
Energy/Water	Mississippi River, Rock Island District (IA), O&M	\$86,987,000		Army Corps of Engineers	
Energy/Water	Mississippi River, St. Paul District (IA), O&M	\$63,322,000	\$63,207,000	Army Corps of Engineers	
Energy/Water	Upper Mississippi River-IL Waterway System Navigation & Ecosystem Sustainability Prgm	\$50,200,000	\$10,000,000	Army Corps of Engineers	
Energy/Water	Lewis and Clark Regional Water System	\$35,000,000	\$30,000,000	Bureau of Reclamation, Water and Related Resources	Lewis and Clark Regional Water System
Energy/Water	Upper Mississippi River Restoration (formerly EMP)	\$33,500,000	\$18,000,000	Army Corps of Engineers	
Defense	Tractor, Rubber Tired, Articulated Steering, Multi-Purpose	\$19,900,000		PMC	John Deere
Trans/HUD	Earthworks Engineering Research Center	\$18,000,000		Department of Transportation - Transportation Planning, R & D	Iowa State University
Energy/Water	Des Moines Recreational River & Greenbelt	\$16,840,000	\$3,900,000	Army Corps of Engineers	Des Moines, Fort Dodge, Pella
Defense	F-15C/D MSOGS Retrofit	\$15,000,000		APAF	Carleton Life Support Systems
<b>Total of Top 10 Requests:</b>		<b>\$438,749,000</b>	<b>\$210,107,000</b>		

Data source: Senator Charles Grassley's office, July 2008

At the other end of the spectrum from the Missouri River Fish and Wildlife Recovery Program earmark is a very minor \$10,000 for work on Bacon Creek in Sioux City, Iowa. Both projects are funneled through the Army Corps of Engineers, but very different in goals and scope. Most of both the large and small requests are oriented to energy and water issues and focused on environmental management. Seven of the Senator's ten smallest requests were environmental or water related, as were the top six of the largest projects. While environmental management is an important part of the Iowa economy, it would seem that the U.S. Army Corps of Engineers is functioning as no more than a conduit organization for local, "pet" water

projects. If truly necessary, these projects should be able to compete within the general Corps of Engineers budget for funding.

Most interesting of the small earmark requests was \$100,000 for the Cristo Rey National Network of High Schools. This association of 19 high schools provides Catholic college preparatory educations to disadvantaged urban students. They appear to do excellent work, with 98 percent of their graduates enrolling in college. However, none of the Cristo Rey schools are located in Iowa and none are planned for Iowa.<sup>42</sup> Senator Grassley was not the sponsor of this earmark; it was included in appropriations bills at "the request of other members of the Iowa delega-

tion." This raises the question as to why any Iowa delegation member should sponsor funding for a project which will not benefit students in his home state. As we have shown, many of Senator Harkin's earmarks are for organizations external to Iowa. Senator Grassley's website lists these funding requests from other Iowa congressional delegation members, but does not state which delegation member proposed the funding. In contrast Senator Harkin's website does not provide a listing of the total earmarks he has personally requested, much less those of others. The information and status of these requests is current as of August 5, 2008, and may change as the Appropriations Committee deals with further budget legislation.

### Senator Charles Grassley's 10 Smallest Earmark Requests FY 2009

<u>Cabinet</u> <u>Agency/Area</u>	<u>Project Name</u>	<u>FY09</u> <u>Request</u>	<u>Committee</u> <u>Recommendation</u>	<u>Agency/Account</u>	<u>Recipient</u>
Energy/Water	North Skunk River, Poweshiek County, Iowa	\$100,000		Army Corps of Engineers	Poweshiek Co.
Energy/Water	Bear Creek, Roland, Iowa	\$100,000		Army Corps of Engineers	Roland
Energy/Water	Yellow River, Waukon, Iowa	\$100,000		Army Corps of Engineers	Waukon
Labor/HHS/Ed	Health training programs	\$91,000	\$100,000	HHS - Heath Resources Services Admin	Southeastern Community College
Labor/HHS/Ed	Energy initiate and education program	\$85,000		Department of Education - FIPSE	Luther College
Labor/HHS/Ed	Equipment	\$60,000	\$60,000	HHS - Heath Resources Services Admin	Ottumwa Regional Health Center
Energy/Water	Big Sioux River, Akron, Iowa	\$50,000		Army Corps of Engineers	Akron
Energy/Water	Little Sioux Watershed, Iowa	\$30,000	\$30,000	Army Corps of Engineers	Little Sioux River Watershed,
Energy/Water	Boyer River, Missouri Valley, Iowa	\$13,000	\$13,000	Army Corps of Engineers	Missouri Valley
Energy/Water	Bacon Creek, Sioux City, Iowa	\$10,000	\$50,000	Army Corps of Engineers	Sioux City

**Total of Smallest 10 Requests: \$639,000**

*Data Source: Senator Charles Grassley's Office, July 2008*

# Stewardship in Government Spending

“Senator Harkin  
does not publicly  
report his earmark  
requests.”

## Iowa Higher Education Earmarks

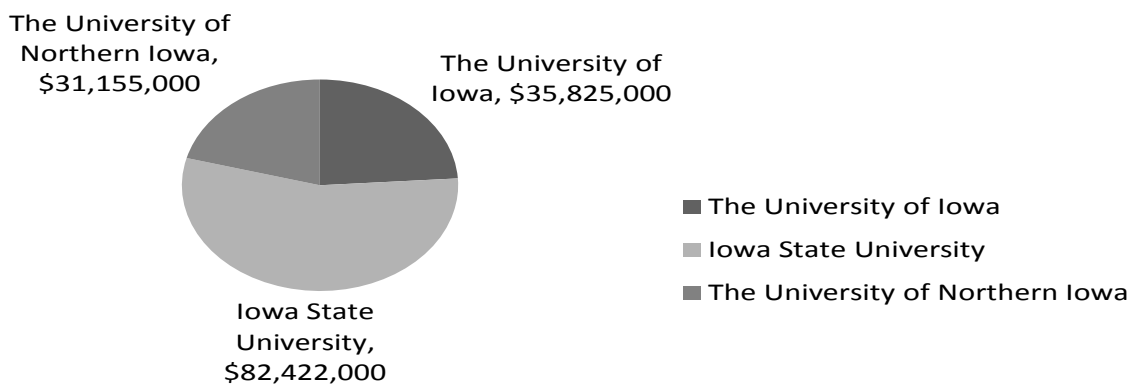
A major portion of the federal earmarks requested by the Iowa congressional delegation are directed to both public and private institutions of higher learning. The three Regents schools have a total of over \$148 million in earmark requests being funneled through Senator Grassley. Iowa State is asking for the majority of this amount, at over \$81 million. This is a lot of “pork” for the agriculture school. The Senate FY 2009 agriculture bill (passed in August) included 307 earmarks worth some \$197 million. The Taxpayers for Common Sense analysis of the legislation revealed that Sena-

tor Tom Harkin received 20 earmarks totaling \$8 million. Of special interest is \$250,000 for the Midwest poultry consortium at Iowa State and over \$400,000 for “agriculture-based industrial lubricants research” at the University of Northern Iowa.<sup>43</sup>

The projects requested for the University of Iowa include both medical research and military development areas and include funds for both “brick and mortar” buildings and “research,” as shown in the table below. Because Senator Harkin does not publicly report his earmark requests, we are only able to detail those of Senator Grassley.

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## Earmark Amount Requested



## University of Iowa Earmarks requested, FY 2009

Project Name	FY09 Request	Appropriations Committee Recommendation
Former Workers Medical Surveillance Program	\$2,000,000	\$1,000,000
Nanoscience and Nanotechnology Institute	\$750,000	
Green Power Initiative	\$2,000,000	
Preparing tomorrow's teachers for gifted students	\$1,500,000	
Science Education in Schools	\$5,000,000	
Biomedical research facility	\$8,000,000	\$2,000,000
Public Health Academic facility	\$1,000,000	\$1,000,000
Evidence based practice guidelines to improve public health outcomes	\$900,000	
International Writing Program	\$525,000	
Center of Digital Communications in Development and Education	\$900,000	recommended
US Army Center for Automotive Reliability and Design	\$4,500,000	
Next Generation Manufacturing Technologies Initiative	\$2,000,000	
Extremity Armor Simulation in Support of the Warfighter Advanced Technology	\$4,000,000	
<b>Total University of Iowa Earmarks</b>	<b>\$33,075,000</b>	<b>\$4,000,000</b>

Data Source: Senator Charles Grassley's Office, July 2008

### Competition Issues and the University of Iowa

Recent data from USAspending.gov, the government-wide searchable database set up in response to the Federal Funding Accountability and Transparency Act of 2006 shows some interesting information about stewardship as demonstrated by competition for government contracts.<sup>44</sup> The website includes a graph, generated by state, by congressional district, by federal agency, or by individual contractor which shows how the contracts were awarded. For example, in Iowa's Second Congressional District, which includes the University of Iowa (UI), over half of the government contracts received

by entities located in the district were awarded without competition. Specifically, \$587 million was awarded through a complete bidding process, while another \$622 million was awarded through processes in which either no one else bid for the contract or competition was from a limited pool. Of that amount, almost \$400 million was awarded through earmarks, or "Not competed for an allowable reason."<sup>45</sup>

Of the Top 10 Contractors listed, the University of Iowa is ranked at number six, following Rockwell Collins, Poongsan Corporation (PMX Industries, makers of both military and commercial ammunition), HNI Corporation, American Ord-

*"In Iowa's Second Congressional District, which includes the University of Iowa, over half of the government contracts received by entities located in the district were awarded without competition."*

## *Stewardship in Government Spending*

*“Much of the earmarked funding for state universities is directed to the physical plant; the buildings the faculty and students are using.”*

nance, and Pearson. For FY 2007, almost \$16 million was awarded to the University in contracts.<sup>46</sup> The website does not show which of that \$16 million was awarded following full and fair competition. However, much of the monies flowing from the federal government to the University of Iowa appear to be directed through the earmark process.

Much of the earmarked funding for state universities is directed to the physical plant; the buildings the faculty and students are using. These buildings are not inexpensive to build and are the focus of many Congressional earmarks. The building philosophy of the University of Iowa was outlined in a 2003 article by the Director of Facilities Services, who recognized that university buildings are not generally built as inexpensively as possible. He said, “Cheaper alternatives are always available, but our institutions chose, instead, to build to a level of quality that is above the baseline.”<sup>47</sup> This comes from the idea that the campus buildings must reflect the “vision and strategic plan” and must support “A Sense of Place” in defining the quality of the institution and supporting competition for faculty, students, and research funding. Further justification for high costs is given by the need to meet the requirements of legal codes, regulation, and usage, as well as state insurance and procurement requirements.

This spending was also justified in a more recent article in the Iowa City Press-Citizen, “Expensive facilities lure students, faculty to UI.”<sup>48</sup> The article discusses the over \$1.1 billion in new capital projects planned for the UI in FY2009. These projects include the Institute for Biomedical Discovery, the \$69 million Recreation and Wellness Center, \$38 million for the University Hygienic Laboratory and another \$48 million for the College of Public Health. According to the UI campus planning director they spend about \$100 million every year on construction projects.<sup>49</sup> Where that money comes from and how the construction contracts are awarded is an important part of the government stewardship and accountability discussion, in addition to the broader discussion about whether or not taxpayer dollars should be used to “build above the baseline.”

### **Institute for Biomedical Discovery**

For example, a major focus for the University of Iowa is a \$120-125 million “Institute for Biomedical Discovery,” or IBD. The federal funding for this “Institute” is to include moneys for both the building and staffing. The FY 2009 earmark request is for \$8 million toward the “Biomedical research facility.” The money is to be spent on site preparation and building construction (\$6 million) and equipment, (\$2 million). Additionally,

these funds are to cover salaries and fringe benefits to recruit new faculty and professional and scientific staff.<sup>50</sup> At this time the Senate Appropriations Committee has only recommended \$2 million for FY 2009, significantly less than that requested.

In FY 2008, at Senator's Harkin's request, the University of Iowa was already awarded \$3 million for the facilities and equipment for a "public health laboratory" and \$5 million for the "Institute." Additionally, the Iowa Legislature has agreed to provide \$10 million per year for 3 years, FY 2008, 2009, and 2010.<sup>51</sup> Other funds are coming from private donations and the University.

According to information provided to Senator Grassley's office by the University of Iowa, operational and maintenance costs will be assumed

by the University of Iowa after construction. Presumably this includes the costs for the new faculty and professional and scientific staff initially hired by the federal "pork" funds in FY 2009. Additional costs which will need to be covered after the federal funding is completed are general operating expenses for the 200,000 square foot building. It is anticipated the building will also include an Institute for Biomedical Imaging. The first objective of that Institute, as presented to the Board of Regents is to "improve communications at the human contact level and electronically with appropriate external alliances."<sup>52</sup> In plain English, this means help people talk to each other.

The proposed staff for the IBD itself will include faculty from engineering, medicine, and biological sciences. Their work will include areas such as stem

cell research, which is currently mostly prohibited with federal funds and presumably will not be done by the staff paid for in the FY2009 earmark. Research is also described as including work on neuroscience and regenerative medicine, focusing on Alzheimer's disease and muscular dystrophy. Currently a "university-wide" task force is examining the biomedical and life sciences programs to find those which are worthy to be housed in the \$120 million building because of their "high potential for advances."

The former UI Vice President for Research, Meredith Hays capped the description of the project by uttering the phrase favored by earmarkers everywhere to justify their funding and dreaded by advocates of limited government -- the IBD will be expected to attract and retain "world-class" faculty and students.<sup>53</sup>



*“Additional costs which will need to be covered are general operating expenses for the 200,000 square foot building.”*

Computer rendering of new University of Iowa Institute for Biomedical Discovery  
*Pacemaker*, Winter 2007.

## *Stewardship in Government Spending*

*“The facility was referred to as the “world’s largest global bio-bank” and would be only the third of its kind in the world.”*

Interestingly enough, according to the press materials used to justify this facility the University of Iowa already has “one of the nation’s largest concentrations of Howard Hughes Medical Institute (HHMI) researchers,” funding “highly innovative bio-medical breakthroughs.”<sup>54</sup> Although, upon further research, it appears that the University of Iowa currently has only four HHMI investigators, out of 303 nationwide, or 1 percent, not necessarily a “large concentration.”<sup>55</sup> In May 2008 the newest group of 56 scientists was selected, with \$600 million in funding allocated. None were from Iowa.<sup>56</sup>

HHMI is one of the nation’s “largest philanthropies,” with an endowment from aviator and industrialist Howard R. Hughes of over \$18.7 billion. Over the past 20 years they have funded more than \$8.3 billion in support, training, and education of the nation’s scientists with 303 investigators currently. They spend almost \$700 million a year on research and award over \$80 million for science education. The HHMI “flagship” program is in biomedical research, with Hughes investigators in laboratories at 64 universities, research institutes, medical schools, and hospitals. Much of their focus is stem cell research, which, though embryonic stem cell research is mostly prohibited by federal funding, is completely allowable with private funds, such as those from the HHMI.<sup>57</sup>

### **The National Genecular Institute and The University of Iowa**

Related to, but different from the embryonic stem cell research and associated issues, is the use of umbilical cord cells for research. At the same time the University of Iowa was promoting and lobbying for earmarks for the IBD they were also partnering with the National Genecular Institute (NGI), a California based private sector company specializing in customized medicine in genetic pharmacogenomics, molecular cell biology, laser optics, nanobiology, and federally approved stem cell research.<sup>58</sup>

As of March 2007, NGI was to build a 90,000-square-foot research laboratory and business incubator facility at the University of Oakdale Research Campus, based in Coralville, Iowa. In contrast to the \$120 million, 200,000 square foot IBD building, NGI was anticipating that the 90,000 square foot NGI building would cost only \$22 million. Approximately a third of the space was to be used by the University of Iowa for their work. In 2007 NGI anticipated creating 178 new jobs in three years. The facility was referred to as the “world’s largest global bio-bank” and would be only the third of its kind in the world<sup>59</sup> Additionally, NGI was planning to buy 3.86 acres in Iowa City and build a 20,000 square foot facility for a complete “bio-bank” for other ge-

netic and cellular materials, or more specifically for privately collected umbilical cord cells.

However, even in the private sector, state and local pork is king. The Iowa Department of Economic Development was providing \$655,000 in state money, the City of Coralville was providing \$800,000 in Tax Increment Financing (TIF), and the community college system was going to provide over a million dollars in job training programs.<sup>60</sup> The Iowa City City Council was also offering \$1.2 million in TIF financing for a separate BioTrust facility, according to the news release announcing the deal. Everyone involved with the project was enthusiastic, and optimistic that it would be “one of the largest public/private partnerships in school history.”<sup>61</sup>

Only seven months later, the Corridor Business Journal printed an article discussing problems with the partnership. NGI was not going to be tenant in the Oakdale building and the Ryan Company was looking for additional tenants. The University of Iowa had taken over more of the building and was locating their “new” Bio-Ventures Center in the space.<sup>62</sup> By December 2008, NGI had changed their name to Vivakor, and was not answering their phone.<sup>63</sup> This economic development project, supported by many taxpayer dollars, went from 178 new jobs to nothing in less than 18 months.

Not only is earmarking a concern with this type of project, but there are additional private sector competition issues to be considered. For example, legislation dealing with the banking of umbilical cord fluid was considered by the Iowa Legislature in the spring of 2007, House File 910 and HF479.<sup>64</sup> HF910 established a task force, convened in the fall of 2007 to review legislation and make recommendations on this issue. The task force, which contained only one representative of a private sector company and was heavily staffed by state-run medical centers, not surprisingly came out in favor of government control. Their recommendations included establishing a statewide network of postnatal tissue and fluid banks and collection sites, with a corresponding information registry in charge of distribution, setting up an independent oversight committee, establishing protocols and policy, doing public reporting, fiscal auditing and focusing on accountability. The task force estimated costs of over \$700,000 per year for this effort, and did not expect the center to be profitable for at least 2 years.<sup>65</sup>

Representatives of a private sector company, Cellular Engineering Technologies (CET), based in Coralville, Iowa, objected to the recommendations of the task force, stating that they found the budget to be “excessive and wasteful,” based upon their cost estimates

## *Accountability, Transparency, Earmarks, and Competition*

*“The task force, which contained only one representative of a private sector company and was heavily staffed by state-run medical centers, not surprisingly came out in favor of government control.”*

## *Stewardship in Government Spending*

*“In reality, it often results in the driving of a private sector company out of business or out of the state, and generally does not result in an effective and efficient use of taxpayer dollars.”*

as a profit making organization, versus a government entity.<sup>66</sup> Further, they objected to the establishment of a subsidized, de facto monopoly at the University of Iowa for collection, transplantation, and research in this area. At this time the legislation (HF479) has not been passed to establish this center. This is an example of potential public takeover of private sector initiatives, under the guise of coordination of a new, developing technology and business for the public good. It is often argued that this effort, as in the NGI example, will create economic development, new jobs, and be an investment in the local community. In reality, as shown by the fears of CET, it often results in the driving of a private sector company out of business or out of the state, and generally does not result in an effective and efficient use of taxpayer dollars. There are many additional examples.

### **National Advanced Driving Simulator**

An older issue, but one which also addresses stewardship issues surrounding government funding of University of Iowa projects is that of the National Advanced Driving Simulator (NADS) located in Coralville, Iowa. After a nationwide competition, certainly an appropriate governmental action, the University of Iowa was awarded the NADS in 1992.

The actual contract to build the simulator was awarded four

years later, in 1996. Though the original estimate was \$36.5 million to build NADS, the final cost was almost \$81 million, an increase of over 121 percent or \$44.5 million dollars. The original funds were earmarked by Congress from the Federal Highway Administration research budgets. Though the cooperative agreement between the federal government and the University, as legally authorized by Congress, stipulated that one-third of the costs, including cost overruns, were to be covered from “non-DOT” funds, the University was not able to attract private-sector partners or other funding to cover their one-third commitment. In the final analysis the University only provided \$11.6 million in funding, or 14 percent, and total private-sector funds were only \$3.9 million, including a reduction in the contractor’s fee of \$3.6 million and the donation of a \$300,000 commercial tractor-trailer truck cab.<sup>67</sup>

Additionally, the NADS did not become operational until June 2001, some 40 months, or almost 4 years after the original completion date.<sup>68</sup> The analysis report by the U.S. Department of Transportation Inspector General’s office discussing the problems with NADS included some fairly significant management problems. In response the University of Iowa and the National Highway Traffic Safety Administration (NHTSA) each claimed the other or the contractor was at fault, for

both the increased costs and the time delay. In reality, there was mismanagement and poor planning on both sides, and on the part of the contractors actually completing the work. Once again, the desire to have a “world-class” facility was justification for the cost increases, yet neither the NHTSA nor the University pursued international quality assurance certification (ISO).

### **Competition and Bidding on University Contracts**

How competition is handled and how bidding is managed is of concern in all government contracts, but of special concern is the recent bidding of University of Iowa flood rebuilding work. There were some 19 buildings significantly damaged in the June 2008 flooding, including major facilities such as the Hancher Auditorium, the Art Building West, the University of Iowa Student Union, the Iowa Advanced Technology Laboratory, and a wide variety of offices and classrooms. As part of an effort to move quickly on restoration and renovation, Governor Culver suspended competitive bidding regulations in early July.<sup>69</sup> University President Sally Mason indicated that they intended to use the temporary authority “very judiciously.” Accordingly, the first contract was awarded only 11 days later -- a record short time by all accounts. That contract was for the restoration

of the Adler Journalism and Mass Communication Building, first completed in 2005. Again, not surprisingly it was awarded to the company which originally held the contract, Miron Construction of Cedar Rapids. Miron was chosen from four companies which submitted bids.

However, the Iowa Competitive Bidding Alliance (ICBA) has concerns about the suspension of competitive bidding on this and other projects, as bids are only being solicited and received from a very limited number of contractors. These contractors have been chosen to submit bids based on their current and historical bonding level. Other companies, with owners who believe they are also qualified to complete the work, are not being allowed even the chance of submitting a proposal. Under the suspension of competitive bidding procedures, the request for bids can be limited to only companies deemed qualified by the University.

Even before the 2008 floods, the University was trying to secure Legislative changes to the Iowa competitive bidding laws. In the Legislative Update of February 2008 the Board of Regents were asked to advocate for a “Design-Build” public procurement authority.<sup>70</sup> In the traditional competitive bidding system a “Triad” of the public owner, the architect and engineers, and the general

## *Accountability, Transparency, Earmarks, and Competition*

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## *Stewardship in Government Spending*

*“While there may be minor savings from the elimination of duplicative efforts involved in the checks and balances involved in full competitive bidding, those steps are key places for taxpayer and business oversight.”*

contractor are each responsible for various steps in the building process. They each focus on their specialty areas, while working together on the project. The awarding of the General Contractor for any project over \$100,000 is based upon broadly open and competitive bids, as required by the law. This law, however, does not ensure that many contractors bid. As demonstrated by Honey Creek Resort (PII POLICY STUDY, 2007), if the project is not attractive and viewed as profitable, then few contractors will submit bids. In contrast, in a Design-Build system, the project is controlled by one entity, an organization which is basically “pre-selected” even before the University really knows exactly what will be built.

Advocates for the Design-Build system argue that their process is quicker and more competitive, because the early integration adds value to the project. The ICBA argues that while this theory might be true for a private-sector project where the owner can build something almost any way and at any cost they chose, public projects which are taxpayer-funded need the additional oversight provided by the separate steps. They also are convinced that a Design-Build approach allows for more favoritism toward large, established companies and increases the potential for graft and corruption.<sup>71</sup> As an advocate for increased government transparency and ac-

countability, this writer would generally favor the ICBA approach. While there may be minor savings from the elimination of duplicative efforts involved in the checks and balances involved in full competitive bidding, those steps are key places for taxpayer and business oversight of the process. When the capital projects being proposed by the University of Iowa and other state institutions are estimated to cost in the hundreds of millions of dollars in taxpayer money, the Public Interest Institute would argue that full transparency and stringent oversight are necessary to ensure good stewardship.

### **State Government Pork Issues**

At the state government level, a wide variety of stewardship efforts are developing. Most of these focus on online access to fiscal information. For example, in 2007 Kansas became the first state to pass legislation requiring the creation of a database on the internet which details state spending.<sup>72</sup> Some of the states following that in trying to improve government stewardship include Alaska, Arizona, California, Delaware, Florida, Hawaii, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Missouri, New Jersey, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, and Wisconsin. Most efforts focus on providing online, searchable

databases of government spending.<sup>73</sup> Iowa, however, is not listed on the Americans for Tax Reform website as a leader in government stewardship. This is for reasons outlined below.

As of February 27, 2008, Iowa Governor Chet Culver (Democrat) and the Democrat-controlled Legislature had not presented a full proposed state budget to their colleagues in the Iowa House of Representatives. The budget proposal released in early February of last year only detailed \$3.3 billion of a projected \$6.3 billion budget. The members of the Republican party, including the ranking member of the Appropriations Committee, and Republican Budget Committee chairmen stated that “putting together a budget in back room, secret meetings and then asking Legislators to vote on it without all of the facts is not good government” and further elaborated that “the citizens of Iowa are not being given a complete picture.” Traditionally, the complete budget, including both revenue expectations and spending requests, is presented at one time<sup>74</sup>

As a result of these actions, State Representative Jamie VanFossen (R-Davenport) submitted House File 2439, the “Taxpayer Transparency Act.” It requires taxpayers to have “easy” access to information on how the state is spending tax dollars, along with performance results. The goal of the legisla-

tion was to have a free searchable budget database website, with hyperlinks to specific grants and contracts, by January 2010. Further, it required the database to be updated annually by the close of the fiscal year. However, it was assigned to the State Government committee, controlled by Representative Mary Mascher (D - Iowa City), where it languished throughout the session with no action taken.<sup>75</sup> Unsurprisingly, many of the major lobbyists, including those for the state Board of Regents and the AFL-CIO, were not in favor of this bill.<sup>76</sup> Representative VanFossen was defeated in the 2008 elections. As we shall demonstrate, Iowa remains mired in the cesspool of earmarked pork projects and non-competition.

### **Honey Creek Resort Drains Taxpayers’ Wallets**

Even if they don’t go there, Honey Creek Resort at Lake Rathbun is a drain on taxpayers’ wallets. The development of a privately-managed, profit-making “destination resort” on state property remains a demonstration of poor stewardship, as shown by both federal and state appropriations. The requests from Senator Grassley for federal funding of various projects at Lake Rathbun and Honey Creek State Park total \$7.1 million; including \$2.8 million for Rathbun Lake, \$1.7 million for lake access improvements and \$100,000 for Wood Duck Marsh Restora-

## *Accountability, Transparency, Earmarks, and Competition*

*“Iowa remains mired in the cesspool of earmarked pork projects and non-competition.”*

## Stewardship in Government Spending

tion.<sup>77</sup> While these earmarks are not yet funded for FY2009, they are an example of how the pork barrel process works and how one project leads to another, with no end in sight.

Lake Rathbun, in Appanoose County, was originally created during the Presidency of Richard M. Nixon, almost 40 years ago, as a flood-control project. Since that time, there have been efforts to create a “resort” facility there, in addition to the typically more rustic state park. There were various incentives offered to private sector builders to develop the resort, such as free land and reduced taxes. However, because of the isolated location on two-lane roads over two hours from

Des Moines, nothing was ever built. The State Department of Natural Resources encouraged by local legislators and following the success of projects such as Mahoney Resort in Nebraska, decided that the state government should build the resort and lease the operations to a private resort management company. Accordingly, \$33 million in state bonds were sold for the construction of a golf course, a lodge and conference facility, family cabins, and an indoor water park. The original term of the bonds was increased from 20 to 30 years because of low projected profitability. Construction estimates were made and a management company hired to oversee both construction and operating

### Earmark Requests for Honey Creek, Lake Rathbun Area, FY 2009

Project Name	FY2009 Request	Agency	Recipient
Rathbun Lake	\$2,814,000	Army Corps of Engineers	State of Iowa Public, Appanoose County, Iowa Department of Natural Resources
Rathbun Lake Access Improvements	\$1,700,000	Army Corps of Engineers	Appanoose County
Rathbun Lake Dam Road Restoration	\$300,000	Army Corps of Engineers	State of Iowa Public, Appanoose County
Chariton River/Rathbun Lake Watershed, Section 206	\$600,000	Army Corps of Engineers	Wayne County Soil and Conservation District
Rathbun Lake, South Fork Wetlands Habitat Restoration Project, Iowa section 1135	\$500,000	Army Corps of Engineers	Iowa Department of Natural Resources, Rathbun Lake, Appanoose, Wayne, and Lucas Counties, Centerville
Wood Duck Marsh Restoration, Section 1135	\$100,000	Army Corps of Engineers	Appanoose County
Chariton River Watershed	\$100,000	Army Corps of Engineers	Iowa Department of Natural Resources, Wayne County Soil and Conservation District, Rathbun Regional Water Association
Rathbun Regional water treatment system improvements	\$1,000,000	Environmental Protection Agency	Rathbun Regional Water Association
<b>Total Earmark Requests</b>	<b>\$7,114,000</b>		

Data Source: Senator Charles Grassley's office, July 2008

management. The company, Regency, from South Dakota, was one of only two management companies to bid on the project.

In addition, from bid packages sent to some 50 construction companies, only two submitted proposals, and both were significantly over budget. When viewed in the orientation of three-step triad construction process supported by the ICBA, this lack of interest by the private sector resort managers and builders should have been an indication that the Honey Creek Resort project was not well conceived.

Initially the lodge, aquatic, and conference center were to cost \$14.3 million. The actual cost at this time is \$21.6 mil-

lion, an increase of 51 percent. As a result of these increased costs, there was not enough money to construct the family cabins, which were included in the original feasibility study. Income from the 28 family cabins, originally expected to cost \$4 million, was legally required to help pay the bond payments and was critical to the overall profitability of the resort.

Under the original bonding documents, the construction of the cabins was required, but there was not enough money to do so. In order to not default and risk the overall state bond rating, Iowa Governor Chet Culver and the Iowa Legislature appropriated an additional \$8,000,000 of straight taxpayer money to build the cabins, expected to be completed in 2009.



The front entrance of the newly completed, but wildly over budget Honey Creek Resort at Lake Rathbun.

*Iowa Department of Natural Resources website, December 2008.*

## *Accountability, Transparency, Earmarks, and Competition*

*“In order to not default and risk the overall state bond rating, Iowa Governor Chet Culver and the Iowa Legislature appropriated an additional \$8,000,000 of straight taxpayer money to build the cabins, expected to be completed in 2009.”*

As listed in Senate File 2432, which became Senate Journal 1320 when signed by the Governor on May 9, 2008, in Division III, section 12, Honey Creek was appropriated \$3.1 million under the tax-exempt bond proceeds restricted capital funds account of the tobacco settlement trust fund, for the construction of the “cabins, activity building, picnic shelters and other costs associated with the opening” of the Honey Creek premier destination park. Further in the legislation, another \$4.1 million is also appropriated from the tobacco settlement trust fund, in Division V, Section 5.c, also for the construction of the “cabins, activity building, picnic shelters and other costs associated with the opening” of the Honey Creek premier destination park. The total appropriation is \$8.0 million. This direct appropriation money brings the State into compliance with the requirements of the original bonds, but changes the nature of the resort

from a self-sustaining, profitable, endeavor to just another taxpayer-funded earmark and an example of poor stewardship on the part of the Governor, the Legislature, and the Department of Natural Resources.

At this time, other areas of cost overruns are the golf course equipment and facilities at 250 percent over budget and the landscaping, parking, and signs at 220 percent over budget. Administrative and pre-opening expenses are 63 percent over budget, affected by the resignation of the original project management company and the necessity to hire another company in the middle of the project. The total Phase 1 project is almost \$10 million, or 25 percent, over budget.<sup>78</sup> Additionally, the resort was to open by spring of 2008. The opening was over four months late and has resulted in the cancellation of at least one major convention.<sup>79</sup> As of January 2009, at a “budget summit” involving

the Natural Resources Commission, the Department of Natural Resources and the resort operators, the financial reports indicated that the Resort has already spent two-fifths of the reserve bond money (\$200,000 of \$500,000) to be used for short term cash flow operating expenses. The occupancy rates are lower than projected at only 30 percent, instead of the hoped for 50 percent required for profitability and the average room rental rate is also down.<sup>80</sup> Another meeting is scheduled for February. Meanwhile, the first bond payments come due soon, the taxpayers’ money is being spent, and no one has been held accountable.

The complete Honey Creek Resort story is told in another Public Interest Institute POLICY STUDY from November 2007, “*Government or Capitalism as a Solution to Rural Population Loss?*” available at <http://www.limitegovernment.org>.

## Honey Creek Resort Costs

Budget Item	Original Estimated Costs	Actual Costs	Percent Over Budget
Lodge, Conference Center and Waterpark	\$14,300,000	\$21,600,000	51%
Family cabins*	\$4,000,000	\$5,000,000	25%
Golf course facilities and equipment	\$200,000	\$700,000	250%
Landscaping, parking, and signs	\$500,000	\$1,600,000	220%
Administrative and Pre-opening	\$1,000,000	\$1,750,000	63%
<b>Total Costs and over budget percent</b>	<b>\$20,000,000</b>	<b>\$30,650,000</b>	<b>53.3%</b>

Data source: Honey Creek Resort State Park Project Budget, 2008.

\* Estimate only

## Summary

As stated at the beginning of this study, a commitment to accountability is essential to building a solid foundation for a stewardship program. Government accountability to the use of taxpayer monies is impossible without full transparency and full disclosure of programs, plans, and decisions. Further, as outlined by the Roman Catholic Bishops, accountability has become an important indicator of whether or not an organization is worthy of investment.

Taxpayers often have little choice in whether or not to “invest” in government activities. Elections are held every two years and irrespective of which candidate we support, voters accept the results with equanimity. We then go to work, take care of our homes and our children, and read our newspapers and watch television. We complain about how high our taxes are. We realize that limited government and free market capitalist principles are probably in the best interest of our country and society. Because of busy lives and full schedules we generally have little time, or take the time, to closely follow the detailed ins and outs of specific government actions. Further, we generally do little to protest most of the actions of our government, whether federal, state, county or city — even electing candidates who tell us beforehand

that they are going to increase taxes.

However, small companies and business people, such as the National Genecular Institute (Vivakor), Cellular Engineering Technologies, and the Iowa Competitive Bidding Alliance, often see and feel the results of favoritism demonstrated by out-of-control earmarks and legislative appropriations. Taxpayers feel the results in continual property tax, sales tax, and income tax increases, and now the possibility of local city income taxes. We more visibly see the results of government irregularities when there is an especially heinous crime committed and it becomes glaringly obvious that stewardship and accountability is sorely lacking. As the Iowa Legislature begins the 2009 Legislative session, it is important that all citizens demand that our government reflect the highest ethics, exacting standards, and unwavering principles of good stewardship.

## *Accountability, Transparency, Earmarks, and Competition*

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