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Empowering Citizens to Monitor Federal Spending

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The federal government purchases about \$500 billion of goods and services each year.¹ It also hands out about \$500 billion each year in grants to individuals, businesses, nonprofit groups, and state and local governments.² Much of this spending makes little economic sense, and some of it simply represents taxpayer-funded gifts to favored special interests.

Recently, Sen. Tom Coburn (R-OK), Rep. Jeff Flake (R-AZ), and other reformers have tried to cut wasteful special interest spending. Their efforts have gained attention both from the established media and from many popular websites and Internet blogs.³ Average citizens are increasingly using the Internet to monitor the budget process and track overspending abuses in Washington.

To empower citizens to more closely oversee the budget, Senator Coburn is proposing legislation to create a comprehensive Internet database for spending on contracts, grants, and other federal payments.⁴ This bulletin looks at the proposal and discusses data that are already available to help citizens track federal spending.

Finding Out Who Receives Taxpayer Dollars

In justifying federal aid programs, politicians usually speak in empty platitudes about the need to help struggling farmers, small businesses, artists, and others. But who actually receives the money from subsidy programs and contracts? In the past, finding out was difficult and usually left to investigative reporters. That is changing as there are now a number of online databases that provide details about the recipients of federal payments.

- **Federal Assistance Award Data System (FAADS).**⁵ This system provides quarterly reports listing the recipients and amounts received in grants, loans, and other subsidy payments from 600 federal programs.
 - **Federal Audit Clearinghouse (FAC).**⁶ This website provides audit reports for state and local governments and nonprofit groups that receive more than \$500,000 per year in federal payments.
 - **Federal Procurement Data System.**⁷ This system provides data on the roughly 1.8 million federal contracts awarded each year worth more than \$2,500.
 - **RAND Database of Research and Development.**⁸ This database tracks all federal R&D spending, which includes thousands of grants from 22 federal agencies.
 - **National Endowment for the Arts.**⁹ The NEA has a website that lists recipients of arts grants, the amounts received, and descriptions of funded projects.
- Let's look at the information available from FAADS (www.census.gov/govs/www/faads.html). Users can choose a time period, open a spreadsheet for a state, and sort the data by recipient name, zip code, program, and other criteria.¹⁰ Here is a summary of federal subsidies awarded in California for the third quarter of 2005:
- **Businesses.** Thousands of grants, guaranteed loans, and other aid is listed for motels, fast food franchises, and other businesses. One federal program for firms that supposedly don't qualify for private loans provided \$1.5 million to a liquor store in Los Angeles, \$1.4 million to a car wash in Anaheim, and \$1.1 million to a pizza shop in Hayward.
 - **Nonprofit groups.** About 3,600 payments are listed for nonprofit groups, including the Wine Institute (\$1.5 million), the San Francisco Symphony (\$50,000), the California Strawberry Commission (\$227,000), and the International Museum of Women (\$298,000).
 - **Individuals.** Most subsidy programs for individuals are grouped by county and individual recipient names are not revealed. But names are revealed for some programs. George Peale of Orange County received \$40,000 for a project titled "References to Spanish Baroque Theatre in the Royal Palace Archives."

- **State and local governments.** California and other states receive billions of dollars in aid for roads, housing, education, airports, and hundreds of other properly local and private activities.¹¹

The FAC database (<http://harvester.census.gov/sac>) is also a useful resource. Keywords can be used to search for the names of subsidy recipients. Page 3 in each entity's audit report shows which subsidies were received. Palm Beach County received \$109 million in grants in 2004 from 53 federal programs including "citizen corps," "rural business," "nutrition services," "job access reverse commute," "bulletproof vest partnership," and "outdoor recreation." The Beverly Hills school district received \$2.7 million in grants from 21 federal programs in 2005. The American Association of Retired Persons Foundation received \$82 million from five programs in 2004. Reports for the Teamsters, American Federation of Teachers, and other unions reveal millions of dollars in federal subsidies.

Current federal databases have various shortcomings. One problem is that the ultimate recipients of aid to state and local governments are not provided. FAADS and FAC might show that a city received federal money for "community development," but not reveal which private groups were the ultimate recipients of the cash.

Coburn's legislation aims to fix that and other problems with current data sources. His idea is to put all information on federal grants, loans, contracts, and other funding into one database. The database would provide more timely information than currently available and eventually include multiple years of data for recipients.

Questions to Ask about Spending

While waiting for Coburn's database to be created, taxpayers can examine existing databases and then consider the following policy questions:

- Are spending items properly a federal responsibility under the U.S. Constitution?
- Would the activities be more efficiently funded by local governments, businesses, or private charities?
- Does federal funding go to groups that actively support policy positions and beliefs that you oppose?

Looking at data in FAADS and FAC, one is impressed by the large number of groups and businesses that are on the federal dole. They form an army of interests with an incentive to oppose budget restraint. Small businesses, for example, should be natural enemies of big government. But these databases reveal that many of them are

effectively bought off and likely neutralized as opponents of restraint because of their receipt of federal dollars.

Conclusions

A Coburn-style database would be a big step forward for open and transparent government. The more information people have, the better they can assess the sound bites of politicians. The real-world results of programs are often very different from the sentimental hopes of policymakers. For example, detailed data on farm aid reveal that subsidies often go to wealthy landowners—many who don't even farm—and not to hard-pressed small farmers as politicians often claim.¹²

Congress should do more oversight of federal agency spending to reduce waste, but citizens can help monitor the spending habits of Congress and the agencies. Citizens need access to more complete and timely data to aid them in critiquing spending programs. We have invented the Internet, let's use it to improve government oversight.

A recent *New York Times* story on Coburn's proposal noted, "While advocating for openness, Mr. Coburn is also placing a philosophical bet that the more the public learns about federal spending, the less it will want."¹³ I think that is a safe bet to make.

¹ Estimate for 2006 based on National Income and Product Accounts data. See www.bea.gov/bea/dn/nipaweb/index.asp, Tables 3.2 and 3.10.5.

² Estimate for 2006 based on U.S. Bureau of Census data. See www.census.gov/prod/2005pubs/cffr-04.pdf.

³ Blogs that critique spending include www.porkbusters.org, <http://porkopolis.blogspot.com>, www.captainsquartersblog.com, www.cato-at-liberty.org, www.clubforgrowth.org/blog, <http://tapscottscopydesk.blogspot.com>, and <http://policy.heritageblogs.org>. See also www.cagw.org and www.taxpayer.net.

⁴ S. 2590 is co-sponsored by Sens. John McCain (R-AZ), Barack Obama (D-IL), and Tom Carper (D-DE).

⁵ See www.census.gov/govs/www/faads.html.

⁶ See <http://harvester.census.gov/sac>.

⁷ See www.fpds.gov.

⁸ See <https://radius.rand.org>.

⁹ See www.arts.gov/grants/recent.

¹⁰ Programs are coded by their number in the Catalog of Federal Domestic Assistance. See www.cfda.gov.

¹¹ For background, see Chris Edwards, *Downsizing the Federal Government* (Washington: Cato Institute, 2005), Chapter 8.

¹² Dan Morgan, Gilbert M. Gaul, and Sarah Cohen, "Farm Program Pays \$1.3 Billion to People Who Don't Farm," *Washington Post*, July 2, 2006, p. A1.

¹³ Jason DeParle, "On Right and Left, a Push for Government Openness," *New York Times*, July 3, 2006, p. A9.