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191
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Date:

TO:

ROBT BLACKWELL

FROM: Counsel to the Director

MIFELKOWITZ

HOPE YOU FIND
THE PACKAGE
USEFUL.

M.

PROHIBITING THE USE OF FEDERAL FUNDS
FOR POLITICAL ADVOCACY

*Refunding the
Pol Advocacy
Groups
OMB Rego ?*

• This Administration has recently announced proposals to curb the use of federal tax dollars for political advocacy by groups receiving federal grants and contracts. Comments and suggestions from interested parties and the public are welcome. The comment period is scheduled to extend to March 17.

• On January 24, OMB proposed revisions to Circular A-122 (Cost Principles for Non-Profit Organizations) that would generally ban the payment of federal tax dollars for any items used in whole or in part for political advocacy. Defense, NASA, and GSA simultaneously proposed identical revisions. The proposals apply only to new grants and contracts.

• The proposals would make a dramatic change in the political advocacy of contractors and grantees by requiring them to segregate political activities from their grant or contract activities.

- Cost elements (personnel, facilities, equipment, and the like) used for political advocacy cannot be paid for, either directly or through overhead, with federal monies.

- Federal monies cannot be used for the salaries of employees who engage in political advocacy, or who are required or induced to join advocacy organizations or to participate in political activities.

- Federal monies cannot be used to pay the dues of trade associations or other political advocacy organizations.

- Federal monies cannot be used for rent or depreciation on facilities used more than 5% for political advocacy.

• The proposals do not bar political advocacy by grantees or contractors; they merely ensure that the federal taxpayers do not pay for it. The Administration believes that grants and contracts should continue to be awarded to the groups most effective in meeting grant or contract purposes, without regard to the nature or extent of their political activity. The proposals are even-handed and will apply across the board to contractors and grantees, to friends as well as foes of the Administration.

• The premise of the proposals is that it is unfair for the federal government to subsidize, directly or indirectly, political advocacy by particular groups in the society. As Supreme Court Justice Hugo Black eloquently put it: "Probably no one would suggest that Congress would ... create a fund to be used in helping certain political parties or groups favored by the government to elect their candidates or promote their controversial causes. Compelling a man by law to pay his money to elect candidates or advocate laws or doctrines he is against differs only in degree, if at all, from compelling him by law to speak for a candidate, a party, or a cause he is against."

• The proposals are in response to recommendations by the Comptroller General that cost principles should be clarified with respect to political activities by grantees, and to reports appearing in such diverse sources as Common Cause magazine, the Conservative Digest, and the Washington Post on the use of federal tax dollars for political advocacy.

• Affected contractors and grantees are, in large part, opposing the proposals. But many observers view the proposals as a workable means of cutting federal subsidies to the political activities of private groups.

- The Washington Post and Wall Street Journal have strongly endorsed the proposals, and generally favorable reports have appeared elsewhere in the media.

- Many ordinary citizens are making their support known through the comment process.

- Many groups and individuals who have seen their political objectives thwarted by opposing groups fortunate enough to receive taxpayer reimbursement for their overhead and organizational expenses through grants and contracts have responded enthusiastically to the proposals.

• OMB is engaged in extensive consultation with affected groups about the proposal, and has made clear that major revisions will be made as needed.

Attachments

The Washington Post

AN INDEPENDENT NEWSPAPER

MONDAY, APRIL 26, 1982

Financing the Left?

IS THE federal government financing the left? Yes, says the April issue of *Conservative Digest*, published by New Right direct-mail king Richard Viguerie. "Cold bureaucrats and committed leftists," the magazine tells us, are "working hand-in-glove to achieve their political and social goals—using your tax dollars."

There is something to these charges. The magazine has its lists of foolish-sounding research projects. It seems to have come up with some examples of government subsidization of political advocacy—a business government certainly should not be in. And it is surely correct in suggesting that there are many buddy systems, of grant givers and grant recipients, spending tax dollars in ways many—perhaps most—taxpayers wouldn't like.

When you look in more detail at many of the charges *Conservative Digest* makes, however, you get a different and much less objectionable picture than its headlines suggest. Many of the organizations that receive the largest sums receive them as contractors performing services successive congresses and presidents have said they wanted performed and for which they have consistently appropriated money. Examples are the monies the government pays Planned Parenthood for providing family planning services and the National Council of Senior Citizens for administering "senior aide" employment programs. These organizations take care to separate these government-financed activities from the programs they finance with money they raise from private sources; they are audited regularly and in enough depth that, in the case of Planned Parenthood, there have been charges of harassment by audit.

The programs they administer have received political scrutiny and have survived largely intact. Reagan administration proposals last year to merge family planning and "senior aide" programs into block grants were rejected by Congress; administration proposals this year to "zero" them out have not been accepted. Congress has voted to continue the legal services program. *Conservative Digest's* quarrel, then, is not so much with federal bureaucrats who defy the law—though there may be a few of them—as it is with Congress, which declines to change the law. The "funding of the left" is not a public scandal but a political issue.

As a political issue it is, of course, debatable. We can expect that the Reagan administration will "defund" some organizations its supporters dislike. And on a broader level, we agree that there is something disturbing about organizations that strongly advocate positions many sensible people find politically or morally repugnant, acting at the same time as administrators of government programs. It is easy to believe that the advocacy groups' employees will sometimes proselytize the program's beneficiaries in ways we would consider inappropriate (though not unheard of) for a civil servant. Advocacy organizations might also want to ask themselves whether they risk compromising their own purposes by accepting government money, and whether they want to assume the inevitable risk that it might be withdrawn suddenly for legitimate political reasons. This is not an area you should rush into with a set of hard and fast rules. But *Conservative Digest*, though it does not prove all it claims, raises some difficult questions that thoughtful people of right, left and center should ponder.

Liberals Fail to Justify Taxpayer Funding of the Left

Some liberals and leftists may defend their receipt of hundreds of millions of taxpayer dollars by saying their organizations do not benefit financially from tax money. They'll say that it all either goes directly to the projects approved by Congress, or is strictly used to pay the necessary expenses to administer these programs.

They'll claim that the National Organization for Women's Legal Defense and Education Fund, the United States Student Association, Planned Parenthood and all the other hundreds of liberal organizations get no financial advantage because of the federal money they receive.

But take a look at what government funding of these Left organizations really means.

When a liberal group gets a federal grant, it can immediately put the money in the bank and start collecting tax-free interest—which is still more money it can then spend. Taxpayer funds can help defray overhead costs, *thus freeing up all the other money the group raises for purely political purposes.*

Sometimes, the use of federal funds benefits the Left even more directly. For example, when a liberal group uses the money it receives from the government to send representatives to a conference in Washington, those representatives can use their free time to lobby Congressmen and hold political meetings—and the taxpayer foots the bill.

Anyone who runs an organization will tell you that the hardest money of all to raise is the money for the basic things you need the most. Especially for groups that are just starting up, money for overhead items like rent, lights, heat, salaries, typewriters, phones, Xerox machines and postage stamps can make the difference between surviving or not. The problem is that most people like to give their money for a specific cause or project they feel strongly about...not to buy typewriters and postage stamps.

So, any organization that can get this kind of money for free from the government has a big head start.

Also, it takes a lot of time to raise money. So when an organization is guaranteed the money it needs—when its executives and staff know that their paychecks will arrive on time each week and that they will have whatever office space and office supplies they will need—that frees them up to work on political things...including fund-raising.

Just ask Ed Feulner of the Heritage Foundation, or Howard Phillips of the Conservative Caucus, or Paul Weyrich of the Committee for the Survival of a Free Congress, or Terry Dolan of NCPAC, or the leaders of any conservative organization. They'll tell you how hard it is to raise the money to cover their day-to-day operating overhead. They'll tell you how much more they could accomplish for the conservative movement if they knew that someone was going to take care of all their expenses each month.

So, when the Left says that it doesn't benefit directly from the hundreds of millions of federal dollars it receives, that may be technically true for some. But the *indirect* help of paying the rent and salaries and other expenses is, literally, worth its weight in gold.

Another argument many leftists and liberals will use is that, compared to the massive amounts of money the Right has, a few hundred-million dollars doesn't make any difference. In fact, the balance is tilted totally to the Left.

For example, the Conservative Caucus's yearly budget is \$3 million. Ronald Reagan, Jimmy Carter and John Anderson *combined* received just a little more than \$100 million. But Planned Parenthood received \$44 million, and the National Council of Senior Citizens got \$50 million of its \$52-million budget from federal sources.

This argument is wrong. It's misleading. It's an attempt to cover up the fact that, besides the hundreds of millions of government dollars leftists and liberals receive, they also receive huge amounts of money from the labor unions.

The facts are plain: the American liberal and leftist cause probably receives most of its funds from two sources of compulsory support. Government dollars taken from workers' pockets help the Left.

Time is money. Federal money frees up time for liberals to fight for leftist causes. Federal money means the ability to hire more staff. Federal money means more Xerox machines, mailings, typewriters and offices. Federal money means that payrolls can be met on time. Federal money means that the leftists and liberals can take for granted the fund-raising that takes so much time and effort for conservative groups.

Federal money fuels the massive Left machinery. ☐



Defunding the Left and Right

This week the administration is putting into the Federal Register a set of new rules that would limit political activity by recipients of federal grants and contracts. If they survive the coming comment period, the rules are going to make it a good deal tougher for all those grantees to use their federal funds to apply political pressure on their benefactor. It is, to say the least, about time.

The problem of shady dealing by government contractors is as old as the republic. But it is most visible today in the area of defense, because that's where the money is. The contractor gets a bundle from the feds to provide some merchandise. He can soon be seen walking around distributing a piece of it to make sure the government continues to smile on him. A new version of the swindle takes place in fields like health and human services. Organizations get a government contract and use it to run that Xerox machine, man that phone bank, get out the troops for that political rally. These new entrepreneurs are usually persons of the left, who often share an ideology with the government bureaucrats who are doling out the cash.

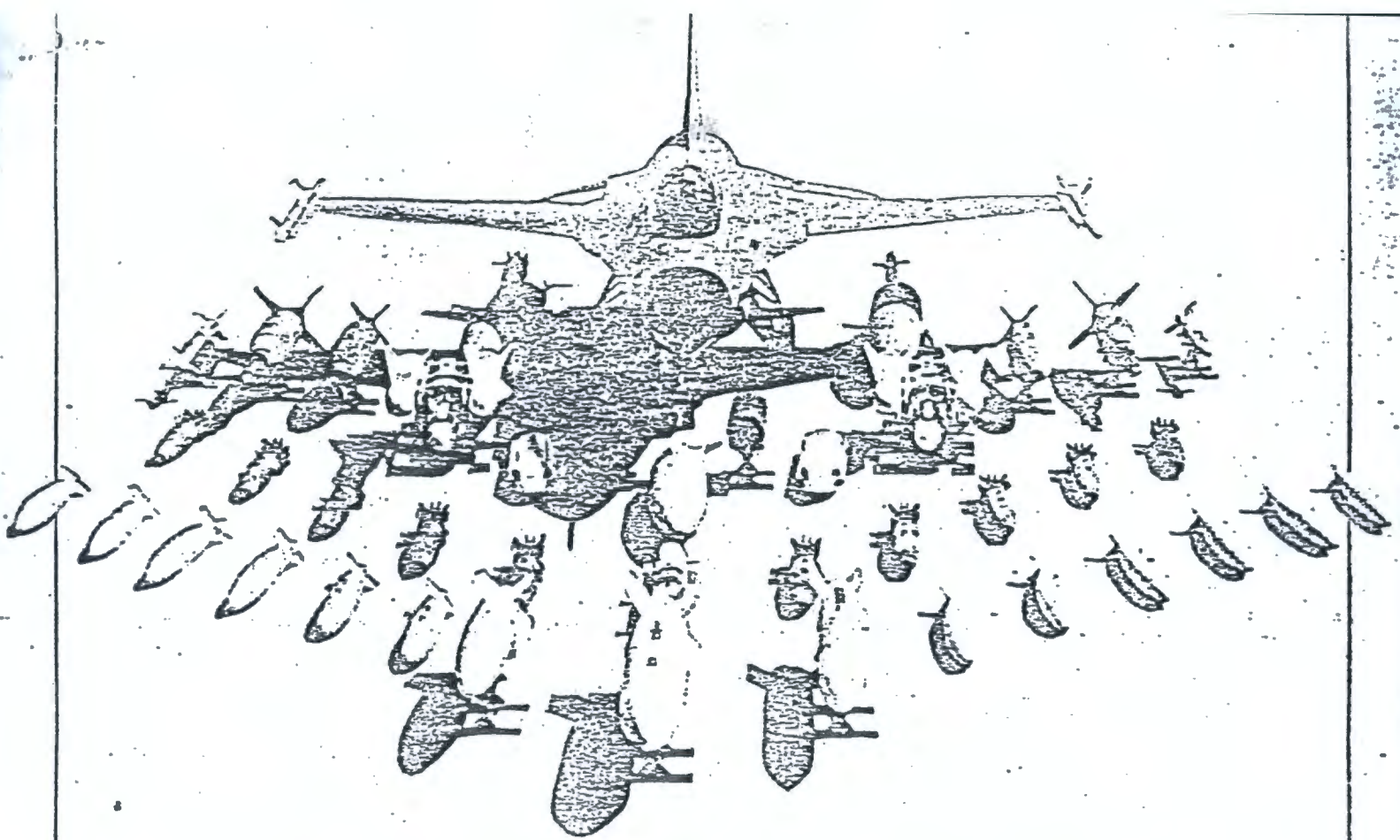
This general coziness has had conservatives asking for some years now that government "defund the left." The Reagan administration made a stab at this sort of defunding when it tried at the beginning of its tenure to get control of the Legal Services Corp. The corporation's attorneys, hired to represent the poor, were spending

much of their time on political activity. But when the Reaganites attacked, fans of the corporation accused the administration of being partisan and hating the poor. The critics have made the administration's life miserable.

This latest Reagan initiative, the assault on political activity by contractors, is more intelligent. Its new rules widen the separation that the fund recipients must maintain between federally supported activity and political activity. No official whose salary is paid by federal funds, even in part, can engage in political activity on company time. An organization's equipment, if paid for with federal funds, can't be used for politics. A building of which as little as 5% is paid for with federal money can't be used for political purposes.

The administration says its concern is to restore the proper operation of the First Amendment in this area, and points out that its strictures apply to organizations of left and right alike. Left-wing groups have already protested that the defense contractors are going to have the private money to keep up the level of their political activity even under the new rules; it's the progressive types on the left who are going to be squeezed.

This may be true. But it's also true that no political opinion has a moral right to representation at taxpayer expense. Enough people recognize this, we think, to give the administration a fighting chance this time around.



The High and The Mighty

“There is enough favoritism and behind-the-scenes influence on large defense contracts without the added insult of having the taxpayer pay for the bill.”

By Florence Graves

Can you imagine the U.S. government picking up the costs incurred by political activist Jane Fonda and her husband Tom Hayden for trips to Washington to lobby against the B-1 bomber, the MX missile or the F-14?

Can you imagine the U.S. government picking up all or part of the tab for you or a member of your family to travel to Washington to encourage your congressman to vote against or even for selling AWACs to Saudi Arabia?

Now try to figure out why the government was expected to pick up the salary of the Martin Marietta Co.'s director of Washington relations whose job functions, according to audits released recently to Common Cause, “relate to liaison with congressmen and their staff aides. He builds

rapport with Congressmen—from 35 states in which Martin Marietta has divisions and solicits Martin Marietta employees for campaign contributions.”

Try to figure out why the government was expected to shoulder the retainer fees paid to Gen. W.W. Quian, USA (Ret.), also a lobbyist for Martin Marietta.

Or the salary of Sperry Univac's public relations and sales promotion manager who, in effect, was a lobbyist?

The government has footed untold millions of dollars of defense contractors' lobbying expenses because the Defense Department has no definition of “lobbying” and therefore no regulation that specifically prevents lobbying costs from being charged against government contracts.

Sen. William Proxmire (D-Wis.) is incredulous. “Every citizen has the right to communicate with his elected representatives. However, no citizen has the right to ask the government to reimburse the costs of these communications

Florence Graves is editor of Common Cause magazine. Jennifer Chandler, Marianne Sanua and Sharon Spector assisted in research.

and, to my knowledge, no segment of society other than government contractors has had the temerity to make such a request."

A fascinating but incomplete picture of the millions of dollars in lobbying expenses charged against government contracts by defense contractors emerges in the audits of 10 major defense contractors' Washington offices released to Common Cause four years after the Air Force denied a Freedom of Information Act (FOIA) request.

After CC's FOIA request was refused, Common Cause went to court to win the release of the audits which were conducted in 1976 and 1977 and cover the years 1974 and 1975.

The audits include those of the Washington offices of the Boeing Company, Rockwell International, Lockheed Aircraft, Raytheon, Hughes Aircraft, General Dynamics, Martin Marietta, Collins Radio Group, Sperry Univac and Sperry Rand Corp.

The exact extent to which the taxpayers are footing contractors' lobbying costs is not known. But these audits reveal a total of more than \$2 million in lobbying-related costs questioned by auditors during 1974 and 1975 for these ten contractors. There are hundreds of defense contractors. Of the top 100, 67 have Washington offices. So simple mathematical calculations indicate the grand total could be many millions.

Despite the fact that Defense Department auditors strongly oppose contractors' charging of lobbying costs to taxpayers, it is unlikely the practice will be discontinued because the powerful defense contractors have vigorously opposed any attempts to prohibit this practice.

The audits were kicked off by the highly publicized revelations in 1975 that some defense contractors, Rockwell and Northrop Corp., in particular, had entertained military and congressional personnel with parties at hunting lodges on the Maryland shore, goose hunts, rides on corporate jets and yachts, and football tickets.

During hearings held in 1976 by Proxmire's aggressive Committee on Joint Defense Production, the Defense Department announced it was auditing the Washington offices of several contractors to determine if the costs of any of this lavish entertainment were being charged to the taxpayers. And that's the last the public heard of the audits until their release to Common Cause.

Classic Waste

If the Marx Brothers, themselves, had decided to make a film about defense contractors, they probably wouldn't have come up with more classic examples of waste than those found by the contract auditors.

- Raytheon claimed the costs of lodging, meals, and guides for goosehunts in the Maryland area for company employees and unidentified guests.

- General Dynamics wanted the taxpayers to foot the bill for F-16 tie tacs.

- Hughes Aircraft claimed some costs for a condominium in the Shoreham (an exclusive Washington apartment house). The costs represented depreciation, garage maintenance, maid service and other expenses related to the condominium purchased in 1972. Also claimed were entertainment supplies and services which included silverware, linens, bartender, reception and limousine services as well as decorations and furnishings for a "sky suite" at the Capital Center (a sports arena).

- Lockheed Aircraft charged off travel expenses to the Farnborough and Paris Air shows, including first class air fare and wives' travel costs.

- Rockwell Corp. claimed the bill for 100 prints of the film, "The Threat, What Can One Do?" The auditors felt the film "furthers the image of the B-1 bomber programs. It appears

the films are being shown to the public and Members of Congress. We question the costs because they represent effort designed to influence legislation. The contractor does not incur. It maintains this is public relations effort."

("Public relations" costs, it should be noted, are considered legitimate expenses to charge to government contracts.)

The Defense Contract Audit Agency, which plays an advisory role in negotiating contracts, allocating costs, and seeing that terms of contracts have been met, questioned the legitimacy of not only more than \$2 million in lobbying-related costs but more than \$2.5 million in entertainment expenses as well. These totals do not include the more than \$2 million which the contractors originally charged, but voluntarily deleted, during the audit negotiations. Furthermore, all of the totals are probably much higher, but auditors repeatedly said that most of the contractors refused to let them see the proper records to verify costs.

A Pentagon official, John Kendig, deputy director for cost, pricing and finance, says "it is reasonable to assume" that not all of these costs were eventually paid by the government. As part of the overhead, he says, some of these costs may have been eventually allocated to a company's commercial divisions as well.

However, Christopher Paine, a staff assistant for arms control at the Federation of American Scientists, maintains that defense contractors try to put as many of their total expenses as they can into government overhead. "They all do it. They think, if you can get the government to pay for it, why not?"

While the government explicitly forbids federal employees from using taxpayers' money to engage in lobbying, there is no specific regulation prohibiting contractors from charging lobbying expenses against contracts. (There are, however, specific regulations prohibiting contractors from charging entertainment and some advertising expenses.)

However, in lieu of a specific lobbying cost principle, the auditors could question the costs on such bases as "reasonableness" or appropriateness and aggressively did so, touching off a several-year debate in the defense community about the validity of contractors charging such expenses to their overhead.

In response to these audits, the Pentagon tightened its conflict of interest standards and most observers agree the lavish entertainment has been kept to a minimum. To address the lobbying costs, the Pentagon spent several years trying to come up with a definition of lobbying which would outlaw such costs being charged to the government.

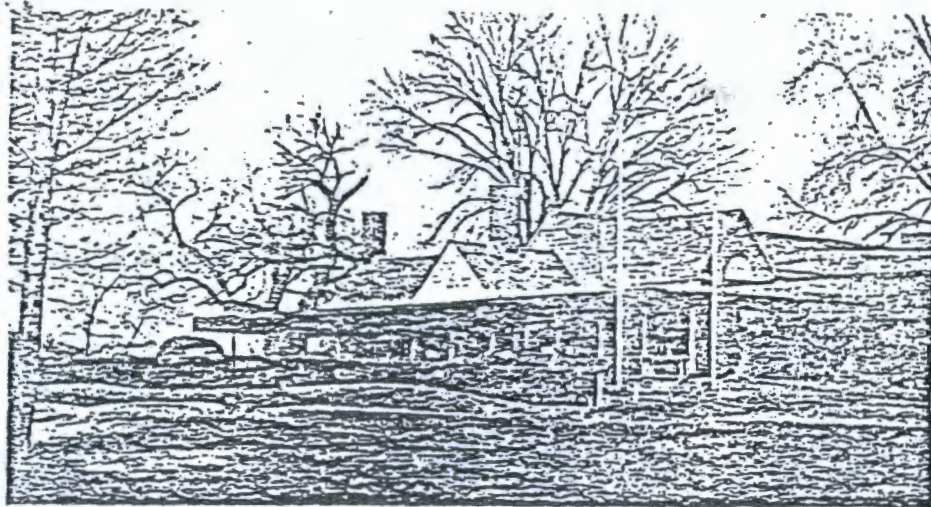
The effort was abandoned, however, in June 1980 because officials say it was too hard to define lobbying.

The audits, which give an exclusive, inside glimpse of the kinds of costs contractors expected the government to bear, also give an indication of the magnitude of the lobbying effort being made in the Washington offices, the nerve center of contractors' selling efforts. The audits also reveal:

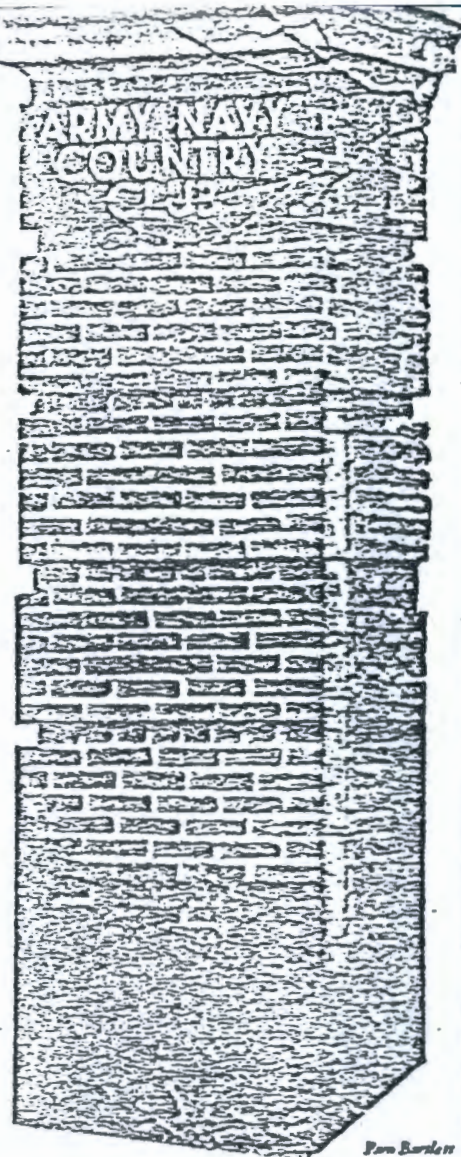
- Defense contractors are spending large sums of money to lobby for their weapons and are reporting only a fraction of these costs under the loophole-ridden 1946 Federal Regulation of Lobbying Act. In 1974-75, for example, the DCAA questioned more than \$2 million as possible lobbying expenses.

This total does not include those amounts which the contractors voluntarily did not charge to the government, so the actual amounts spent on lobbying are not known. In those same years, only three of these 10 companies had registered lobbyists and they reported spending only \$89,251.20.

*An official says that when contractors were questioned about expenses they charged which were clearly related to entertainment, they would just say they'd made a "mistake."



Several defense contractors charged to government contracts the costs of memberships in Washington-area country clubs such as the Bethesda Country Club, the Washington Golf and Country Club and the Army-Navy Country Club.



CC Wins Documents After Court Battle

The audits of the 10 defense contractors' Washington offices which form the basis of this story, were obtained by Common Cause under the Freedom of Information Act (FOIA). After the Air Force refused Common Cause's 1977 request for the audits, CC went to court. The audits were awarded to CC in January of this year.

In court, the Air Force maintained that release of the audits would cause competitive injury to the companies—in other words, rival contractors would be able to learn about the staffing and funding of the companies' Washington offices and somehow use this information to their own advantage. But testimony revealed most of the companies already knew about the workings of their rivals' Washington offices.

Another claim made was that the alleged "mislabelling" of certain contractor expenses as lobbying and entertainment costs by the Defense Contract Auditing Agency (DCAA) would harm the companies in the public's eye and would thus diminish their overall sales, because adverse public opinion would cause Congress to refuse to appropriate funds for defense contracts awarded to these companies.

To support their claims, the Air Force submitted affidavits from high-level officials from each of the 10 companies. "Since these officials were based all around the country, it would have proven difficult and very costly for our staff attorneys to cross examine them," says Ellen Block, Common Cause associate general counsel.

"Instead," says Block, "we drew upon the services of volunteer lawyers in California, St. Louis, Seattle and Minneapolis to take the depositions of the companies' witnesses. These depositions were key to winning the case because the testimony brought out on cross examination clearly contradicted the claims made by the Air Force."

In making the case, the Air Force relied on a provision of the Freedom of Information Act which allows the government to withhold business data only if its release would be likely to cause substantial competitive injury to the business which supplied the data.

During recent hearings on a proposed revision of the FOIA, this section was attacked by the business community. Opponents want to revise the law to prohibit the government from releasing any document that a company would not be willing to release.

• The auditors' inquiries met a consistent pattern of shonewalling. In audit after audit, the auditors noted, as in the case of Martin Marietta, "The scope of our review was severely restricted . . . This prevented the full application of generally-accepted auditing standards and tests of accounting records which would ordinarily be done."

In the audit of Hughes Aircraft, the auditor wrote: "The contractor imposed rigid conditions under which we were allowed to interview its personnel. It required the corporate marketing vice president to be present at each interview and a contractor stenographer to record the entire interview. The contractor refused to answer any questions on details or activities relating to unclaimed costs."

"It also would not permit questions relating to an apartment which the contractor owns and maintains in the Washington area. We advised the vice president that the cost of this apartment had been claimed by the contractor in its 1972, 1973, and 1974 overhead claims."

"Nevertheless, the contractor requested that the auditor not ask any further questions about it since most of the employees were not even aware of its existence . . ." Moreover, "the lack of time or activity records, denial of access to documentation, and restrictions imposed by the contractor during our review prevented us from reaching an unqualified opinion on the allowability of costs not otherwise specifically questioned."

While theoretically, the auditors should have access to all necessary records, audit officials say the contractors vehemently dispute what records are really "necessary." An intransigent contractor can keep such disputes in the courts for years.

• The interdependent relationship between defense contractors, Congress and the executive branch brings contractors "so close to government that they not only carry out military policy, but often create it," says Gordon Adams of the Council on Economic Priorities (a public interest group based in New York City) who just released an investigation of the politics of defense contracting, *The Iron Triangle*.

This "triangle" is formed, Adams says, "by the powerful flow of people and money" moving "between the defense contractors, the executive branch and Congress."

Explains Adams, "Once molded, the triangle sets with the rigidity of iron. The three participants exert strenuous efforts to keep isolated and protected from outside points of view. In time, they become unwitting victims of their own isolation, convinced that they are acting not only in their own but in the public interest."

Contributing to this is a practice frequently called the "revolving door."

For example, Dale Babione, former director of contracts and system acquisition at the Department of Defense, joined the Boeing Company as the director of government business relations in 1979 during the attempt to define a lobbying principle.

The flow of personnel among the points on the triangle "creates a community of shared assumptions about policy issues and developments," Gordon Adams concludes.

The Washington Offices

For a number of defense contractors, the U.S. government is one of their largest clients. It's the job of their Washington offices to grease the connections and ease the way for the multibillion dollar sales.

"Our business base is sustained in Washington," Richard Cook, a deputy assistant for congressional relations to Richard Nixon who now heads the Washington office of Lockheed Aircraft Corp. told the *National Journal*. (In the early 70s, Lockheed, the Chrysler of the defense industry, got a federal loan guarantee to keep it afloat.)

To sustain the business base, contractors "must succeed

in government business," says Adams.

Contractors do not consider the efforts of most of those in their Washington offices "lobbying," although most would probably agree that some of what they do is "lobbying," which is perfectly legal. Some of the remaining activities they consider to be "legislative liaison" which means providing information to Congress and to the executive rather than exerting pressure. Most apparently consider both of these activities legitimate overhead expenses which are routinely passed onto government contracts.

But during these audits, the Defense Contract Audit Agency made a distinction between the two. They felt many of the Washington office employees were engaged in "lobbying" ("influencing legislation"), activities they felt should not be charged against government contracts. They therefore questioned whether more than \$2 million charged against government contracts should be allowed, emphasizing the totals could be much higher but the contractors refused to give them the documentation they needed to make the determination.

In questioning lobbying-related costs, the auditors usually included this notation, "We found no recognizable benefit to government contracts since the Department of Defense and other executive agencies make determinations of policy and program needs, and justify their own requirements for appropriations."

"Attempts by contractors to influence legislation favoring procurement of their products can be inimical to DOD policies as well as requirement determinations."

One company, Martin Marietta (one of only two contractors who would answer any questions for this story) maintains that the company does not lobby and therefore does not have any lobbying expenses.

But the DCAA did not concur: it questioned a total of approximately \$300,000 in lobbying expenses for Martin Marietta, including salaries of several staff members. For example, the DCAA found that K.K. Bigelow, the director of Washington Relations, maintains contacts with government personnel to solve problems and makes appointments for company officials to meet with government representatives.

"Mr. Bigelow follows issues in Congress that affect the company in the areas of tax reform, energy, and pollution control. He builds rapport with congressmen from the 35 states in which Martin has divisions and solicits Martin Marietta employees for campaign contributions. In our opinion, these activities are concerned with influencing legislation and are unallowable . . ."

Moreover, "a review of Mr. Bigelow's travel expense reports indicate extensive entertainment at home, the Congressional Country Club, Kennedy Center, and numerous Washington restaurants. In most cases, there is no record of who participated in this entertainment. We have questioned Mr. Bigelow's salary, his secretary's salary, the costs of the chauffeur's support, fringe benefits, travel and related expenses."

It is clear from reading the audits that the DCAA does not believe the taxpayers should be picking up lobbying costs. Fred Newman, then head of the DCAA, now with a private firm, says he does not think such costs are legitimate expenses; the current head, Charles Starratt, agrees. But the DCAA has only an advisory role; the contracting officers make the final decisions. (A contracting officer is the person at the Pentagon who has overall responsibility for an individual contract. This person monitors the defense contractor's performance and makes final determinations about costs.)

So in this case, what the DCAA thinks does not count.

No one has come right out and said it, but the Defense Contract Audit Agency must have really put the Pentagon brass on the spot by boldly questioning what appeared to the auditors to be lobbying expenses.

After the audits were completed, the Pentagon, apparently displeased with the first audits, handed the DCAA a set of guidelines to follow in questioning which costs were valid and told them to do the audits over again.

Not surprisingly, the amounts of costs questioned were significantly reduced. (As part of the documents released to Common Cause, the Air Force sent several but not all final audits which showed significant reductions in "costs questioned." However, an exact analysis is not possible because significant portions of the final audits are whited out.)

In fact, it seems clear from a memo, obtained by Common Cause, which Charles Starrett, then deputy director of the DCAA (now director) wrote to the deputy assistant secretary of defense (acquisition), that the Pentagon knew full well that some glaring costs would not be questioned as a result of their "guidance."

Starrett used examples from the audits of Rockwell's Washington office as well as an audit of Rockwell's B-1 division (which was not provided to CC).

These are some of the expenses charged by Rockwell to its overhead account which Starrett said the auditors probably would not be able to question as a result of the Pentagon's new instructions about which costs the auditors could question:

- \$10,000 paid a subcontractor for a study on the impact of the B-1 program on the U.S. economy. The study was used in preparing white papers designed to influence B-1 legislation.

- The total costs of a military relations function in which the director provided material to editors, publishers and reporters in several states to elicit articles favorable to the B-1 and made presentations to government and contractor personnel throughout the country.

- The development of a speakers' bureau on behalf of the B-1.

- Several films prepared to develop positive support for the B-1 and other defense programs.

Trying To Define "Lobbying"

While the contractors' Washington office audits were never publicly released, Proxmire and his staff apparently got a peek and he took to the Senate floor in 1977, demanding that lobbying costs not be charged against government contracts.

Said Proxmire, "The current practice sets up a vicious circle. Contractors get generous allotments from the government to produce weapons systems. But rather than using all of it for production of these weapons systems, they siphon some of it off to lobby for even more money . . .

"There is enough favoritism and behind-the-scenes influence on large defense contracts without the added insult of having the taxpayer pay for the bill."

In an apparent attempt to pacify Proxmire, the procurement officials asked the DAR (Defense Acquisition Regulations) Council, which writes the regulations used in defense contracting, to try to come up with a lobbying cost principle. They did so, defining lobbying this way: "Lobbying is defined as any activity or communication which is intended or designed to directly influence members, their staffs or committee staffs of any federal, state, local or foreign government legislative body to favor or oppose pending, proposed or existing legislation. Lobbying activity includes but is not limited to personal discussions or conferences, advertisements, telegrams, telephone communications, letters and the like, and the directly associated costs related thereto."

"Legislative liaison" activities such as attendance at committee hearings or meetings with congressional

representatives at their invitation and gathering information regarding pending legislation were not included in the definition.

The definition was circulated for comment throughout the industry and other government agencies (the government does not have a lobbying principle for other agencies' contractors either and was proposing to use the one the Defense Department wrote).

An inch-thick stack of paperwork was generated. Common Cause obtained this correspondence too, under a Freedom of Information Act request. Most government agencies which responded enthusiastically supported a lobbying cost principle, agreeing that it was inappropriate for the government to foot such costs. Several emphasized that the contractors should be required to maintain the documentation to prove the validity of their claims.



Sen. William Proxmire

"They (the contractors) are perfectly free to speak all they want. They can lobby to their heart's content. But to charge the cost of all that to the taxpayer is really adding insult to injury."

A number of industry representatives, however, vehemently opposed the principle. None of the contractors directly involved in the audits responded but another contractor, United Technologies, said the principle would, among other things, impose burdensome paperwork.

The chairman of the American Bar Association's section of Public Contract Law, contended the "lobbying principle would inhibit commercial organizations from exercising their First Amendment constitutional rights," an argument frequently made by the defense community.

Counters Proxmire, "They're perfectly free to speak all they want. They can lobby to their heart's content. But to charge the cost of all that to the taxpayer is really adding insult to injury. It's a real loser for the taxpayer; there's no way the taxpayer can win."

But after Proxmire's spotlight had faded and three and a half years had passed, Dale Church, then deputy undersecretary of defense for acquisition policy, made the decision in June 1980 to reject the proposed lobbying principle.

John Kendig, now deputy director for cost, pricing and finance at the Pentagon, says the Pentagon dropped the proposed lobbying principle because "we really couldn't get a consensus on what constituted lobbying . . . It's very difficult. What is lobbying? Is a contractor lobbying if he goes over and speaks to a congressman? He may or may not be."

But Proxmire scoffs at that explanation. "That's absurd. It's easy to find a definition for lobbying. It would be hard to find any definition that's acceptable to everyone. You can't find a definition of 'cat' that's acceptable to everyone."

Kendig, who had a say, although not the final say, in the attempt to develop a lobbying cost principle, personally thinks lobbying should be considered a normal business expense that the government should absorb, although he concedes that the government has declared other "normal business expenses" such as entertainment and advertising unallowable.

The DAR council disagreed with Kendig. According to a memorandum obtained by Common Cause, the council concluded that "most defense contract dollars are on contracts under which contractors are able to recover costs. Expenditures for lobbying would therefore be passed through to the government.

"By contrast firms in the private sector are usually operating in a competitive market. In this situation, any expenditure for lobbying would reduce profit. We believe defense companies should be put on the same footing."

Gordon Adams says even if lobbying were a routine business expense reflected in the cost of products such as shoes or cars, lobbying expenses spent to sell weapons should not be included in the costs of those weapons. "The taxpayer, who is the ultimate consumer, is not really in a position to vote with his wallet the way he can on an automobile. It's very hard for the taxpayer not to buy and it's very hard for the taxpayer to make the argument that counters the impact of the lobbying in Washington that leads to the decision to buy..."

Fred Newman, the former head of the DCAA, says the proposed principle was dropped because the "procurement people felt the keeping of records was too onerous and too costly for the contractor." But Newman says if the contractors think such a principle would be "too administratively costly, then maybe they shouldn't pass on any of the costs."

Newman says "undoubtedly" there was "considerable pressure" placed on Pentagon officials by the contractors.

Proxmire attributes the failure to the "revolving door." "The difficulty is that both the Congress and especially the executive are very, very heavily lobbied. There are people in the executive who are dealing with the military and the contractors who, in many cases, are going back to work for the same contractors they dealt with.

"And then they may come down and work in the Defense Department as a civilian procurement official. Therefore, you have an atmosphere in which these people serve their continuing conflict of interest. That's why I think the regulation has not been promulgated..."

When it became clear the Defense Department was not going to establish a lobbying cost principle, Proxmire turned to the Office of Federal Procurement Policy (OFPP) in the White House Office of Management and Budget. He suggested such a cost principle be incorporated into government-wide procurement regulations. Again a stone wall. Karen Hasne Williams, administrator of OFPP under Carter, wrote that she was "inclined to agree with the Department of Defense's view that its present cost principles and audit guidelines are adequate to preclude the reimbursement of costs specifically identifiable with lobbying activities."

But some DCAA officials say that without a specific principle, it is very unlikely that many of the lobbying costs they question will be upheld in negotiations when contractors and Pentagon contracting officers discuss the bills.

Williams suggested that if Proxmire wanted a principle so badly, he should legislate one.

"Why doesn't he (Proxmire) pass legislation?" asks Dale Babione, the former director of contracts and systems acquisition at the Department of Defense, who is now director of government business relations for the Boeing Company. Babione, by the way, was involved in the discussion over developing a lobbying cost principle.

Concludes Babione, "Because he can't get anyone to agree with him. The fact that somebody feels strongly about something doesn't make it so. It just means he feels strongly about it. This is a democratic country, and if everyone feels the law should be changed, then why don't they change it?"

The Loophole-Ridden Law

While there may have been no attempt to pass legislation outlawing lobbying costs charged to government contracts, there have been a number of unsuccessful attempts to strengthen the 1946 lobby disclosure law.

Both contractors and government officials have said that they base their definition of lobbying on the 1946 law which they interpret as saying a person or company does not have to register unless their "principle purpose" is to lobby.

Apparently applying that rule of thumb in 1974-75, only three of the companies had any registered lobbyists or expenditures: Boeing (\$33,840.85), Lockheed (\$53,765); Rockwell (\$1,745.25). Yet DCAA auditors questioned many times more than those amounts as probable lobbying costs. (A spot check of 1980 disclosure forms by these companies show no significant improvement in reporting.)

During the Boeing audit, the DCAA questioned the salaries and benefits of five corporate employees whom the auditors felt were involved in lobbying. In fact, the auditors said two of the employees told them that "100 percent of their work is spent on lobbying, either talking directly to congressmen or their staffs or obtaining information to support company positions."

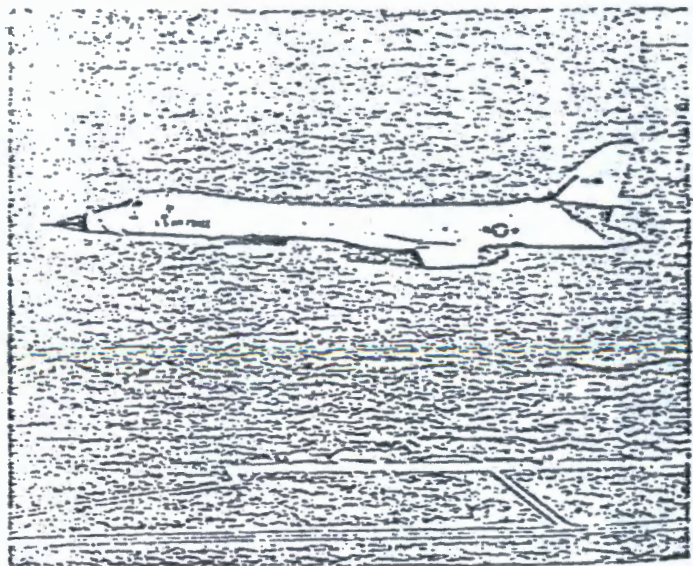
Boeing, however, vigorously disagreed. Peter Bush, a spokesman for Boeing, says the two employees say they couldn't possibly have told the auditors they spent most of their time lobbying.

As evidence, Bush says, the lobbying reports these employees filed with Congress under the 1946 lobbying law "show only 5 to 10 percent of their time" was spent lobbying.

"Look at their lobbying reports?" says Gordon Adams in astonishment. "That's an answer? You've got to be kidding."

"Sure, given a statute that is riddled like swiss cheese, it's very easy for someone to waltz down there and say that they spent five percent of their time lobbying. Who's going to follow that up? Who audits that claim? Nobody."

The defense industry, of course, is not the only one which interprets the lobby disclosure law narrowly. Because there are numerous loopholes, and no enforcement of the law, thousands of lobbyists are not registered and hundreds of millions of dollars spent on lobbying are not reported.



Rockwell Corp. claimed the bill for 100 prints of the film, "The Threat, What Can One Do?" The auditors felt the film "further the image of the B-1 bomber programs. It appears the films are being shown to the public and Members of Congress. We question the costs because they represent effort designed to influence legislation. The contractor does not concur. It maintains this is public relations effort."

In his analysis of the politics of defense contracting, Adams not surprisingly concludes that one of the steps that needs to be taken to "pry open the iron triangle of defense policy and weapons procurement" is reforming the loophole-ridden lobby disclosure act. Common Cause has worked for years for a more comprehensive law.

Why is a stronger law needed? What difference does it make to the public whether the defense or any other industry spends \$5 or \$5 million lobbying? After all, lobbying is perfectly legal. What difference does it make whether an individual spends all of his time or part of his time lobbying?

Says Adams, "I think the most convincing argument for revision is that the public has no idea of the magnitude of the activities of special interests in Washington. And current disclosure and reporting requirements give them no way to even begin to guess at the magnitude of the effort. The closest we can get are those DCAA audits.

"My hunch is that corporations and trade associations related to industry have massive resources that they can bring to bear (on the political process) which far outweigh those of smaller special interests or those of the public at large to present their cases. Until we have that data, what do we do? Throw up our hands and say it doesn't make a difference? It obviously makes a difference."

Audit Follow Up

Were any of the millions of dollars of lobbying, entertainment and other costs questioned by the Defense Contract Audit Agency (DCAA) eventually paid by the contractors?

We don't know. The DCAA acts only as a financial advisor to Defense Department contracting officers who sit down with the contractors to determine which of the questioned costs will be allowed. The DCAA's audit findings are in no way binding. And, of course, the results of the negotiations between the contractors and the contracting officers are not made public.

But a study of the DCAA by the General Accounting Office (GAO), the government's watchdog, gives a clue as to what may have happened. The GAO pointed out that the contracting officers do not always use the findings of the DCAA and that disagreements between DCAA and contracting officers are rarely reported to higher officials. The contracting officer has the final say.

Moreover, contracting officers rarely report the results of their negotiations to the auditors, GAO found. Elmer Staats, former comptroller general of the U.S., told a House committee hearing that "morale is low at DCAA. They need assurance their findings will have an impact."

The failure of agencies throughout government to follow up and resolve audit findings is, in the words of one GAO official, "a national scandal."

After much pressure, the Defense Department came up with a process for tracking the results of audits, but did not include DCAA audit findings in that process. After pressure from Rep. Jack Brooks (D-Tex.), the Department of Defense (DOD) came up with a proposed plan to follow up findings at DCAA. Deputy Secretary of Defense Frank C. Carlucci told a subcommittee of the House Committee on Government Operations in July that the Defense Department had drafted a process for monitoring follow-up action on contract audit reports, including a provision for resolving significant differences between auditors and contracting officers. Carlucci said a final directive should be issued by the end of August.

Critics say there should be some check on the enormous power of the contracting officers who make final decisions, because some feel contracting officers can become advocates of the weapons they are responsible for and, therefore, not as objective as they might be when negotiating contract cost differences.

John Kendig, deputy director for cost, pricing and finance at the Pentagon, says such a generalization is wrong and makes him "sick."

Other critics feel the effectiveness of the DCAA could be strengthened if the DOD had an Inspector General (IG) as most other agencies do.

DOD was left out of the Inspector General Act of 1978 because of their strong objections to being included. One Capitol Hill aide says DOD was not included because the sponsors of the bill feared DOD's anticipated heavy lobbying against the act would have killed the entire act.

But Rep. Brooks does not give up easily. His bill to institute an IG at Defense (and four other agencies not covered by the 1978 act) has passed the House and is pending in the Senate.

The Defense Department opposed the House bill because, DOD General Counsel William H. Taft IV testified, an autonomous Inspector General "is completely inconsistent with the hierarchical commander/subordinate relationship that is at the heart of any military organization and embodied in the chain of command. These provisions do not encourage the individual to work with the secretary on his team."

Asked how strenuously the Defense Department had lobbied against the House bill, a Capitol Hill aide replied, "They have been spending only slightly more time on this than they are on the Russians. If they are as aggressive about the Russians as they are about this, then I guess we can sleep nights."

In Senate hearings, Taft said the Department of Defense really wants an Inspector General, but they want the secretary of defense to have the power to veto "any review process or investigation that the Inspector General may initiate which could jeopardize national security." The secretary would have to report the reasons for any veto to Congress. The House bill does not provide such "veto power."

The Defense Department also opposes including the DCAA under the aegis of an IG because, Taft says, DCAA's "principal mission is an advisory role in the acquisition process, not oversight of DOD operations."

On this point the GAO agrees with Defense. But the bill which passed the House includes the DCAA within the purview of the IG because some sponsors felt it would give the DCAA more clout.

To deflect some of the heavy criticism about the potential for finding waste in DOD, the Defense Department recently created the position of assistant to the secretary of defense for review and oversight. This office is supposed to advise the secretary of ways to combat waste, fraud and abuse, but unlike the IG proposed by the House, this position is not independent of the secretary.

Monday
January 24, 1983

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STATE OF TEXAS
COMPTROLLER GENERAL

Part XXX

Office of
Management and
Budget

Cost Principles for Nonprofit
Organizations

OFFICE OF MANAGEMENT AND BUDGET

[Circular A-122]

Cost Principles for Nonprofit Organizations

AGENCY: Office of Management and Budget.

ACTION: Notice.

SUMMARY: This notice offers interested parties an opportunity to comment on a proposed revision to Circular A-122, "Cost Principles for Nonprofit Organizations." The proposed revision establishes special provisions for costs related to political advocacy. Similar revisions are being simultaneously proposed for civilian and defense contractors through appropriate actions by the Department of Defense, NASA and GSA, the three agencies with authority to issue procurement regulations. The purpose of these proposals is to ensure that federal tax dollars are not used, directly or indirectly, for the support of political advocacy.

Over the past 25 years, the volume of federal activity conducted through grantees and contractors has dramatically grown. Sound management of federal grants and contracts has correspondingly gained in importance. The responsibility of the President through OMB to improve the management of the executive branch of government with a view to efficient and economical service, and to fulfill other statutory and constitutional responsibilities, extends to issues of grant and contract management no less than to issues of direct federal activity.

In recent years, the problem of the use of federal funds for political advocacy by grantees and contractors has been identified by members of the public, by the Comptroller General, and by Members of Congress. As many of these parties have observed, the diversion to political advocacy of federal funds, and of equipment procured with and personnel compensated by federal funds, is an abuse of the system and an uneconomical, inefficient and inappropriate use of the public's resources. Moreover, the commingling of federal grant or contract activity with private political advocacy creates the appearance of federal support for particular positions in public debate. This appearance can create misunderstanding and interfere with the neutral, non-ideological administration of federally funded programs.

This proposal is designed to balance the First Amendment rights of federal

grantees and contractors with the legitimate governmental interests of ensuring that the government does not subsidize, directly or indirectly, the political advocacy activities of private groups or institutions. These governmental interests are based on concern for protecting the free and robust interchange of ideas.

Americans have the First Amendment right both to engage freely in speech and political expression, and to refrain from speaking, without interference or control on the part of the government or its agents. *Wooley v. Maynard*, 430 U.S. 705, 714 (1977). The proposed revision is intended to ensure that the use of Federal grants, contracts and other agreements by private organizations engaging in political advocacy does not erode or infringe these constitutional rights, or distort the political process by encouraging or discouraging certain forms of political activity.

The activities of government in a democracy necessarily involve a degree of political advocacy, since government officials are expected to communicate with the people, explain their programs, and provide leadership and direction to the nation. Thus, Members of Congress and their staffs, the President and his political appointees, necessarily participate in forms of political advocacy. However, it is a distortion of the market place of ideas for the government to use its financial power to "tip the electoral process," *Elrod v. Burns*, 427 U.S. 353, 356 (1976), by subsidizing the political advocacy activities of private organizations and corporations. This proposal will ensure, to the extent consistent with the communications function of the government, that taxpayers are not required, directly or indirectly, "to contribute to the support of an ideological cause [they] may oppose." *Aboud v. Detroit Board of Education*, 431 U.S. 209, 235-236 (1977). The proposal also seeks to avoid the appearance that, by awarding Federal grants, contracts, or other agreements to organizations engaged in political advocacy on particular sides of public issues, the Government has endorsed, fostered, or "prescribe[d] [as] orthodox" a particular view on such issues, *West Virginia State Board of Education v. Barnette*, 319 U.S. 624, 645 (1943).

The proposed revision would make unallowable the cost of political advocacy, whether direct or indirect. The revision would also make unallowable any costs of communications equipment, personnel, other equipment, meetings or conferences, or publications, where such cost items are used for political

advocacy in whole or in part. The revision makes unallowable the costs of buildings and office space where 5 percent or more of the space is devoted to political advocacy. When federal grant or contract recipients use facilities, equipment, or personnel funded in part with federal monies for political advocacy, they may create the appearance of government support for their positions. Moreover, if federal funds are used to defray the overhead costs of organizations engaged in political advocacy, it frees up the organization's other funds for use in this political activity.

The principal effect of the revision will be that federal grantees and contractors that choose to engage in political advocacy must separate their grant or contract activity from their political activity. If they mix the two, then they will not receive government reimbursement for the jointly allocable costs. Contractors or grantees will not be permitted to require or induce employees paid in part or in whole with federal funds to engage in political advocacy activities, either as a formal part of job responsibilities or on their own time.

The definition of political advocacy used in this proposal is derived generally from the Internal Revenue Code, 26 U.S.C. 4911, defining attempts to "influence legislation," with modifications designed to comprise direct participation in elections or referenda, administrative processes, certain judicial processes, and other activity of a political advocacy nature.

These proposed revisions will become effective 30 days after final notice in the Federal Register. The revisions will affect only grants, contracts, and other agreements entered into after the effective date. Existing grants, contracts, and other agreements will not be immediately affected. Agency contracts and regulations will incorporate these provisions to the same extent and in the same manner as they do other provisions of Circular A-122.

Violations of these provisions will be a basis for cost disallowance, and in instances of serious or willful violations, may be a basis for debarment or suspension.

Comments should be submitted in duplicate to the Financial Management Division, Office of Management and Budget, Washington, D.C. 20503. All comments should be received within 45 days of this notice.

FOR FURTHER INFORMATION CONTACT:
John J. Lordan, Chief, Financial Management Branch, Office of

Management and Budget, Washington, D.C. 20503, (202) 395-6823.

Issued in Washington, D.C., January 20, 1983.

Candice C. Bryant,

Acting Deputy Associate Director for Administration.

Appendix

The following questions and answers have been prepared by the Office of Management and Budget for informational purposes only.

Question: What is the purpose of these revisions?

Answer: The purpose is to ensure that federal contracts and grants are not used to support political advocacy either directly or indirectly. Thousands of contractors and grantees, administering hundreds of billions of federal dollars, have had wide latitude to engage in political advocacy activities, often using the same facilities and personnel paid for in part by the taxpayers. The current lack of a government-wide policy prohibiting the use of federal grant and contract funds for political advocacy has been criticized by the General Accounting Office. It is unfair to use federal tax money to support political causes. Nor is it an efficient or economical use of public resources to allow funds to be diverted from statutory purposes to political advocacy.

A particularly important abuse is that many contractors and grantees have been able to defray the overhead costs of their political advocacy, at public expense, by allocating some part of the cost to the administration of the contract or grant. Not only does this free up the organization's own resources for further political activity; it also creates the appearance that the government is supporting one or another side in a political controversy.

Question: How will the proposals work?

Answer: The proposals will revise cost principles applicable to federal grants, contracts (other than competitive, firm fixed price contracts), and other agreements. Recipients of federal grants, contracts, or other agreements will be barred from receiving government reimbursement for any activities connected with political advocacy at the national, state, or local levels. This includes membership or dues in trade associations or other organizations that have political advocacy as a substantial organizational purpose. In addition, salary costs will be unallowable to recipients who either require their employees to pay dues to political advocacy organizations or require them to engage in political advocacy on the job or during non-working hours. Finally, government funds will not be permitted to pay for facilities in which significant political advocacy activities are conducted, thus requiring physical separation of such activities from those involved in the performance of grants and contracts.

Question: What is an example of how this will work?

Answer: Take the example of a defense contractor which uses a corporate aircraft for oversight and management of a federal contract. If the contractor chooses to use the aircraft also for lobbying or other political

activities—such as transporting corporate officials to discussions with Congressmen—then under the principles proposed by the Defense Department, the contractor cannot include the cost of the aircraft or of any use of the aircraft as part of overhead costs allocated in part to the contract.

As an example in the non-profit area, take an organization which receives a federal grant to promote better health services for low-income individuals, which decides to organize a political rally to promote more federal funding for medical programs. The organization could not be reimbursed for any portion of the salaries of individuals engaged in organizing the political rally or for any portion of other overhead costs (office machines, printing facilities, etc.) if the same overhead items were used for the rally. The organization would be free to hold the rally—but it would do so at its own expense, and without using people, facilities or resources partially funded by the Federal Government.

Question: How is it possible to define "political advocacy"?

Answer: The concept of political advocacy, or "influencing legislation," is used in the Internal Revenue Code restrictions on tax-exempt organizations. The Internal Revenue Code definition of "influencing legislation" is employed in this proposal, with several modifications to take account of changes in political practices (e.g., development of political action committees), Supreme Court developments (e.g., decisions declaring certain forms of litigation to be political expression), and shifts in the decisionmaking process (e.g., the growth of administrative agencies and referenda as means of political decisionmaking).

In particular, the scope of the Code definition ("influencing legislation") has been expanded to cover "governmental decisions" in general. Thus, for example, the Internal Revenue Code defines the term "influencing legislation" as including "any attempt to influence any legislation through an attempt to affect the opinions of the general public or any segment thereof." The proposed revision to Circular A-122, correspondingly, defines "political advocacy" as including "attempting to influence governmental decisions through an attempt to affect the opinions of the general public or any segment thereof." The body of experience in interpreting the Internal Revenue Code provision, as appropriately modified, is expected to aid in the interpretation of the proposed revisions.

The proposals thus include as "political advocacy" direct participation in elections or referenda by means of contributions, endorsement, publicity, administration of political action committees, or similar activity; contributions to political advocacy organizations; attempting to influence government policy made through the regulatory process as well as the legislative process; and attempts to influence government policy through litigation as an *amicus curiae*, on behalf of the members of the organization, or on behalf of another party. In addition, several categories of activity excluded from the Code definition of "influencing legislation" (e.g., communications with organization members on political topics and lobbying with respect

to the organization's own interest) have been included in the proposal's definition, to ensure that such activities are not conducted at the expense of the public.

Question: What is the penalty for violating these provisions?

Answer: Cost recovery, and in instances of serious or willful violations, suspension or debarment from federal grants or contracts.

Question: How does this proposal affect the First Amendment right of freedom of speech?

Answer: This proposal will promote the First Amendment value that a person can freely speak, or refrain from speaking, on political matters. The Supreme Court has recognized constitutional problems with requirements on a person "to contribute to the support of an ideological cause he may oppose." *Abood v. Detroit Board of Education*, 431 U.S. 209, 235-236 (1977). Although government in a democracy necessarily involves some degree of political advocacy because of the need to communicate with citizens, taxpayers cannot rightly be required to support the political advocacy of private organizations and corporations through federal grants and contracts.

Moreover, the freedom of First Amendment political advocacy is jeopardized when the views of particular groups are financed by the government. The use of federal grants or contracts for the support of one side in a political debate, like the use of political patronage for the support of a political party, can injure the "free functioning of the electoral process." *Elrod v. Burns*, 427 U.S. 353, 356 (1976). In the marketplace of ideas, where differing political opinions compete for public acceptance, the government should not be in the position of subsidizing the expression of views of particular organizations or corporations, as to defense or domestic policy. Nor should the government create the appearance of official support for the political advocacy of its grantees or contractors.

Question: Does this proposal infringe the First Amendment rights of recipient organizations?

Answer: No. Recipients remain free to engage in political advocacy on any side of any issue. The proposals merely ensure that organizations engage in political advocacy at their own expense—not the public's. If an organization chooses to exercise its First Amendment rights, it is only fair that it keep those political activities separate from its work at the expense of the public. It should not expect to have its political advocacy subsidized, or to be able to put facilities purchased in part by tax dollars to political use. Like federal agencies and employees, federal grantees and contractors are "expected to . . . execute the programs of the Government without bias or favoritism for or against any political party or group or the members thereof." *CSC v. National Association of Letter Carriers*, 413 U.S. 548, 565 (1973). Federal grant and contract activity will be more efficiently and fairly performed if it is not mixed with advocacy activities on one or the other side of political debate.

Question: Will these proposals prevent corporations or other organizations from lobbying in Congress or the agencies for grants or contracts?

Answers: No—but they will do it at their own expense, not the public's.

Question: Will organizations engaged in political advocacy be eligible to receive federal grants and contracts?

Answer: Absolutely. In a memorandum dated April 26, 1982, the Director of OMB made clear that:

"The Administration will continue to award grants and contracts to those parties who are most effective in fulfilling statutory purposes [and that] political advocacy groups may continue to receive grant and contract awards."

This policy will continue in effect, and just as agencies will be forbidden to award grants and contracts because of the political views of applicant groups, they will also be forbidden from discriminating against "parties most effective in fulfilling statutory purposes."

Question: What will be the practical effect on organizations that engage in political advocacy?

Answer: Federal grantees and contractors that choose to engage in political advocacy will need to separate their grant or contract activity from their political activity. If they mix the two, then they will not receive government reimbursement for the joint costs.

Question: What will be the effect on the employees of contractors and grantees?

Answer: Employees whose salary is paid in part with federal funds may not be required or induced to engage in political advocacy, either as a part of the job or on their own time. Nor may they be required to join or pay dues to an organization involved in substantial political advocacy. This will ensure that federal funds are not used to hire political armies or to generate political membership support—practices analogous to those held unconstitutional in *Elrod v. Burns*, 427 U.S. 347 (1976). Of course, individual employees remain free to engage in political advocacy on their own if they wish to do so.

Question: To what organizations do the proposals apply?

Answer: The proposed revision to OMB Circular A-122 will apply to all non-profit organizations receiving federal grants, contracts, or other agreements. Similar proposals are being applied by the Department of Defense, NASA, and the General Services Administration to civilian and defense contractors. The proposed revisions will apply to grants, contracts, and other agreements entered into after the effective date of the revisions. Existing grants, contracts, and other agreements will not be affected.

Question: Will these proposals interfere with organizations due process rights to

defend their interests in court?

Answer: No. So long as an organization appears in court on its own behalf, litigation is not defined as political advocacy.

However, when an organization goes into court to represent others, or to support the claim of others, such attempts to influence policy through the judicial process are a form of political advocacy, as the Supreme Court has held. *NAACP v. Button*, 371 U.S. 415, 429 (1963); *In re Primus*, 438 U.S. 412, 428 (1978). Such activities should not be supported by federal grant or contract money, unless the grant or contract was made expressly for that purpose. Attorneys fee award statutes are not affected by these proposals.

Question: Will these proposals make it more difficult for the federal government to reward its political supporters?

Answer: Yes. Currently, the federal government may be able to reward its supporters, and punish its opponents, by granting or denying federal grants to organizations engaged in political advocacy. By making such awards to a friendly organization the government assumes a portion of that organization's overhead costs, and thus supports the organizations political activities. In this way, the government can influence the political process by inducing recipients of federal funds to conform their behavior to the governments desires. This was one of the dangers of the political spoils system recognized by the Supreme Court in *Elrod v. Burns*, 427 U.S. 347, 355-356 (1976). These proposals will help make the process neutral again, by eliminating the "political spoils" aspect of the government funding process.

Question: Will these proposals solve the whole problem of federal tax money being used to support political advocacy?

Answer: No, but they make a major step in the right direction. Congress and the agencies must continue to be vigilant to ensure that grants and contracts are not awarded for purposes that involve political advocacy.

Circular A-122—Cost Principles for Nonprofit Organizations

Circular A-122 is revised by modifying Attachment B as follows:

1. Insert a new paragraph "B 33 Political Advocacy."

a. The cost of activities constituting political advocacy are unallowable.

b. Political advocacy is any activity that includes:

(1) Attempting to influence the outcome of any Federal, State, or local election, referendum, initiative, or similar procedure, through contributions, endorsements, publicity, or similar activity;

(2) Establishing, administering,

contributing to, or paying the expenses of a political action committee, either directly or indirectly;

(3) Attempting to influence governmental decisions through an attempt to affect the opinions of the general public or any segment thereof;

(4) Attempting to influence governmental decisions through communications with any member or employee of a legislative body, or with any government official or employee who may participate in the decisionmaking process;

(5) Participating in or contributing to the expenses of litigation other than litigation in which the organization is a party with standing to sue or defend on its own behalf; or

(6) Contributing money, services, or any other thing of value, as dues or otherwise, to an organization that has political advocacy as a substantial organizational purpose, or that spends \$100,000 or more per year on activities constituting political advocacy.

c. Political advocacy does not include the following activities:

(1) Making available the results of nonpartisan analysis, study, or research, the distribution of which is not primarily designed to influence the outcome of any Federal, State, or local election, referendum, initiative, or similar procedure, or any governmental decision;

(2) Providing technical advice or assistance to a governmental body or to a committee or other subdivision thereof in response to a written request by such body or subdivision;

(3) Participating in litigation on behalf of other persons, if the organization has received a Federal, State, or local grant, contract, or other agreement for the express purpose of doing so;

(4) Applying or making a bid in connection with a grant, contract, unsolicited proposal, or other agreement, or providing information in connection with such application at the request of the government agency awarding the grant, contract, or other agreement; or

(5) Engaging in activities specifically required by law.

d. An organization has political advocacy as a "substantial organizational purpose" if:

(1) The organization's solicitations for membership or contributions

acknowledge that the organization engages in activities constituting political advocacy; or

(2) Twenty percent (20%) or more of the organization's annual expenditures, other than those incurred in connection with Federal, State or local grants, contracts, or other agreements, or incurred in connection with political advocacy.

e. The term, "governmental decisions" includes:

(1) The introduction, passage amendment, defeat, signing, or veto of legislation, appropriations, resolutions, or constitutional amendments at the Federal, State, or local level;

(2) Any rulemakings, guidelines, policy statements or other administrative decisions of general applicability and future effect; or

(3) Any licensing, grant, ratemaking, formal adjudication or informal adjudication, other than actions or decisions related to the administration of the specific grant, contract, or agreement involved.

f. Notwithstanding the provisions of other cost principles in this circular:

(1) Salary costs of individuals are unallowable if:

(a) The work of such individuals includes activities constituting political advocacy, other than activities that are both ministerial and non-material; or

(b) The organization has required or induced such individuals to join or pay dues to an organization, other than a labor union, that has political advocacy as a substantial organizational purpose, or to engage in political advocacy during non-working hours.

(2) The following costs are unallowable:

(a) Building or office space in which more than 5% of the usable space occupied by the organization or an affiliated organization is devoted to activities constituting political advocacy;

(b) Items of equipment or other items used in part for political advocacy;

(c) Meetings and conferences devoted in any part to political advocacy;

(d) Publication and printing allocable in part to political advocacy; and

(e) Membership in an organization that has political advocacy as a substantial organizational purpose, or that spends \$100,000 or more per year in connection with political advocacy.

2. Renumber subsequent paragraphs.

(FR Doc. 83-2031 Filed 1-21-83; 1:28 pm)

BILLING CODE 3110-01-M



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

DATE: Feb. 18

TO: Mort Blackwell

FROM: Mike Horowitz *MH*

Voices from the left.

file
Defunding Advocacy
or is this
the right file
name? MB

OMB FORM 38
REV AUG 73

GOVERNMENT RELATIONS INFO AND ACTION

OFFICE OF MANAGEMENT & BUDGET CIRCULAR SERIOUSLY THREATENS ADVOCACY RIGHTS OF NONPROFIT ORGANIZATIONS

CONSTITUENT CONTACTS NEEDED NOW!

In a move intended for entirely different purposes, the Reagan Administration has issued proposed changes to the Office of Management & Budget (OMB) Circular A-122, which would, in effect, virtually end public advocacy efforts by most nonprofit groups that receive federal funds.

The intention of the circular is to prevent the use, either directly or indirectly, of federal funds for political advocacy by grantees or contractors. For many organizations, the effect of the circular would be to prohibit the use for advocacy, of nonfederal funds, as well.

Presently, many federal grants and contracts prohibit the use of federal funds to lobby. Circular A-122 however, expands this prohibition. It virtually bans lobbying by not permitting an employee to lobby if any of his/her salary is paid by federal funds. In other words, if an employee of a nonprofit organization whose salary is paid for in any part by federal funds spends one minute lobbying with that part of his time not paid for by the Federal government, the total amount the Federal government paid for the employee, would be lost to the organization. Nor could any office equipment, printing, meeting or conference fees that were paid for in any part by federal funds, be used for any lobbying activities. Stated another way, if for example, one sheet of copy related to political advocacy was run on a copier paid for in any part by the Federal government, the organization would lose the total amount the Federal government had paid for the copier.

Under the circular, prohibited activities are expanded to include:

1. Attempts to influence referenda or initiatives, for example, attempting to influence the outcome of a referendum to have a local zoning law changed.

2. Filing or contributing to the costs of amicus briefs, for example, filing a "friend of the court" brief, on an issue such as litigation to provide better community care for deinstitutionalized persons.
3. Attempting to affect the opinions of the public or any segment of the public or communicating with any governmental official, legislator or government or legislative employee to affect a nongovernmental decision. Governmental decisions include all actions regarding:
 - a. legislation and Constitutional amendments, etc.;
 - b. rulemaking, guidelines, policy statements or similar administrative decisions; and
 - c. licensing, grants, ratemakings, etc. unrelated to the grant in question.
4. Contributing money, services or dues to an organization which spends \$100,000 or more per year on political advocacy or which has political advocacy as a substantial organizational purpose. An organization has political activity as a substantial organizational purpose if its solicitations acknowledge it engages in political advocacy or 20% of its nongovernmental money is spent in connection with political advocacy. For example, if your fundraising letter mentions any of your political advocacy activities such as those included above, your grant would be disallowed.
5. Rent is also disallowed if 5% or more of the usable space occupied by the grantee or an affiliated organization is devoted to political advocacy.

The proposed changes in Circular A-122 are enclosed. Organizations will have until March 9 to respond. That is the date when OMB could propose a final order. It is very important that groups comment on the changes because forceful statements from a broad range of organizations may result in withdrawal or at least amendment of the proposal.

Although comments to OMB are important, the greatest impact nonprofit organizations can make on this issue will come through the strong constituent contacts that many nonprofits have at the local level, with their Members of Congress. Contact your Congresspersons and Senators now, explain the potential effects of the circular on your organization, AND URGE THEM TO IN TURN, CONTACT THE PRESIDENT AND OMB, ASKING THEM TO WITHDRAW THE CIRCULAR. IN ADDITION, WRITE TO THE PRESIDENT, URGING HIM TO TELL THE OMB TO DROP THE PROPOSAL.

It is critically important to illustrate the impact that the circular will have on your organization, when writing to Members of Congress and OMB. In addition, there are both statutory and Constitutional issues you should consider raising.

A strong legal argument can be made that OMB has no statutory authority for the proposed restrictions on lobbying. While under authority delegated by the President, OMB is empowered to formulate general cost allocation rules governing

grants and contracts, but not to restrict lobbying and other participation by nonprofit grantees in the government decision-making process which are far broader than any imposed by Congress.

A strong constitutional challenge can be made on the prohibition on reimbursement for costs of nonpolitical activities if these costs are attributable to employees, equipment or facilities also involved in privately funded lobbying activities. This provision seems clearly to be in direct violation of repeated U.S. Supreme Court rulings regarding free speech. The enclosed paper "Proposed Restrictions on Participation in Governmental Decision-Making Process by Nonprofit Organizations Receiving Federal Grants and Contracts" explains Circular A-122 in depth and gives more detail on the statutory and Constitutional grounds for protesting the proposed circular.

THE TIME IS SHORT (MARCH 9), SO PLEASE ACT TODAY!

* * * * *

We are grateful to Attorney Bob Boisture of Caplin & Drysdale and to Attorney Gail M. Harmon for their analyses of the circular.

PROHIBITING THE USE OF FEDERAL FUNDS
FOR POLITICAL ADVOCACY

° This Administration has recently announced proposals to curb the use of federal tax dollars for political advocacy by groups receiving federal grants and contracts. Comments and suggestions from interested parties and the public are welcome. The comment period is scheduled to extend to March 17.

° On January 24, OMB proposed revisions to Circular A-122 (Cost Principles for Non-Profit Organizations) that would generally ban the payment of federal tax dollars for any items used in whole or in part for political advocacy. Defense, NASA, and GSA simultaneously proposed identical revisions. The proposals apply only to new grants and contracts.

° The proposals would make a dramatic change in the political advocacy of contractors and grantees by requiring them to segregate political activities from their grant or contract activities.

- Cost elements (personnel, facilities, equipment, and the like) used for political advocacy cannot be paid for, either directly or through overhead, with federal monies.

- Federal monies cannot be used for the salaries of employees who engage in political advocacy, or who are required or induced to join advocacy organizations or to participate in political activities.

- Federal monies cannot be used to pay the dues of trade associations or other political advocacy organizations.

- Federal monies cannot be used for rent or depreciation on facilities used more than 5% for political advocacy.

° The proposals do not bar political advocacy by grantees or contractors; they merely ensure that the federal taxpayers do not pay for it. The Administration believes that grants and contracts should continue to be awarded to the groups most effective in meeting grant or contract purposes, without regard to the nature or extent of their political activity. The proposals are even-handed and will apply across the board to contractors and grantees, to friends as well as foes of the Administration.

° The premise of the proposals is that it is unfair for the federal government to subsidize, directly or indirectly, political advocacy by particular groups in the society. As Supreme Court Justice Hugo Black eloquently put it: "Probably no one would suggest that Congress would ... create a fund to be used in helping certain political parties or groups favored by the government to elect their candidates or promote their controversial causes. Compelling a man by law to pay his money to elect candidates or advocate laws or doctrines he is against differs only in degree, if at all, from compelling him by law to speak for a candidate, a party, or a cause he is against."

° The proposals are in response to recommendations by the Comptroller General that cost principles should be clarified with respect to political activities by grantees, and to reports appearing in such diverse sources as Common Cause magazine, the Conservative Digest, and the Washington Post on the use of federal tax dollars for political advocacy.

° Affected contractors and grantees are, in large part, opposing the proposals. But many observers view the proposals as a workable means of cutting federal subsidies to the political activities of private groups.

- The Washington Post and Wall Street Journal have strongly endorsed the proposals, and generally favorable reports have appeared elsewhere in the media.

- Many ordinary citizens are making their support known through the comment process.

- Many groups and individuals who have seen their political objectives thwarted by opposing groups fortunate enough to receive taxpayer reimbursement for their overhead and organizational expenses through grants and contracts have responded enthusiastically to the proposals.

° OMB is engaged in extensive consultation with affected groups about the proposal, and has made clear that major revisions will be made as needed.

Attachments

The Washington Post

AN INDEPENDENT NEWSPAPER

MONDAY, APRIL 26, 1982

Financing the Left?

IS THE federal government financing the left? Yes, says the April issue of *Conservative Digest*, published by New Right direct-mail king Richard Viguerie. "Cold bureaucrats and committed leftists," the magazine tells us, are "working hand-in-glove to achieve their political and social goals—using your tax dollars."

There is something to these charges. The magazine has its lists of foolish-sounding research projects. It seems to have come up with some examples of government subsidization of political advocacy—a business government certainly should not be in. And it is surely correct in suggesting that there are many buddy systems, of grant givers and grant recipients, spending tax dollars in ways many—perhaps most—taxpayers wouldn't like.

When you look in more detail at many of the charges *Conservative Digest* makes, however, you get a different and much less objectionable picture than its headlines suggest. Many of the organizations that receive the largest sums receive them as contractors performing services successive congresses and presidents have said they wanted performed and for which they have consistently appropriated money. Examples are the monies the government pays Planned Parenthood for providing family planning services and the National Council of Senior Citizens for administering "senior aide" employment programs. These organizations take care to separate these government-financed activities from the programs they finance with money they raise from private sources; they are audited regularly and in enough depth that, in the case of Planned Parenthood, there have been charges of harassment by audit.

The programs they administer have received political scrutiny and have survived largely intact. Reagan administration proposals last year to merge family planning and "senior aide" programs into block grants were rejected by Congress; administration proposals this year to "zero" them out have not been accepted. Congress has voted to continue the legal services program. *Conservative Digest's* quarrel, then, is not so much with federal bureaucrats who defy the law—though there may be a few of them—as it is with Congress, which declines to change the law. The "funding of the left" is not a public scandal but a political issue.

As a political issue it is, of course, debatable. We can expect that the Reagan administration will "defund" some organizations its supporters dislike. And on a broader level, we agree that there is something disturbing about organizations that strongly advocate positions many sensible people find politically or morally repugnant, acting at the same time as administrators of government programs. It is easy to believe that the advocacy groups' employees will sometimes proselytize the program's beneficiaries in ways we would consider inappropriate (though not unheard of) for a civil servant. Advocacy organizations might also want to ask themselves whether they risk compromising their own purposes by accepting government money, and whether they want to assume the inevitable risk that it might be withdrawn suddenly for legitimate political reasons. This is not an area you should rush into with a set of hard and fast rules. But *Conservative Digest*, though it does not prove all it claims, raises some difficult questions that thoughtful people of right, left and center should ponder.

Liberals Fail to Justify Taxpayer Funding of the Left

Some liberals and leftists may defend their receipt of hundreds of millions of taxpayer dollars by saying their organizations do not benefit financially from tax money. They'll say that it all either goes directly to the projects approved by Congress, or is strictly used to pay the necessary expenses to administer these programs.

They'll claim that the National Organization for Women's Legal Defense and Education Fund, the United States Student Association, Planned Parenthood and all the other hundreds of liberal organizations get no financial advantage because of the federal money they receive.

But take a look at what government funding of these Left organizations really means.

When a liberal group gets a federal grant, it can immediately put the money in the bank and start collecting tax-free interest—which is still more money it can then spend. Taxpayer funds can help defray overhead costs, *thus freeing up all the other money the group raises for purely political purposes.*

Sometimes, the use of federal funds benefits the Left even more directly. For example, when a liberal group uses the money it receives from the government to send representatives to a conference in Washington, those representatives can use their free time to lobby Congressmen and hold political meetings—and the taxpayer foots the bill.

Anyone who runs an organization will tell you that the hardest money of all to raise is the money for the basic things you need the most. Especially for groups that are just starting up, money for overhead items like rent, lights, heat, salaries, typewriters, phones, Xerox machines and postage stamps can make the difference between surviving or not. The problem is that most people like to give their money for a specific cause or project they feel strongly about...not to buy typewriters and postage stamps.

So, any organization that can get this kind of money for free from the government has a big head start.

Also, it takes a lot of time to raise money. So when an organization is guaranteed the money it needs—when its executives and staff know that their paychecks will arrive on time each week and that they will have whatever office space and office supplies they will need—that frees them up to work on political things...including fund-raising.

Just ask Ed Feulner of the Heritage Foundation, or Howard Phillips of the Conservative Caucus, or Paul Weyrich of the Committee for the Survival of a Free Congress, or Terry Dolan of NCPAC, or the leaders of any conservative organization. They'll tell you how hard it is to raise the money to cover their day-to-day operating overhead. They'll tell you how much more they could accomplish for the conservative movement if they knew that someone was going to take care of all their expenses each month.

So, when the Left says that it doesn't benefit directly from the hundreds of millions of federal dollars it receives, that may be technically true for some. But the *indirect* help of paying the rent and salaries and other expenses is, literally, worth its weight in gold.

Another argument many leftists and liberals will use is that, compared to the massive amounts of money the Right has, a few hundred-million dollars doesn't make any difference. In fact, the balance is tilted totally to the Left.

For example, the Conservative Caucus's yearly budget is \$3 million. Ronald Reagan, Jimmy Carter and John Anderson *combined* received just a little more than \$100 million. But Planned Parenthood received \$44 million, and the National Council of Senior Citizens got \$50 million of its \$52-million budget from federal sources.

This argument is wrong. It's misleading. It's an attempt to cover up the fact that, besides the hundreds of millions of government dollars leftists and liberals receive, they also receive huge amounts of money from the labor unions.

The facts are plain: the American liberal and leftist cause probably receives most of its funds from two sources of compulsory support. Government dollars taken from workers' pockets help the Left.

Time is money. Federal money frees up time for liberals to fight for leftist causes. Federal money means the ability to hire more staff. Federal money means more Xerox machines, mailings, typewriters and offices. Federal money means that payrolls can be met on time. Federal money means that the leftists and liberals can take for granted the fund-raising that takes so much time and effort for conservative groups.

Federal money fuels the massive Left machinery. 



Defunding the Left and Right

This week the administration is putting into the Federal Register a set of new rules that would limit political activity by recipients of federal grants and contracts. If they survive the coming comment period, the rules are going to make it a good deal tougher for all those grantees to use their federal funds to apply political pressure on their benefactor. It is, to say the least, about time.

The problem of shady dealing by government contractors is as old as the republic. But it is most visible today in the area of defense, because that's where the money is. The contractor gets a bundle from the feds to provide some merchandise. He can soon be seen walking around distributing a piece of it to make sure the government continues to smile on him. A new version of the swindle takes place in fields like health and human services. Organizations get a government contract and use it to run that Xerox machine, man that phone bank, get out the troops for that political rally. These new entrepreneurs are usually persons of the left, who often share an ideology with the government bureaucrats who are doling out the cash.

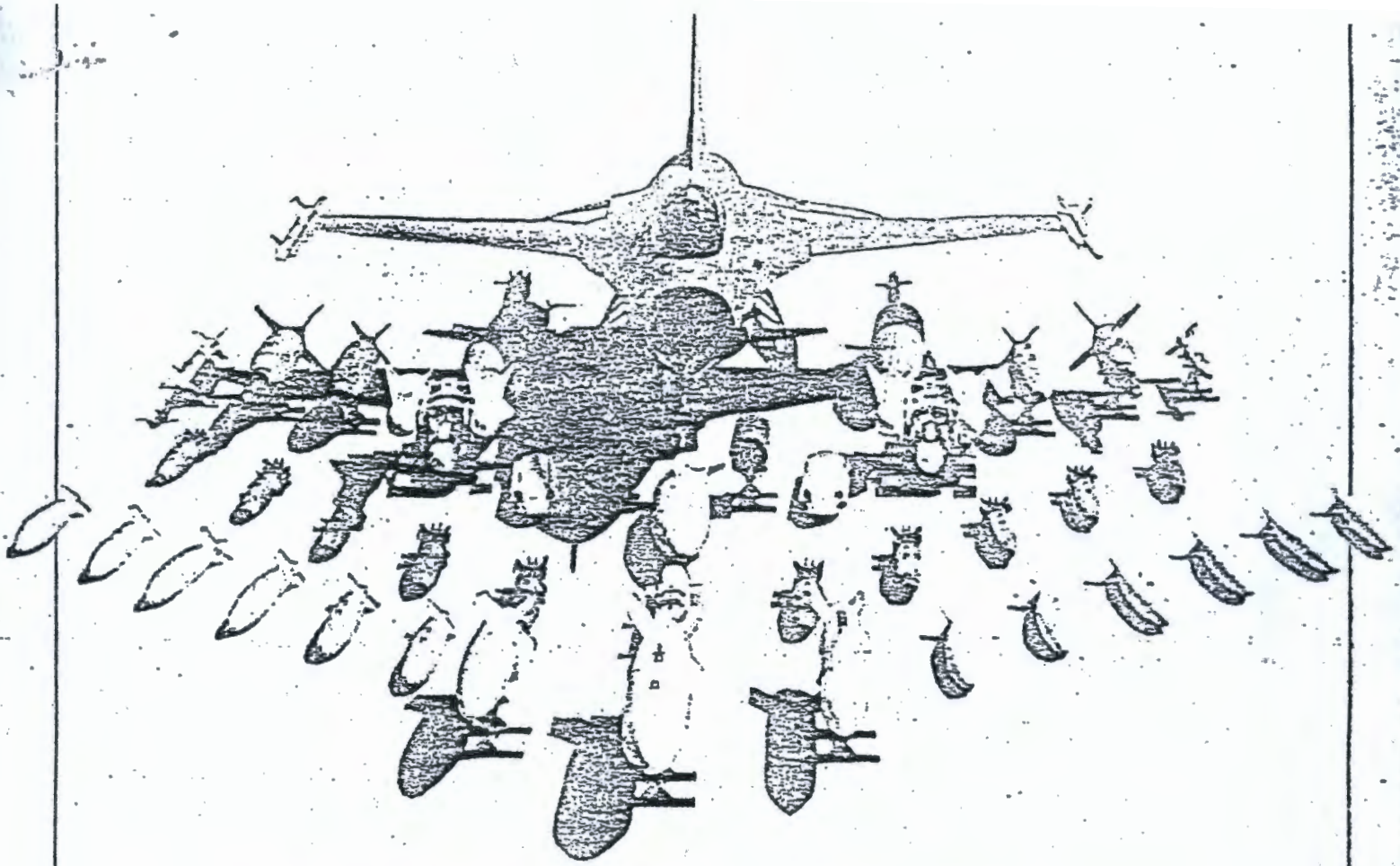
This general coziness has had conservatives asking for some years now that government "defund the left." The Reagan administration made a stab at this sort of defunding when it tried at the beginning of its tenure to get control of the Legal Services Corp. The corporation's attorneys, hired to represent the poor, were spending

much of their time on political activity. But when the Reaganites attacked, fans of the corporation accused the administration of being partisan and hating the poor. The critics have made the administration's life miserable.

This latest Reagan initiative, the assault on political activity by contractors, is more intelligent. Its new rules widen the separation that the fund recipients must maintain between federally supported activity and political activity. No official whose salary is paid by federal funds, even in part, can engage in political activity on company time. An organization's equipment, if paid for with federal funds, can't be used for politics. A building of which as little as 5% is paid for with federal money can't be used for political purposes.

The administration says its concern is to restore the proper operation of the First Amendment in this area, and points out that its strictures apply to organizations of left and right alike. Left-wing groups have already protested that the defense contractors are going to have the private money to keep up the level of their political activity even under the new rules; it's the progressive types on the left who are going to be squeezed.

This may be true. But it's also true that no political opinion has a moral right to representation at taxpayer expense. Enough people recognize this, we think, to give the administration a fighting chance this time around.



The High and The Mighty

“There is enough favoritism and behind-the-scenes influence on large defense contracts without the added insult of having the taxpayer pay for the bill.”

By Florence Graves

Can you imagine the U.S. government picking up the costs incurred by political activist Jane Fonda and her husband Tom Hayden for trips to Washington to lobby against the B-1 bomber, the MX missile or the F-14?

Can you imagine the U.S. government picking up all or part of the tab for you or a member of your family to travel to Washington to encourage your congressman to vote against or even for selling AWACs to Saudi Arabia?

Now try to figure out why the government was expected to pick up the salary of the Martin Marietta Co.'s director of Washington relations whose job functions, according to audits released recently to Common Cause, "relate to liaison with congressmen and their staff aides. He builds

Florence Graves is editor of Common Cause magazine. Jennifer Chandler, Marianne Sanua and Sharon Spector assisted in research.

rapport with Congressmen—from 35 states in which Martin Marietta has divisions and solicits Martin Marietta employees for campaign contributions."

Try to figure out why the government was expected to shoulder the retainer fees paid to Gen. W.W. Quinn, USA (Ret.), also a lobbyist for Martin Marietta.

Or the salary of Sperry Univac's public relations and sales promotion manager who, in effect, was a lobbyist?

The government has footed untold millions of dollars of defense contractors' lobbying expenses because the Defense Department has no definition of "lobbying" and therefore no regulation that specifically prevents lobbying costs from being charged against government contracts.

Sen. William Proxmire (D-Wis.) is incredulous. "Every citizen has the right to communicate with his elected representatives. However, no citizen has the right to ask the government to reimburse the costs of these communications

and, to my knowledge, no segment of society other than government contractors has had the temerity to make such a request."

A fascinating but incomplete picture of the millions of dollars in lobbying expenses charged against government contracts by defense contractors emerges in the audits of 10 major defense contractors' Washington offices released to Common Cause four years after the Air Force denied a Freedom of Information Act (FOIA) request.

After CC's FOIA request was refused, Common Cause went to court to win the release of the audits which were conducted in 1976 and 1977 and cover the years 1974 and 1975.

The audits include those of the Washington offices of the Boeing Company, Rockwell International, Lockheed Aircraft, Raytheon, Hughes Aircraft, General Dynamics, Martin Marietta, Collins Radio Group, Sperry Univac and Sperry Rand Corp.

The exact extent to which the taxpayers are footing contractors' lobbying costs is not known. But these audits reveal a total of more than \$2 million in lobbying-related costs questioned by auditors during 1974 and 1975 for these ten contractors. There are hundreds of defense contractors. Of the top 100, 67 have Washington offices. So simple mathematical calculations indicate the grand total could be many millions.

Despite the fact that Defense Department auditors strongly oppose contractors' charging of lobbying costs to taxpayers, it is unlikely the practice will be discontinued because the powerful defense contractors have vigorously opposed any attempts to prohibit this practice.

The audits were kicked off by the highly publicized revelations in 1975 that some defense contractors, Rockwell and Northrop Corp., in particular, had entertained military and congressional personnel with parties at hunting lodges on the Maryland shore, goose hunts, rides on corporate jets and yachts, and football tickets.

During hearings held in 1976 by Proxmire's aggressive Committee on Joint Defense Production, the Defense Department announced it was auditing the Washington offices of several contractors to determine if the costs of any of this lavish entertainment were being charged to the taxpayers. And that's the last the public heard of the audits until their release to Common Cause.

Classic Waste

If the Marx Brothers, themselves, had decided to make a film about defense contractors, they probably wouldn't have come up with more classic examples of waste than those found by the contract auditors.

- Raytheon claimed the costs of lodging, meals, and guides for goosehunts in the Maryland area for company employees and unidentified guests.

- General Dynamics wanted the taxpayers to foot the bill for F-16 tie tacs.

- Hughes Aircraft claimed some costs for a condominium in the Shoreham (an exclusive Washington apartment house). The costs represented depreciation, garage maintenance, maid service and other expenses related to the condominium purchased in 1972. Also claimed were entertainment supplies and services which included silverware, linens, bartender, reception and limousine services as well as decorations and furnishings for a "sky suite" at the Capital Center (a sports arena).

- Lockheed Aircraft charged off travel expenses to the Farnborough and Paris Air shows, including first class air fare and wives' travel costs.

- Rockwell Corp. claimed the bill for 100 prints of the film, "The Threat, What Can One Do?" The auditors felt the film "furthers the image of the B-1 bomber programs. It appears

the films are being shown to the public and Members of Congress. We question the costs because they represent effort designed to influence legislation. The contractor does not concur. It maintains this is public relations effort."

("Public relations" costs, it should be noted, are considered legitimate expenses to charge to government contracts.)

The Defense Contract Audit Agency, which plays an advisory role in negotiating contracts, allocating costs, and seeing that terms of contracts have been met, questioned the legitimacy of not only more than \$2 million in lobbying-related costs but more than \$2.5 million in entertainment expenses as well. These totals do not include the more than \$2 million which the contractors originally charged, but voluntarily deleted, during the audit negotiations. Furthermore, all of the totals are probably much higher, but auditors repeatedly said that most of the contractors refused to let them see the proper records to verify costs.

A Pentagon official, John Kendig, deputy director for cost, pricing and finance, says "it is reasonable to assume" that not all of these costs were eventually paid by the government. As part of the overhead, he says, some of these costs may have been eventually allocated to a company's commercial divisions as well.

However, Christopher Paine, a staff assistant for arms control at the Federation of American Scientists, maintains that defense contractors try to put as many of their total expenses as they can into government overhead. "They all do it. They think, if you can get the government to pay for it, why not?"

While the government explicitly forbids federal employees from using taxpayers' money to engage in lobbying, there is no specific regulation prohibiting contractors from charging lobbying expenses against contracts. (There are, however, specific regulations prohibiting contractors from charging entertainment and some advertising expenses.)

However, in lieu of a specific lobbying cost principle, the auditors could question the costs on such bases as "reasonableness" or appropriateness and aggressively did so, touching off a several-year debate in the defense community about the validity of contractors charging such expenses to their overhead.

In response to these audits, the Pentagon tightened its conflict of interest standards and most observers agree the lavish entertainment has been kept to a minimum. To address the lobbying costs, the Pentagon spent several years trying to come up with a definition of lobbying which would outlaw such costs being charged to the government.

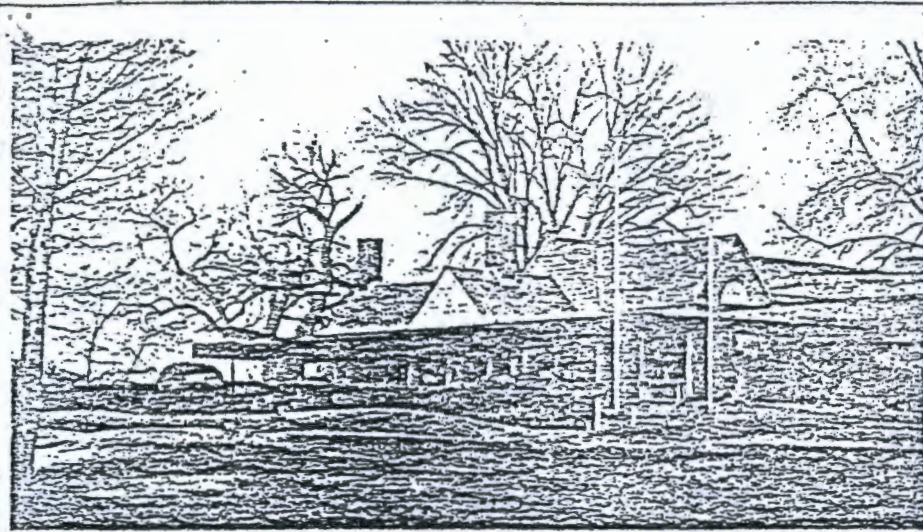
The effort was abandoned, however, in June 1980 because officials say it was too hard to define lobbying.

The audits, which give an exclusive, inside glimpse of the kinds of costs contractors expected the government to bear, also give an indication of the magnitude of the lobbying effort being made in the Washington offices, the nerve center of contractors' selling efforts. The audits also reveal:

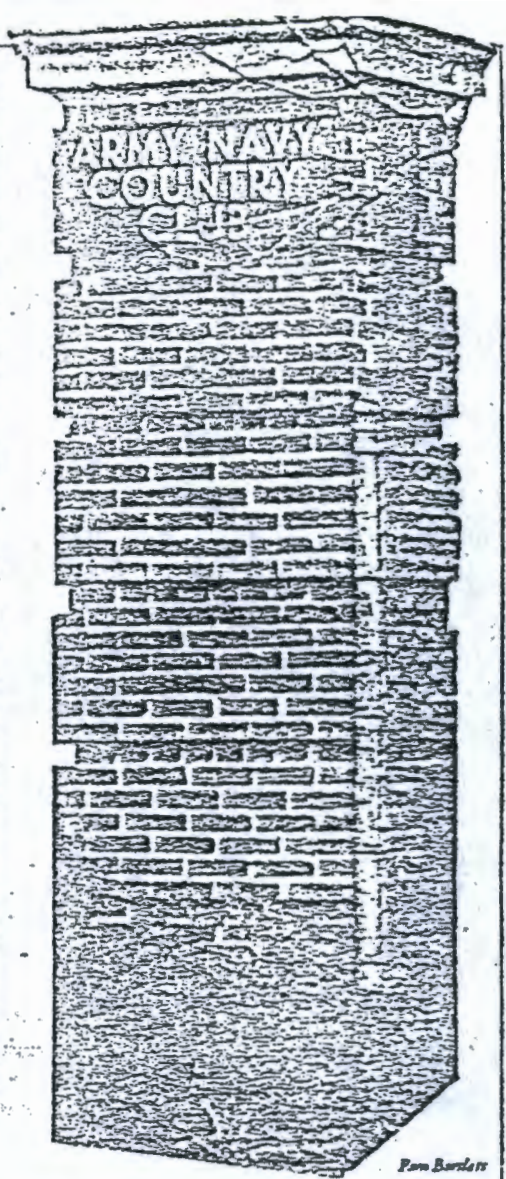
- Defense contractors are spending large sums of money to lobby for their weapons and are reporting only a fraction of these costs under the loophole-ridden 1946 Federal Regulation of Lobbying Act. In 1974-75, for example, the DCAA questioned more than \$2 million as possible lobbying expenses.

This total does not include those amounts which the contractors voluntarily did not charge to the government, so the actual amounts spent on lobbying are not known. In those same years, only three of these 10 companies had registered lobbyists and they reported spending only \$89,251.20.

*An official says that when contractors were questioned about expenses they charged which were clearly related to entertainment, they would just say they'd made a "mistake."



Several defense contractors charged to government contracts the costs of memberships in Washington-area country clubs such as the Bethesda Country Club, the Washington Golf and Country Club and the Army-Navy Country Club.



CC Wins Documents After Court Battle

The audits of the 10 defense contractors' Washington offices which form the basis of this story, were obtained by Common Cause under the Freedom of Information Act (FOIA). After the Air Force refused Common Cause's 1977 request for the audits, CC went to court. The audits were awarded to CC in January of this year.

In court, the Air Force maintained that release of the audits would cause competitive injury to the companies—in other words, rival contractors would be able to learn about the staffing and funding of the companies' Washington offices and somehow use this information to their own advantage. But testimony revealed most of the companies already knew about the workings of their rivals' Washington offices.

Another claim made was that the alleged "mislabelling" of certain contractor expenses as lobbying and entertainment costs by the Defense Contract Auditing Agency (DCAA) would harm the companies in the public's eye and would thus diminish their overall sales, because adverse public opinion would cause Congress to refuse to appropriate funds for defense contracts awarded to these companies.

To support their claims, the Air Force submitted affidavits from high-level officials from each of the 10 companies. "Since these officials were based all around the country, it would have proven difficult and very costly for our staff attorneys to cross examine them," says Ellen Block, Common Cause associate general counsel.

"Instead," says Block, "we drew upon the services of volunteer lawyers in California, St. Louis, Seattle and Minneapolis to take the depositions of the companies' witnesses. These depositions were key to winning the case because the testimony brought out on cross examination clearly contradicted the claims made by the Air Force."

In making the case, the Air Force relied on a provision of the Freedom of Information Act which allows the government to withhold business data only if its release would be likely to cause substantial competitive injury to the business which supplied the data.

During recent hearings on a proposed revision of the FOIA, this section was attacked by the business community. Opponents want to revise the law to prohibit the government from releasing any document that a company would not be willing to release.

• The auditors' inquiries met a consistent pattern of "stonewalling." In audit after audit, the auditors noted, as in the case of Martin Marietta, "The scope of our review was severely restricted . . . This prevented the full application of generally-accepted auditing standards and tests of accounting records which would ordinarily be done."

In the audit of Hughes Aircraft, the auditor wrote: "The contractor imposed rigid conditions under which we were allowed to interview its personnel. It required the corporate marketing vice president to be present at each interview and a contractor stenographer to record the entire interview. The contractor refused to answer any questions on details or activities relating to unclaimed costs."

"It also would not permit questions relating to an apartment which the contractor owns and maintains in the Washington area. We advised the vice president that the cost of this apartment had been claimed by the contractor in its 1972, 1973, and 1974 overhead claims."

"Nevertheless, the contractor requested that the auditor not ask any further questions about it since most of the employees were not even aware of its existence . . ." Moreover, "the lack of time or activity records, denial of access to documentation, and restrictions imposed by the contractor during our review prevented us from reaching an unqualified opinion on the allowability of costs not otherwise specifically questioned."

While theoretically, the auditors should have access to all necessary records, audit officials say the contractors vehemently dispute what records are really "necessary." An intransigent contractor can keep such disputes in the courts for years.

• The interdependent relationship between defense contractors, Congress and the executive branch brings contractors "so close to government that they not only carry out military policy, but often create it," says Gordon Adams of the Council on Economic Priorities (a public interest group based in New York City) who just released an investigation of the politics of defense contracting, *The Iron Triangle*.

This "triangle" is formed, Adams says, "by the powerful flow of people and money" moving "between the defense contractors, the executive branch and Congress."

Explains Adams, "Once molded, the triangle sets with the rigidity of iron. The three participants exert strenuous efforts to keep isolated and protected from outside points of view. In time, they become unwitting victims of their own isolation, convinced that they are acting not only in their own but in the public interest."

Contributing to this is a practice frequently called the "revolving door."

For example, Dale Babione, former director of contracts and system acquisition at the Department of Defense, joined the Boeing Company as the director of government business relations in 1979 during the attempt to define a lobbying principle.

The flow of personnel among the points on the triangle "creates a community of shared assumptions about policy issues and developments," Gordon Adams concludes.

The Washington Offices

For a number of defense contractors, the U.S. government is one of their largest clients. It's the job of their Washington offices to grease the connections and ease the way for the multibillion dollar sales.

"Our business base is sustained in Washington," Richard Cook, a deputy assistant for congressional relations to Richard Nixon who now heads the Washington office of Lockheed Aircraft Corp. told the *National Journal*. (In the early 70s, Lockheed, the Chrysler of the defense industry, got a federal loan guarantee to keep it afloat.)

To sustain the business base, contractors "must succeed

in the influence business," says Adams.

Contractors do not consider the efforts of most of those in their Washington offices "lobbying," although most would probably agree that some of what they do is "lobbying," which is perfectly legal. Some of the remaining activities they consider to be "legislative liaison" which means providing information to Congress and to the executive rather than exerting pressure. Most apparently consider both of these activities legitimate overhead expenses which are routinely passed onto government contracts.

But during these audits, the Defense Contract Audit Agency made a distinction between the two. They felt many of the Washington office employees were engaged in "lobbying" ("influencing legislation"), activities they felt should not be charged against government contracts. They therefore questioned whether more than \$2 million charged against government contracts should be allowed, emphasizing the totals could be much higher but the contractors refused to give them the documentation they needed to make the determination.

In questioning lobbying-related costs, the auditors usually included this notation, "We found no recognizable benefit to government contracts since the Department of Defense and other executive agencies make determinations of policy and program needs, and justify their own requirements for appropriations."

"Attempts by contractors to influence legislation favoring procurement of their products can be inimical to DOD policies as well as requirement determinations."

One company, Martin Marietta (one of only two contractors who would answer any questions for this story) maintains that the company does not lobby and therefore does not have any lobbying expenses.

But the DCAA did not concur: it questioned a total of approximately \$300,000 in lobbying expenses for Martin Marietta, including salaries of several staff members. For example, the DCAA found that K.K. Bigelow, the director of Washington Relations, maintains contacts with government personnel to solve problems and makes appointments for company officials to meet with government representatives.

"Mr. Bigelow follows issues in Congress that affect the company in the areas of tax reform, energy, and pollution control. He builds rapport with congressmen from the 35 states in which Martin has divisions and solicits Martin Marietta employees for campaign contributions. In our opinion, these activities are concerned with influencing legislation and are unallowable . . ."

Moreover, "a review of Mr. Bigelow's travel expense reports indicate extensive entertainment at home, the Congressional Country Club, Kennedy Center, and numerous Washington restaurants. In most cases, there is no record of who participated in this entertainment. We have questioned Mr. Bigelow's salary, his secretary's salary, the costs of the chauffeur's support, fringe benefits, travel and related expenses."

It is clear from reading the audits that the DCAA does not believe the taxpayers should be picking up lobbying costs. Fred Newman, then head of the DCAA, now with a private firm, says he does not think such costs are legitimate expenses; the current head, Charles Starrett, agrees. But the DCAA has only an advisory role; the contracting officers make the final decisions. (A contracting officer is the person at the Pentagon who has overall responsibility for an individual contract. This person monitors the defense contractor's performance and makes final determinations about costs.)

So in this case, what the DCAA thinks does not count.

No one has come right out and said it, but the Defense Contract Audit Agency must have really put the Pentagon brass on the spot by boldly questioning what appeared to the auditors to be lobbying expenses.

After the audits were completed, the Pentagon, apparently displeased with the first audits, handed the DCAA a set of guidelines to follow in questioning which costs were valid and told them to do the audits over again.

Not surprisingly, the amounts of costs questioned were significantly reduced. (As part of the documents released to Common Cause, the Air Force sent several but not all final audits which showed significant reductions in "costs questioned." However, an exact analysis is not possible because significant portions of the final audits are whited out.)

In fact, it seems clear from a memo, obtained by Common Cause, which Charles Starrett, then deputy director of the DCAA (now director) wrote to the deputy assistant secretary of defense (acquisition), that the Pentagon knew full well that some glaring costs would not be questioned as a result of their "guidance."

Starrett used examples from the audits of Rockwell's Washington office as well as an audit of Rockwell's B-1 division (which was not provided to CC).

These are some of the expenses charged by Rockwell to its overhead account which Starrett said the auditors probably would not be able to question as a result of the Pentagon's new instructions about which costs the auditors could question:

- \$10,000 paid a subcontractor for a study on the impact of the B-1 program on the U.S. economy. The study was used in preparing white papers designed to influence B-1 legislation.
- The total costs of a military relations function in which the director provided material to editors, publishers and reporters in several states to elicit articles favorable to the B-1 and made presentations to government and contractor personnel throughout the country.
- The development of a speakers' bureau on behalf of the B-1.
- Several films prepared to develop positive support for the B-1 and other defense programs.

Trying To Define "Lobbying"

While the contractors' Washington office audits were never publicly released, Proxmire and his staff apparently got a peek and he took to the Senate floor in 1977, demanding that lobbying costs not be charged against government contracts.

Said Proxmire, "The current practice sets up a vicious circle. Contractors get generous allotments from the government to produce weapons systems. But rather than using all of it for production of these weapons systems, they siphon some of it off to lobby for even more money . . .

"There is enough favoritism and behind-the-scenes influence on large defense contracts without the added insult of having the taxpayer pay for the bill."

In an apparent attempt to pacify Proxmire, the procurement officials asked the DAR (Defense Acquisition Regulations) Council, which writes the regulations used in defense contracting, to try to come up with a lobbying cost principle. They did so, defining lobbying this way: "Lobbying is defined as any activity or communication which is intended or designed to directly influence members, their staffs or committee staffs of any federal, state, local or foreign government legislative body to favor or oppose pending, proposed or existing legislation. Lobbying activity includes but is not limited to personal discussions or conferences, advertisements, telegrams, telephone communications, letters and the like, and the directly associated costs related thereto."

"Legislative liaison" activities such as attendance at committee hearings or meetings with congressional

representatives at their invitation and gathering information regarding pending legislation were not included in the definition.

The definition was circulated for comment throughout the industry and other government agencies (the government does not have a lobbying principle for other agencies' contractors either and was proposing to use the one the Defense Department wrote).

An inch-thick stack of paperwork was generated. Common Cause obtained this correspondence too, under a Freedom of Information Act request. Most government agencies which responded enthusiastically supported a lobbying cost principle, agreeing that it was inappropriate for the government to foot such costs. Several emphasized that the contractors should be required to maintain the documentation to prove the validity of their claims.



Sen. William Proxmire

"They (the contractors) are perfectly free to speak all they want. They can lobby to their heart's content. But to charge the cost of all that to the taxpayer is really adding insult to injury."

A number of industry representatives, however, vehemently opposed the principle. None of the contractors directly involved in the audits responded but another contractor, United Technologies, said the principle would, among other things, impose burdensome paperwork.

The chairman of the American Bar Association's section of Public Contract Law, contended the "lobbying principle would inhibit commercial organizations from exercising their First Amendment constitutional rights," an argument frequently made by the defense community.

Counters Proxmire, "They're perfectly free to speak all they want. They can lobby to their heart's content. But to charge the cost of all that to the taxpayer is really adding insult to injury. It's a real loser for the taxpayer; there's no way the taxpayer can win."

But after Proxmire's spotlight had faded and three and a half years had passed, Dale Church, then deputy undersecretary of defense for acquisition policy, made the decision in June 1980 to reject the proposed lobbying principle.

John Kendig, now deputy director for cost, pricing and finance at the Pentagon, says the Pentagon dropped the proposed lobbying principle because "we really couldn't get a consensus on what constituted lobbying . . . It's very difficult. What is lobbying? Is a contractor lobbying if he goes over and speaks to a congressman? He may or may not be."

But Proxmire scoffs at that explanation. "That's absurd. It's easy to find a definition for lobbying. It would be hard to find any definition that's acceptable to everyone. You can't find a definition of 'cat' that's acceptable to everyone."

Kendig, who had a say, although not the final say, in the attempt to develop a lobbying cost principle, personally thinks lobbying should be considered a normal business expense that the government should absorb, although he concedes that the government has declared other "normal business expenses" such as entertainment and advertising unallowable.

The DAR council disagreed with Kendig. According to a memorandum obtained by Common Cause, the council concluded that "most defense contract dollars are on contracts under which contractors are able to recover costs. Expenditures for lobbying would therefore be passed through to the government.

"By contrast firms in the private sector are usually operating in a competitive market. In this situation, any expenditure for lobbying would reduce profit. We believe defense companies should be put on the same footing."

Gordon Adams says even if lobbying were a routine business expense reflected in the cost of products such as shoes or cars, lobbying expenses spent to sell weapons should not be included in the costs of those weapons. "The taxpayer, who is the ultimate consumer, is not really in a position to vote with his wallet the way he can on an automobile. It's very hard for the taxpayer not to buy and it's very hard for the taxpayer to make the argument that counters the impact of the lobbying in Washington that leads to the decision to buy . . ."

Fred Newman, the former head of the DCAA, says the proposed principle was dropped because the "procurement people felt the keeping of records was too onerous and too costly for the contractor." But Newman says if the contractors think such a principle would be "too administratively costly, then maybe they shouldn't pass on any of the costs."

Newman says "undoubtedly" there was "considerable pressure" placed on Pentagon officials by the contractors.

Proxmire attributes the failure to the "revolving door." "The difficulty is that both the Congress and especially the executive are very, very heavily lobbied. There are people in the executive who are dealing with the military and the contractors who, in many cases, are going back to work for the same contractors they dealt with.

"And then they may come down and work in the Defense Department as a civilian procurement official. Therefore, you have an atmosphere in which these people serve their continuing conflict of interest. That's why I think the regulation has not been promulgated . . ."

When it became clear the Defense Department was not going to establish a lobbying cost principle, Proxmire turned to the Office of Federal Procurement Policy (OFPP) in the White House Office of Management and Budget. He suggested such a cost principle be incorporated into government-wide procurement regulations. Again a stone wall. Karen Hastic Williams, administrator of OFPP under Carter, wrote that she was "inclined to agree with the Department of Defense's view that its present cost principles and audit guidelines are adequate to preclude the reimbursement of costs specifically identifiable with lobbying activities."

But some DCAA officials say that without a specific principle, it is very unlikely that many of the lobbying costs they question will be upheld in negotiations when contractors and Pentagon contracting officers discuss the bills.

Williams suggested that if Proxmire wanted a principle so badly, he should legislate one.

"Why doesn't he (Proxmire) pass legislation?" asks Dale Babione, the former director of contracts and systems acquisition at the Department of Defense, who is now director of government business relations for the Boeing Company. Babione, by the way, was involved in the discussion over developing a lobbying cost principle.

Concludes Babione, "Because he can't get anyone to agree with him. The fact that somebody feels strongly about something doesn't make it so. It just means he feels strongly about it. This is a democratic country, and if everyone feels the law should be changed, then why don't they change it?"

The Loophole-Ridden Law

While there may have been no attempt to pass legislation outlawing lobbying costs charged to government contracts, there have been a number of unsuccessful attempts to strengthen the 1946 lobby disclosure law.

Both contractors and government officials have said that they base their definition of lobbying on the 1946 law which they interpret as saying a person or company does not have to register unless their "principle purpose" is to lobby.

Apparently applying that rule of thumb in 1974-75, only three of the companies had any registered lobbyists or expenditures: Boeing (\$33,840.85), Lockheed (\$53,765); Rockwell (\$1,745.25). Yet DCAA auditors questioned many times more than those amounts as probable lobbying costs. (A spot check of 1980 disclosure forms by these companies show no significant improvement in reporting.)

During the Boeing audit, the DCAA questioned the salaries and benefits of five corporate employees whom the auditors felt were involved in lobbying. In fact, the auditors said two of the employees told them that "100 percent of their work is spent on lobbying, either talking directly to congressmen or their staffs or obtaining information to support company positions."

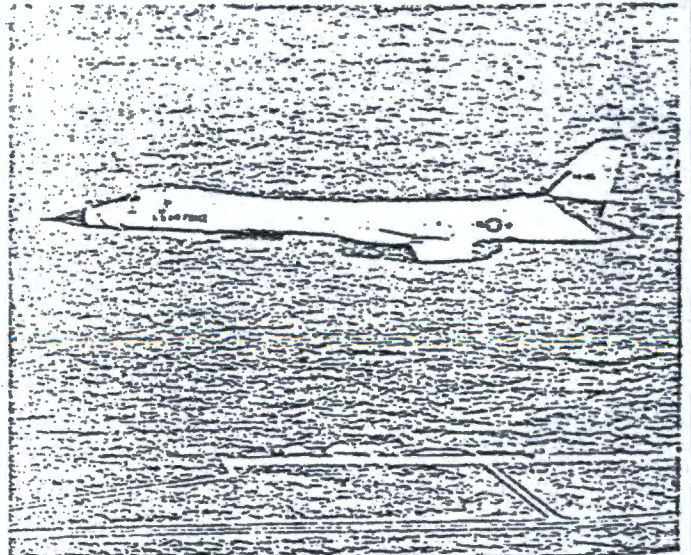
Boeing, however, vigorously disagreed. Peter Bush, a spokesman for Boeing, says the two employees say they couldn't possibly have told the auditors they spent most of their time lobbying.

As evidence, Bush says, the lobbying reports these employees filed with Congress under the 1946 lobbying law "show only 5 to 10 percent of their time" was spent lobbying.

"Look at their lobbying reports?" says Gordon Adams in astonishment. "That's an answer? You've got to be kidding."

"Sure, given a statute that is riddled like swiss cheese, it's very easy for someone to waltz down there and say that they spent five percent of their time lobbying. Who's going to follow that up? Who audits that claim? Nobody."

The defense industry, of course, is not the only one which interprets the lobby disclosure law narrowly. Because there are numerous loopholes, and no enforcement of the law, thousands of lobbyists are not registered and hundreds of millions of dollars spent on lobbying are not reported.



Rockwell Corp. claimed the bill for 100 prints of the film. "The Threat, What Can One Do?" The auditors felt the film "further the image of the B-1 bomber programs. It appears the films are being shown to the public and Members of Congress. We question the costs because they represent effort designed to influence legislation. The contractor does not concur. It maintains this is public relations effort."

In his analysis of the politics of defense contracting, Adams not surprisingly concludes that one of the steps that needs to be taken to "pry open the iron triangle of defense policy and weapons procurement" is reforming the loophole-ridden lobby disclosure act. Common Cause has worked for years for a more comprehensive law.

Why is a stronger law needed? What difference does it make to the public whether the defense or any other industry spends \$5 or \$5 million lobbying? After all, lobbying is perfectly legal. What difference does it make whether an individual spends all of his time or part of his time lobbying?

Says Adams, "I think the most convincing argument for revision is that the public has no idea of the magnitude of the activities of special interests in Washington. And current disclosure and reporting requirements give them no way to even begin to guess at the magnitude of the effort. The closest we can get are those DCAA audits.

"My hunch is that corporations and trade associations related to industry have massive resources that they can bring to bear (on the political process) which far outweigh those of smaller special interests or those of the public at large to present their cases. Until we have that data, what do we do? Throw up our hands and say it doesn't make a difference? It obviously makes a difference."

Audit Follow Up

Were any of the millions of dollars of lobbying, entertainment and other costs questioned by the Defense Contract Audit Agency (DCAA) eventually paid by the contractors?

We don't know. The DCAA acts only as a financial advisor to Defense Department contracting officers who sit down with the contractors to determine which of the questioned costs will be allowed. The DCAA's audit findings are in no way binding. And, of course, the results of the negotiations between the contractors and the contracting officers are not made public.

But a study of the DCAA by the General Accounting Office (GAO), the government's watchdog, gives a clue as to what may have happened. The GAO pointed out that the contracting officers do not always use the findings of the DCAA and that disagreements between DCAA and contracting officers are rarely reported to higher officials. The contracting officer has the final say.

Moreover, contracting officers rarely report the results of their negotiations to the auditors, GAO found. Elmer Staats, former comptroller general of the U.S., told a House committee hearing that "morale is low at DCAA. They need assurance their findings will have an impact."

The failure of agencies throughout government to follow up and resolve audit findings is, in the words of one GAO official, "a national scandal."

After much pressure, the Defense Department came up with a process for tracking the results of audits, but did not include DCAA audit findings in that process. After pressure from Rep. Jack Brooks (D-Tex.), the Department of Defense (DOD) came up with a proposed plan to follow up findings at DCAA. Deputy Secretary of Defense Frank C. Carlucci told a subcommittee of the House Committee on Government Operations in July that the Defense Department had drafted a process for monitoring follow-up action on contract audit reports, including a provision for resolving significant differences between auditors and contracting officers. Carlucci said a final directive should be issued by the end of August.

Critics say there should be some check on the enormous power of the contracting officers who make final decisions, because some feel contracting officers can become advocates of the weapons they are responsible for and, therefore, not as objective as they might be when negotiating contract cost differences.

John Kendig, deputy director for cost, pricing and finance at the Pentagon, says such a generalization is wrong and makes him "sick."

Other critics feel the effectiveness of the DCAA could be strengthened if the DOD had an Inspector General (IG) as most other agencies do.

DOD was left out of the Inspector General Act of 1978 because of their strong objections to being included. One Capitol Hill aide says DOD was not included because the sponsors of the bill feared DOD's anticipated heavy lobbying against the act would have killed the entire act.

But Rep. Brooks does not give up easily. His bill to institute an IG at Defense (and four other agencies not covered by the 1978 act) has passed the House and is pending in the Senate.

The Defense Department opposed the House bill because, DOD General Counsel William H. Taft IV testified, an autonomous Inspector General "is completely inconsistent with the hierarchical commander/subordinate relationship that is at the heart of any military organization and embodied in the chain of command. These provisions do not encourage the individual to work with the secretary on his team."

Asked how strenuously the Defense Department had lobbied against the House bill, a Capitol Hill aide replied, "They have been spending only slightly more time on this than they are on the Russians. If they are as aggressive about the Russians as they are about this, then I guess we can sleep nights."

In Senate hearings, Taft said the Department of Defense really wants an Inspector General, but they want the secretary of defense to have the power to veto "any review process or investigation that the Inspector General may initiate which could jeopardize national security." The secretary would have to report the reasons for any veto to Congress. The House bill does not provide such "veto power."

The Defense Department also opposes including the DCAA under the aegis of an IG because, Taft says, DCAA's "principal mission is an advisory role in the acquisition process, not oversight of DOD operations."

On this point the GAO agrees with Defense. But the bill which passed the House includes the DCAA within the purview of the IG because some sponsors felt it would give the DCAA more clout.

To deflect some of the heavy criticism about the potential for finding waste in DOD, the Defense Department recently created the position of assistant to the secretary of defense for review and oversight. This office is supposed to advise the secretary of ways to combat waste, fraud and abuse, but unlike the IG proposed by the House, this position is not independent of the secretary.

Monday
January 24, 1983

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE

Part XXX

**Office of
Management and
Budget**

**Cost Principles for Nonprofit
Organizations**

OFFICE OF MANAGEMENT AND BUDGET

(Circular A-122)

Cost Principles for Nonprofit Organizations
AGENCY: Office of Management and Budget.

ACTION: Notice.

SUMMARY: This notice offers interested parties an opportunity to comment on a proposed revision to Circular A-122, "Cost Principles for Nonprofit Organizations." The proposed revision establishes special provisions for costs related to political advocacy. Similar revisions are being simultaneously proposed for civilian and defense contractors through appropriate actions by the Department of Defense, NASA and GSA, the three agencies with authority to issue procurement regulations. The purpose of these proposals is to ensure that federal tax dollars are not used, directly or indirectly, for the support of political advocacy.

Over the past 25 years, the volume of federal activity conducted through grantees and contractors has dramatically grown. Sound management of federal grants and contracts has correspondingly gained in importance. The responsibility of the President through OMB to improve the management of the executive branch of government with a view to efficient and economical service, and to fulfill other statutory and constitutional responsibilities, extends to issues of grant and contract management no less than to issues of direct federal activity.

In recent years, the problem of the use of federal funds for political advocacy by grantees and contractors has been identified by members of the public, by the Comptroller General, and by Members of Congress. As many of these parties have observed, the diversion to political advocacy of federal funds, and of equipment procured with and personnel compensated by federal funds, is an abuse of the system and an uneconomical, inefficient and inappropriate use of the public's resources. Moreover, the commingling of federal grant or contract activity with private political advocacy creates the appearance of federal support for particular positions in public debate. This appearance can create misunderstanding and interfere with the neutral, non-ideological administration of federally funded programs.

This proposal is designed to balance the First Amendment rights of federal

grantees and contractors with the legitimate governmental interests of ensuring that the government does not subsidize, directly or indirectly, the political advocacy activities of private groups or institutions. These governmental interests are based on concern for protecting the free and robust interchange of ideas.

Americans have the First Amendment right both to engage freely in speech and political expression, and to refrain from speaking, without interference or control on the part of the government or its agents. *Wooley v. Maynard*, 430 U.S. 705, 714 (1977). The proposed revision is intended to ensure that the use of Federal grants, contracts and other agreements by private organizations engaging in political advocacy does not erode or infringe these constitutional rights, or distort the political process by encouraging or discouraging certain forms of political activity.

The activities of government in a democracy necessarily involve a degree of political advocacy, since government officials are expected to communicate with the people, explain their programs, and provide leadership and direction to the nation. Thus, Members of Congress and their staffs, the President and his political appointees, necessarily participate in forms of political advocacy. However, it is a distortion of the market place of ideas for the government to use its financial power to "tip the electoral process," *Elrod v. Burns*, 427 U.S. 353, 358 (1976), by subsidizing the political advocacy activities of private organizations and corporations. This proposal will ensure, to the extent consistent with the communications function of the government, that taxpayers are not required, directly or indirectly, "to contribute to the support of an ideological cause [they] may oppose." *Abood v. Detroit Board of Education*, 431 U.S. 209, 235-238 (1977). The proposal also seeks to avoid the appearance that, by awarding Federal grants, contracts, or other agreements to organizations engaged in political advocacy on particular sides of public issues, the Government has endorsed, fostered, or "prescribe[d] [as] orthodox" a particular view on such issues, *West Virginia State Board of Education v. Barnette*, 319 U.S. 624, 645 (1943).

The proposed revision would make unallowable the cost of political advocacy, whether direct or indirect. The revision would also make unallowable any costs of communications equipment, personnel, other equipment, meetings or conferences, or publications, where such cost items are used for political

advocacy in whole or in part. The revision makes unallowable the costs of buildings and office space where 5 percent or more of the space is devoted to political advocacy. When federal grant or contract recipients use facilities, equipment, or personnel funded in part with federal monies for political advocacy, they may create the appearance of government support for their positions. Moreover, if federal funds are used to defray the overhead costs of organizations engaged in political advocacy, it frees up the organization's other funds for use in this political activity.

The principal effect of the revision will be that federal grantees and contractors that choose to engage in political advocacy must separate their grant or contract activity from their political activity. If they mix the two, then they will not receive government reimbursement for the jointly allocable costs. Contractors or grantees will not be permitted to require or induce employees paid in part or in whole with federal funds to engage in political advocacy activities, either as a formal part of job responsibilities or on their own time.

The definition of political advocacy used in this proposal is derived generally from the Internal Revenue Code, 26 U.S.C. 4911, defining attempts to "influence legislation," with modifications designed to comprise direct participation in elections or referenda, administrative processes, certain judicial processes, and other activity of a political advocacy nature.

These proposed revisions will become effective 30 days after final notice in the Federal Register. The revisions will affect only grants, contracts, and other agreements entered into after the effective date. Existing grants, contracts, and other agreements will not be immediately affected. Agency contracts and regulations will incorporate these provisions to the same extent and in the same manner as they do other provisions of Circular A-122.

Violations of these provisions will be a basis for cost disallowance, and in instances of serious or willful violations, may be a basis for debarment or suspension.

Comments should be submitted in duplicate to the Financial Management Division, Office of Management and Budget, Washington, D.C. 20503. All comments should be received within 45 days of this notice.

FOR FURTHER INFORMATION CONTACT: John J. Lordan, Chief, Financial Management Branch, Office of

Management and Budget, Washington, D.C. 20503, (202) 395-6823.

Issued in Washington, D.C., January 20, 1983.

Candice C. Bryant,

Acting Deputy Associate Director for Administration.

Appendix

The following questions and answers have been prepared by the Office of Management and Budget for informational purposes only.

Question: What is the purpose of these revisions?

Answer: The purpose is to ensure that federal contracts and grants are not used to support political advocacy either directly or indirectly. Thousands of contractors and grantees, administering hundreds of billions of federal dollars, have had wide latitude to engage in political advocacy activities, often using the same facilities and personnel paid for in part by the taxpayers. The current lack of a government-wide policy prohibiting the use of federal grant and contract funds for political advocacy has been criticized by the General Accounting Office. It is unfair to use federal tax money to support political causes. Nor is it an efficient or economical use of public resources to allow funds to be diverted from statutory purposes to political advocacy.

A particularly important abuse is that many contractors and grantees have been able to defray the overhead costs of their political advocacy, at public expense, by allocating some part of the cost to the administration of the contract or grant. Not only does this free up the organization's own resources for further political activity; it also creates the appearance that the government is supporting one or another side in a political controversy.

Question: How will the proposals work?

Answer: The proposals will revise cost principles applicable to federal grants, contracts (other than competitive, firm fixed price contracts), and other agreements. Recipients of federal grants, contracts, or other agreements will be barred from receiving government reimbursement for any activities connected with political advocacy at the national, state, or local levels. This includes membership or dues in trade associations or other organizations that have political advocacy as a substantial organizational purpose. In addition, salary costs will be unallowable to recipients who either require their employees to pay dues to political advocacy organizations or require them to engage in political advocacy on the job or during non-working hours. Finally, government funds will not be permitted to pay for facilities in which significant political advocacy activities are conducted, thus requiring physical separation of such activities from those involved in the performance of grants and contracts.

Question: What is an example of how this will work?

Answer: Take the example of a defense contractor which uses a corporate aircraft for oversight and management of a federal contract. If the contractor chooses to use the aircraft also for lobbying or other political

activities—such as transporting corporate officials to discussions with Congressmen—then under the principles proposed by the Defense Department, the contractor cannot include the cost of the aircraft or of any use of the aircraft as part of overhead costs allocated in part to the contract.

As an example in the non-profit area, take an organization which receives a federal grant to promote better health services for low-income individuals, which decides to organize a political rally to promote more federal funding for medical programs. The organization could not be reimbursed for any portion of the salaries of individuals engaged in organizing the political rally or for any portion of other overhead costs (office machines, printing facilities, etc.) if the same overhead items were used for the rally. The organization would be free to hold the rally—but it would do so at its own expense, and without using people, facilities or resources partially funded by the Federal Government.

Question: How is it possible to define "political advocacy"?

Answer: The concept of political advocacy, or "influencing legislation," is used in the Internal Revenue Code restrictions on tax-exempt organizations. The Internal Revenue Code definition of "influencing legislation" is employed in this proposal, with several modifications to take account of changes in political practices (e.g., development of political action committees), Supreme Court developments (e.g., decisions declaring certain forms of litigation to be political expression), and shifts in the decisionmaking process (e.g., the growth of administrative agencies and referenda as means of political decisionmaking).

In particular, the scope of the Code definition ("influencing legislation") has been expanded to cover "governmental decisions" in general. Thus, for example, the Internal Revenue Code defines the term "influencing legislation" as including "any attempt to influence any legislation through an attempt to affect the opinions of the general public or any segment thereof." The proposed revision to Circular A-122, correspondingly, defines "political advocacy" as including "attempting to influence governmental decisions through an attempt to affect the opinions of the general public or any segment thereof." The body of experience in interpreting the Internal Revenue Code provision, as appropriately modified, is expected to aid in the interpretation of the proposed revisions.

The proposals thus include as "political advocacy" direct participation in elections or referenda by means of contributions, endorsement, publicity, administration of political action committees, or similar activity; contributions to political advocacy organizations; attempting to influence government policy made through the regulatory process as well as the legislative process; and attempts to influence government policy through litigation as an *amicus curiae*, on behalf of the members of the organization, or on behalf of another party. In addition, several categories of activity excluded from the Code definition of "influencing legislation" (e.g., communications with organization members on political topics and lobbying with respect

to the organization's own interest) have been included in the proposal's definition, to ensure that such activities are not conducted at the expense of the public.

Question: What is the penalty for violating these provisions?

Answer: Cost recovery, and in instances of serious or willful violations, suspension or debarment from federal grants or contracts.

Question: How does this proposal affect the First Amendment right of freedom of speech?

Answer: This proposal will promote the First Amendment value that a person can freely speak, or refrain from speaking, on political matters. The Supreme Court has recognized constitutional problems with requirements on a person "to contribute to the support of an ideological cause he may oppose." *Aboud v. Detroit Board of Education*, 431 U.S. 209, 235-238 (1977). Although government in a democracy necessarily involves some degree of political advocacy because of the need to communicate with citizens, taxpayers cannot rightly be required to support the political advocacy of private organizations and corporations through federal grants and contracts.

Moreover, the freedom of First Amendment political advocacy is jeopardized when the views of particular groups are financed by the government. The use of federal grants or contracts for the support of one side in a political debate, like the use of political patronage for the support of a political party, can injure the "free functioning of the electoral process." *Elrod v. Burns*, 427 U.S. 353, 356 (1976). In the marketplace of ideas, where differing political opinions compete for public acceptance, the government should not be in the position of subsidizing the expression of views of particular organizations or corporations, as to defense or domestic policy. Nor should the government create the appearance of official support for the political advocacy of its grantees or contractors.

Question: Does this proposal infringe the First Amendment rights of recipient organizations?

Answer: No. Recipients remain free to engage in political advocacy on any side of any issue. The proposals merely ensure that organizations engage in political advocacy at their own expense—not the public's. If an organization chooses to exercise its First Amendment rights, it is only fair that it keep those political activities separate from its work at the expense of the public. It should not expect to have its political advocacy subsidized, or to be able to put facilities purchased in part by tax dollars to political use. Like federal agencies and employees, federal grantees and contractors are "expected to . . . execute the programs of the Government without bias or favoritism for or against any political party or group or the members thereof." *CSC v. National Association of Letter Carriers*, 413 U.S. 548, 565 (1973). Federal grant and contract activity will be more efficiently and fairly performed if it is not mixed with advocacy activities on one or the other side of political debate.

Question: Will these proposals prevent corporations or other organizations from lobbying in Congress or the agencies for grants or contracts?

Answer: No—but they will do it at their own expense, not the public's.

Question: Will organizations engaged in political advocacy be eligible to receive federal grants and contracts?

Answer: Absolutely. In a memorandum dated April 26, 1982, the Director of OMB made clear that:

"The Administration will continue to award grants and contracts to those parties who are most effective in fulfilling statutory purposes [and that] political advocacy groups may continue to receive grant and contract awards."

This policy will continue in effect, and just as agencies will be forbidden to award grants and contracts because of the political views of applicant groups, they will also be forbidden from discriminating against "parties most effective in fulfilling statutory purposes."

Question: What will be the practical effect on organizations that engage in political advocacy?

Answer: Federal grantees and contractors that choose to engage in political advocacy will need to separate their grant or contract activity from their political activity. If they mix the two, then they will not receive government reimbursement for the joint costs.

Question: What will be the effect on the employees of contractors and grantees?

Answer: Employees whose salary is paid in part with federal funds may not be required or induced to engage in political advocacy, either as a part of the job or on their own time. Nor may they be required to join or pay dues to an organization involved in substantial political advocacy. This will ensure that federal funds are not used to hire political armies or to generate political membership support—practices analogous to those held unconstitutional in *Elrod v. Burns*, 427 U.S. 347 (1976). Of course, individual employees remain free to engage in political advocacy on their own if they wish to do so.

Question: To what organizations do the proposals apply?

Answer: The proposed revision to OMB Circular A-122 will apply to all non-profit organizations receiving federal grants, contracts, or other agreements. Similar proposals are being applied by the Department of Defense, NASA, and the General Services Administration to civilian and defense contractors. The proposed revisions will apply to grants, contracts, and other agreements entered into after the effective date of the revisions. Existing grants, contracts, and other agreements will not be affected.

Question: Will these proposals interfere with organizations due process rights to

defend their interests in court?

Answer: No. So long as an organization appears in court on its own behalf, litigation is not defined as political advocacy.

However, when an organization goes into court to represent others, or to support the claim of others, such attempts to influence policy through the judicial process are a form of political advocacy, as the Supreme Court has held. *NAACP v. Button*, 371 U.S. 415, 429 (1963); *In re Primus*, 438 U.S. 412, 428 (1978). Such activities should not be supported by federal grant or contract money, unless the grant or contract was made expressly for that purpose. Attorneys fee award statutes are not affected by these proposals.

Question: Will these proposals make it more difficult for the federal government to reward its political supporters?

Answer: Yes. Currently, the federal government may be able to reward its supporters, and punish its opponents, by granting or denying federal grants to organizations engaged in political advocacy. By making such awards to a friendly organization the government assumes a portion of that organization's overhead costs, and thus supports the organizations political activities. In this way, the government can influence the political process by inducing recipients of federal funds to conform their behavior to the governments desires. This was one of the dangers of the political spoils system recognized by the Supreme Court in *Elrod v. Burns*, 427 U.S. 347, 355-356 (1976). These proposals will help make the process neutral again, by eliminating the "political spoils" aspect of the government funding process.

Question: Will these proposals solve the whole problem of federal tax money being used to support political advocacy?

Answer: No, but they make a major step in the right direction. Congress and the agencies must continue to be vigilant to ensure that grants and contracts are not awarded for purposes that involve political advocacy.

Circular A-122—Cost Principles for Nonprofit Organizations

Circular A-122 is revised by modifying Attachment B as follows:

1. Insert a new paragraph "B 33 Political Advocacy."

a. The cost of activities constituting political advocacy are unallowable.

b. Political advocacy is any activity that includes:

(1) Attempting to influence the outcome of any Federal, State, or local election, referendum, initiative, or similar procedure, through contributions, endorsements, publicity, or similar activity;

(2) Establishing, administering,

contributing to, or paying the expenses of a political action committee, either directly or indirectly;

(3) Attempting to influence governmental decisions through an attempt to affect the opinions of the general public or any segment thereof;

(4) Attempting to influence governmental decisions through communications with any member or employee of a legislative body, or with any government official or employee who may participate in the decisionmaking process;

(5) Participating in or contributing to the expenses of litigation other than litigation in which the organization is a party with standing to sue or defend on its own behalf; or

(6) Contributing money, services, or any other thing of value, as dues or otherwise, to an organization that has political advocacy as a substantial organizational purpose, or that spends \$100,000 or more per year on activities constituting political advocacy.

c. Political advocacy does not include the following activities:

(1) Making available the results of nonpartisan analysis, study, or research, the distribution of which is not primarily designed to influence the outcome of any Federal, State, or local election, referendum, initiative, or similar procedure, or any governmental decision;

(2) Providing technical advice or assistance to a governmental body or to a committee or other subdivision thereof in response to a written request by such body or subdivision;

(3) Participating in litigation on behalf of other persons, if the organization has received a Federal, State, or local grant, contract, or other agreement for the express purpose of doing so;

(4) Applying or making a bid in connection with a grant, contract, unsolicited proposal, or other agreement, or providing information in connection with such application at the request of the government agency awarding the grant, contract, or other agreement; or

(5) Engaging in activities specifically required by law.

d. An organization has political advocacy as a "substantial organizational purpose" if:

(1) The organization's solicitations for membership or contributions

acknowledge that the organization engages in activities constituting political advocacy; or

(2) Twenty percent (20%) or more of the organization's annual expenditures, other than those incurred in connection with Federal, State or local grants, contracts, or other agreements, or incurred in connection with political advocacy.

e. The term, "governmental decisions" includes:

(1) The introduction, passage amendment, defeat, signing, or veto of legislation, appropriations, resolutions, or constitutional amendments at the Federal, State, or local level;

(2) Any rulemakings, guidelines, policy statements or other administrative decisions of general applicability and future effect; or

(3) Any licensing, grant, ratemaking, formal adjudication or informal adjudication, other than actions or decisions related to the administration of the specific grant, contract, or agreement involved.

f. Notwithstanding the provisions of other cost principles in this circular:

(1) Salary costs of individuals are unallowable if:

(a) The work of such individuals includes activities constituting political advocacy, other than activities that are both ministerial and non-material; or

(b) The organization has required or induced such individuals to join or pay dues to an organization, other than a labor union, that has political advocacy as a substantial organizational purpose, or to engage in political advocacy during non-working hours.

(2) The following costs are unallowable:

(a) Building or office space in which more than 5% of the usable space occupied by the organization or an affiliated organization is devoted to activities constituting political advocacy;

(b) Items of equipment or other items used in part for political advocacy;

(c) Meetings and conferences devoted in any part to political advocacy;

(d) Publication and printing allocable in part to political advocacy; and

(e) Membership in an organization that has political advocacy as a substantial organizational purpose, or that spends \$100,000 or more per year in connection with political advocacy.

2. Renumber subsequent paragraphs.

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Conservative Digest

SPECIAL ISSUE

April 1982

Volume 8 Number 4

\$1.50



The New
Pork Barrel:

How
Washington
Funds
the Left

Forming a Corporation Not Just for the Wealthy

With a small, one-person business, the advantages can be tremendous

Maybe you think forming your own corporation is just for the rich. Many people believe that. But it's just not true. Nearly all wealthy people own corporations. But anyone can form one at surprisingly low cost.

Thanks to a revolutionary new method, you can set up your own corporation without expensive lawyers, all by mail and without ever leaving home. And it's 100% safe, ethical, and legal.

Your own small corporation is our country's number one way to financial success. This year the IRS tells us there will be at least 5,000 new millionaires. Over 95% of them built their fortunes through a privately owned corporation. Therefore, a successful, privately owned corporation represents the best of the American Dream.

And you don't need a big staff or big money.

Most corporations are started with little or no capital, and with only one employee—the owner.

A business revolution has occurred in recent years. Nearly half a million people have already been helped in forming small corporations with the aid of a remarkable book. It's called: *How To Form Your Own Corporation Without A Lawyer For Under \$50* by Ted Nicholas. It's now in its fully revised and updated 18th edition. And now you can get your own personal copy to examine—without risk—to learn how a corporation applies to you and how you can reap maximum benefits.

Most men and women who have used the incorporation system outlined in the book are simple one-person business operations. These businesses were often started on a part-time basis by people right in their own homes. You'll save from \$300 to over \$2,000 in unnecessary legal fees by the do-it-yourself simplified method. Tear-out forms are right in the book; certificate of incorporation, minutes, by-laws, everything you need. And you can complete the forms in less than five minutes!

You too can start your small business corporation in your spare time while you keep your present job. Another possibility is that you may be able to turn your present job into a corporation of your own. And you'll be shown exactly how to do this.

Your own corporation gives you personal protection. Your personal liability will be limited just to what you put in the corporation itself. Your home, furniture, cars, and personal cash are all protected in the event of any business disaster.

You'll see how to begin with little or no

capital—zero capital, if you prefer.

All you need is a marketable idea, product or service. Then your potential for building real wealth is enormous. Ted Nicholas' remarkable book will help trigger many new ideas.

Your own corporation can be used as a personal tool to gain all types of legitimate tax deductions. It will become *the ultimate tax shelter* for you. For example, a new car purchase or lease is tax deductible over the life of the car. So are gasoline expenses and repairs. The same goes for other equipment used in your business. There are *hundreds* of legal tax deductions.

If you have an office at home, you can pay rent to yourself and get tax deductions for doing so.

You may choose to set up a lucrative pension and profit-sharing plan with yourself as the main beneficiary. You can gain far greater benefits than unincorporated people do.

As an owner of a corporation, you'll have plenty of company. Over 30,000 new ones are formed each and every month. Ninety-eight per cent of them are small businesses, often just one individual working from home.

We live in a land wherein the corporation is king. Even the government recognizes this. To encourage small business expansion, the tax on small corporations was recently *reduced* to only 16% of up to the first \$25,000 in income. And this is *after* all the tax deductions have been taken.

As attractive as it is, incorporation is not

Reader and Reviewer Comments about this remarkable book:

"Would have been deterred from incorporating if we had to use normal routes and expenses."

Michael G. Bate
Independent Carpets of America, Inc.
Rochester, NY

"This book succeeds . . . because it fills a real need. Brought public information that previously had to be bought from an attorney."

Publisher's Weekly

"Anyone thinking of incorporating . . . should not skip any pages."

Sacramento Bee

"Impressed by speed, efficiency and cost."

Roger Beardwood
Woodcat Investments, Inc.
France

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"Advertisement"

for everyone and may not be for you. However, the book will help you decide if it would be advantageous for you now or perhaps later. All the advantages and disadvantages are reviewed. If you decide to incorporate, it can be done by mail within 48 hours. You never have to leave the privacy of your home.

The author started his business without any capital at the age of 22. Without credit or experience, he raised \$96,000 to begin a confectionary business. From that starting point grew a chain of 30 stores. At the age of 29, he was selected as one of the outstanding businessmen in the nation. This resulted in an invitation to the White House to meet the President.

He wrote the book *How To Form Your Own Corporation Without A Lawyer For Under \$50* because he felt many more people could become corporate presidents of their own companies. The book has become the largest single source of new corporations in America.

Just picture yourself president of your own corporation. The book gives you the information you need to make your decision.

As a bonus for ordering the book now, we'll send you absolutely free a portfolio of valuable information. It's called "The Income Plan" and normally sells for \$9.95. It describes a unique plan that shows you how to convert most any job into your own corporation. You'll increase your take-home pay by up to 40% without an increase in salary or even changing jobs in many cases.

If you are an employer, learn how to operate your business with independent contractors rather than employees. This means that you'll have no payroll records or withholding taxes to worry about. And you'll be complying with all IRS guidelines. "The Income Plan" includes forms, examples and sample letter agreements to make it possible.

As publishers, we guarantee your purchase in the fairest way known. If you feel the book is not all that we've described, return it undamaged within two weeks and we'll promptly and courteously refund your money. If you should decide to return it, you may keep the bonus, "The Income Plan", for your trouble.

To get your copy, write the words "Corporation Book and Bonus" on a plain sheet of paper along with your name and address. Enclose a check or money order for \$14.95. There is no sales tax on your order and your purchase price is tax deductible. Mail your order to Enterprise Publishing, Inc., Dept. CD-23C, 725 Market Street, Wilmington, Delaware 19801.

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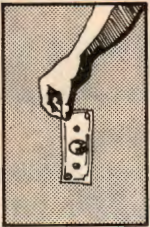
SPECIAL ISSUE: HOW WASHINGTON FUNDS THE LEFT

This issue is about one subject: how your tax dollars are used to bankroll the Left.

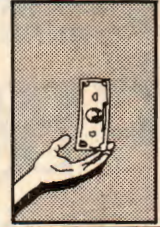
Who gives it, who gets it, and what your money goes for. This is the story of cold bureaucrats and committed leftists working hand in glove to achieve their political and social goals—using your tax dollars.

Here also is the story of the steps taken by President Reagan to cut off this gravy train for the Left, his mixed success, and what concerned citizens can do to stop the problem.

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Conservative Digest



HOW WASHINGTON FUNDS THE LEFT

**As you read this, liberal activists are
spending your tax dollars.**

- **Planned Parenthood counselors are paid with your money to refer pre-teen and teenage children to abortion clinics *without telling their parents***
- **Ultraliberals prepare study material for college students under an Education department grant to their group, the United States Student Association**
- **A tax-funded Legal Services lawyer plans a suit against a local school board to force racial busing, instead of helping poor needy clients solve their personal problems**

***The problem is so great that, even under Reagan,
the Left still gets big tax-funded grants.***

Leftist groups receive hundreds of millions of dollars every year through federal grants. What they do with your money will shock and surprise you.

The poor and needy are supposed to receive this federal aid and benefit from those federal programs. But in case after case—in program after program—the leftist career bureaucrats and social activists use this money to reach their own political goals.

Programs like Legal Services, CETA (public jobs) and Title X (family planning) are dominated by leftists who use them to pay for political and social activism. Neither the voters nor Congress support this—but the money still flows to the agencies, and from the agencies it goes to the Left.

Liberals may argue that conservative groups are stronger financially, and to even things up, Left activists “deserve” federal funds. The truth is that not even Congress—much less the voters—approves of this arrangement.

If you thought funding for leftists ended with Carter, think again

Reagan Grants To Anti-Reagan Groups

30 of the grants to Left groups since he took office

President Reagan has made some progress in the past year to stop funding of the Left. But he's been fought every step of the way—sometimes by people in his own administration. As the evidence shows, he still has a long way to go.

Reagan's successes in 1981 included elimination of the CETA public-jobs program, the ending of leftist domination of the volunteer agencies VISTA and ACTION, and the slashing of "intervenor funding" for Naderite consumerists.

The president's budget cuts will help—though they are not large enough to prevent record deficits—but most of them will not change the structure of the Great Society bureaucracy. Reagan must look to the roots of the problem—entrenched career leftists at the lower levels of the bureaucracy, where most grant decisions are made.

Reagan is still being attacked by liberal groups

funded by his own Executive Branch. He must expand his campaign against waste and fraud to include tax-funded liberal activism.

The Department of Education is a good example of a bad agency that Reagan should either eliminate or purge of leftist influence. In 1981, extreme-Left students, anti-draft activists, radical feminists, hard-core unionists and Jesse Jackson all received grants approved by Education Secretary Terrel Bell.

As this chart shows, there's much to be done before Reagan can claim no tax dollars are being spent for leftist political and social activism.

Organization	Date	Amount of Grant
DEPARTMENT OF EDUCATION		
American Friends Service Committee	June 30, 1981	\$64,923
Federation of Southern Cooperatives	September 25, 1981	23,656
Feminist Press	July 2, 1981	64,635
Feminist Press	July 30, 1981	131,114
Institute for Labor Education Research	July 15, 1981	99,933
International Ladies Garment Workers Union	July 31, 1981	137,267
League of United Latin-American Citizens	May 31, 1981	1,237,600
Mexican-American Legal Defense and Education Fund	June 25, 1981	115,573
NOW Legal Defense and Education Fund	June 30, 1981	170,178
NOW Legal Defense and Education Fund	September 18, 1981	105,577
National Student Educational Fund	February 27, 1981	86,428
National Student Educational Fund (arm of United States Student Association)	June 25, 1981	117,411
PUSH-EXCEL (Jesse Jackson)	September 30, 1981	656,664
Planned Parenthood/San Francisco	August 1, 1981	110,364
United States Student Association	July 31, 1981	55,284
Urban Coalition	August 28, 1981	46,935
Women's Action Alliance	June 30, 1981	136,807
Working Women (National Association of Office Workers)	April 27, 1981	82,202
ENVIRONMENTAL PROTECTION AGENCY		
Center for Renewable Energy Resources	June 3, 1981	787,510
Citizens/Labor Energy Coalition	May 29, 1981	10,000
Environmental Action Foundation	June 17, 1981	179,644
National Retired Teachers Association	July 1, 1981	544,640
National Retired Teachers Association (Lobbies strongly for social legislation, e.g., the Kennedy national health-insurance plan)	July 1, 1981	100,000
National Urban League	February 1, 1981	240,000
National Wildlife Federation	August 28, 1981	43,437
COMMUNITY SERVICES ADMINISTRATION (Now Office of Community Services)		
Migrant and Seasonal Farmworkers Association	July 1, 1981	411,184
National Congress of Neighborhood Women	September 1, 1981	157,326
National Economic Development Law Project	July 13, 1981	350,000
Wider Opportunities for Women, Inc.	February 1, 1981	45,000
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
The Urban Institute	June 22, 1981	285,000

175 Of The Left-Leaning Groups That Get Your Tax Dollars

The following 175 organizations were given federal tax dollars at least once in the last five years. All have associated themselves with causes and objectives of the Left, primarily through lobbying, litigation and grass-roots organizing.

Some groups claim they're impartial, but work to achieve liberal goals.

For example, the American Bar Association pushed hard for the Legal Services program, while the League of Women Voters joined a feminist coalition to attack the Reagan budget cuts.

Others on this list appear under nice-sounding names that conceal their true natures.

For example, the Midwest Academy is a training school for radical leftists. The Center for Auto Safety is a Ralph Nader front-group, as are the various Public Interest Research Groups. The organization called Dignity is made up of homosexuals and "concerned Catholics."

The use of tax dollars by these groups is difficult to track. Examples of tax-funded projects appear on the following pages.

LEGAL-ORIENTED

American Bar Association, Chicago, Ill.
American Civil Liberties Union, Atlanta, Ga.
American Indian Lawyer Training Program, Oakland, Calif.
California Rural Legal Assistance, San Francisco, Calif.
Center for Community Legal Educations, San Francisco, Calif.
Center for National Housing Law Reform, Ann Arbor, Mich.
Children's Legal Rights Information & Training Program, Washington, D.C.
Community Action for Legal Services, Inc., New York, N.Y.
Detroit Youth in Advocacy & Community Organization, Detroit, Mich.
Grey Law, Los Angeles, Calif.
Idaho Legal Services, Inc., Boise, Idaho
Institute for Political/Legal Education, Sewel, N.J.
Institute for the Development of Indian Law, Washington, D.C.
Lawyers for Housing, Calif.
Legal Aid Society of Central Texas, Austin, Tex.
Legal Services for Children, Inc., San Francisco, Calif.
Mental Health Law Project, Washington, D.C.
Mexican American Legal Defense/Education Fund, San Francisco, Calif.
Migrant Legal Action Program, Washington, D.C.
National Center for Immigrant Rights, Los Angeles, Calif.

National Center for Youth Law, San Francisco, Calif.
National Consumer Law Center, Boston, Mass.
National Economic Development Law Center, Berkeley, Calif.
National Employment Law Project, Inc. New York, N.Y.
National Institute of Street Law, Washington, D.C.
National Juvenile Law Center, Inc., St. Louis, Mo.
National Law Center Inc., Boston, Mass.
National Legal Aid and Defender Assn. Washington, D.C.
National Public Law Training Center, Washington, D.C.
National Senior Citizens Law Center, Washington, D.C.
Native American Rights Fund, Boulder, Col.
Nassau/Suffolk Legal Services Committee, Inc., Hempstead, N.Y.
Neighborhood Justice Center, Inc., St. Paul, Minn.
Neighborhood Legal Aid Society, Richmond, Va.
Philadelphia Public Interest Law Center, Philadelphia, Pa.
University Legal Services, Washington, D.C.
Youth Policy & Law Center, Inc., Madison, Wisc.

AGED

Asociacion Nacional Pro Personas Mayores, Los Angeles, Calif.

Gray Panthers, Las Vegas, Nev.
Legal Research & Service for the Elderly, Boston, Mass.
National Citizens Coalition for Nursing Home Reform, Washington, D.C.
National Council of Senior Citizens, Washington, D.C.
National Retired Teachers Association, Washington, D.C.
The National Council on the Aging/National Institute of Senior Citizens, Washington, D.C.
Urban Elderly Coalition, Inc., Washington, D.C.

LATIN AMERICAN

Latin American Task Force, Chicago, Ill.
League of United Latin American Citizens, Washington, D.C.
National Council of La Raza, Washington, D.C.

SOCIAL ACTIVISM

Association of Community Organization for Reform Now (ACORN) Washington, D.C.
Center for Community Change, Washington, D.C.
Coalition for Community Action, Chicago, Ill.
Lawyers' Committee for Civil Rights Under Law, Washington, D.C.
Community Organization Research Action Project, Washington, D.C.
Institute for Social Justice, New Orleans, La.

Martin L. King Jr. Center for Social Change, Atlanta, Ga.
Massachusetts Fair Share, Boston, Mass.
Organizing for Social Change, Providence, R.I.
PUSH-EXCEL, Chicago, Ill.
Research for Social Change, Inc., Brookline, Mass.
Statewide Youth Advocacy Project, Rochester, N.Y.
Voice In Community Action, Cedar Rapids, Iowa
The Youth Project, Washington, D.C.

HANDICAPPED

Center for Independent Living/Disability Rights Education & Defense Fund, Berkeley, Calif.
The National Center for a Barrier-Free Environment, Washington, D.C.

ENERGY/ENVIRONMENT

Alternative Energy Collective, Inc., Oakland, Calif.
Audubon Society, Washington, D.C.
Center for Renewable Resources, Washington, D.C.
Citizens Environmental Coalition Education Fund, Houston, Tex.
Citizens/Labor Energy Coalition, Washington, D.C.
Friends of the Earth, San Francisco, Calif.
Institute for Environmental Action, Washington, D.C.
Mississippi Solar Council, Jackson, Miss.
National Center for Appropriate Technology, Butte, Mont.
Pennsylvania Alliance for Jobs & Energy, Pittsburgh, Pa.
Sierra Club, San Francisco, Calif.
Solar Action, Washington, D.C.
Solar America, Albuquerque, N.M.
The Black Hills Alliance, Rapid City, N.D.
The Environmental Action Foundation, San Francisco, Calif.
The Environmental Defense Fund, New York, N.Y.
The Natural Resources Defense Council

Centers, San Francisco, Calif.
The National Wildlife Federation, Washington, D.C.
Union of Concerned Scientists, Washington, D.C.

FOREIGN POLICY

Americans Friends Service Committee, Washington, D.C.
Council on Foreign Relations, Washington, D.C.
National Student Educational Fund, Washington, D.C.
National Council of Churches, Washington, D.C.
SANE Education Fund, Philadelphia, Pa.
United States Student Association, Washington, D.C.
World Without War Council, New York, N.Y.

EDUCATION

American Federation of Teachers, Washington, D.C.
Bay Area Bilingual Education League, Inc., Oakland, Calif.
United Federation of Teachers, New York, N.Y.
National Education Association, Washington, D.C.

UNIONS/LABOR-ORIENTED

AFL-CIO, Washington, D.C.
AFSCME Career Development, Washington, D.C.
Amalgamated Clothing & Textile Workers, Washington, D.C.
Florida Farmworkers Council, Inc., Ft. Lauderdale, Fla.
George Meany Center for Labor Studies, Washington, D.C.
International Association of Machine Aerospace Workers, Washington, D.C.
International Ladies Garment Workers Union, New York, N.Y.
International Union of United Auto Workers, Washington, D.C.
Labor Education Film Center, Washington, D.C.

Labor Policy Institute, Washington, D.C.
Migrant & Seasonal Farmworkers Association, Raleigh, N.C.
National Association of Farmworkers Organizations, Washington, D.C.
National Ironworkers Training Program, Alexandria, Va.
United Food & Commercial Workers, Washington, D.C.
United Mine Workers of America, Washington, D.C.
Workers Institute for Safety and Health, Washington, D.C.
United Farmworkers Association, San Francisco, Calif.

FEMINIST

Center for Law & Social Policy, Washington, D.C.
Center for Women Policy Studies, Washington, D.C.
Feminist Press, Old Westbury, N.Y.
Feminist Radio Network, Washington, D.C.
Institute for Women's Concerns, Arlington, Va.
The League of Women Voters, Washington, D.C.
National Congress of Neighborhood Women, Brooklyn, N.Y.
National Council of Negro Women, Washington, D.C.
National Manpower Institute Center for Women & Work, Washington, D.C.
National Organization for Women-Legal Defense & Education Fund, Washington, D.C.
National Womens Employment Education, San Antonio, Tex.
Nine to Five, Boston, Mass.
Wider Opportunities for Women, Inc., Washington, D.C.
Women's Action Alliance, Inc., New York, N.Y.
Women's Development Corporation, Inc., Newport, R.I.
Women's Equity Action League, Washington, D.C.
Working Women, National Associa-

(Continued on next page)

Funded Groups

(Continued from previous page)

tion of Office Workers, Cleveland, Ohio

HOMOSEXUAL

California State University, San Francisco, Center for Homosexual Education, Evaluation & Research, San Francisco, Calif.

Dignity, San Diego, Calif.

Gay Community Services, Inc., Minneapolis, Minn.

New Ways Ministry, Mt. Rainier, Md.

Stonewell National Media Collective, Washington, D.C.

Universal Fellowship of Metropolitan Community Churches, Los Angeles, Calif.

WELFARE ADVOCACY

Coalition for Economic Justice, Anchorage, Alaska

Federation of Southern Cooperatives, Atlanta, Ga.

Food Research Action Center, Washington, D.C.

National Urban Coalition, Washington, D.C.

National Urban League, Washington, D.C.

National Welfare Rights Organization, Washington, D.C.

Ozark Institute, Eureka Springs, Ark.

Public Interest Research Groups, New York, N.Y.

The Children's Foundation, Albuquerque, N.M.

The Urban Institute, Washington, D.C.

The Workers Rights Institution, Milwaukee, Wisc.

BIRTH CONTROL/ABORTION

National Family Planning Forum, Inc., Washington, D.C.

Planned Parenthood, Washington, D.C.

TRAINING SCHOOLS

Laurel Springs Institute, Los Angeles, Calif.

Midwest Academy, Chicago, Ill.

CONSUMERIST/NADERITE

Americans for Democratic Action Consumer Committee, Washington, D.C.

Center for Auto Safety, Washington, D.C.

Coalition for Consumer Justice, Providence, R.I.

Community Nutrition Institute, Washington, D.C.

Consumer Action, Inc., Washington, D.C.

Consumer Action Now, New York, N.Y.

Consumer Federation of America, Washington, D.C.

Consumers Union of U.S., Washington, D.C.

National Consumers League, Washington, D.C.

Public Interest Research Groups, New York, N.Y.

GENERAL/MISCELLANEOUS

Americans for Democratic Action, Washington, D.C.

Brookings Institute, Washington, D.C.

COACT, Brainard, Me.

California Housing Action and Information Network, Sacramento, Calif.

Coalition of Indian-Controlled School Boards, Baraga, Mich.

Everyday People, Columbia, Mo.

National Association for the Advancement of Colored People, New York, N.Y.

National Association of Black Social Workers, New York, N.Y.

National Association of Neighborhoods, Washington, D.C.

National Association of Neighborhood Health Centers, Washington, D.C.

National Association of Social Workers, Washington, D.C.

Pacifica Foundation, Berkeley, Calif.

Pennsylvania Prison Society/West Pa. Chapter, Pittsburgh, Pa.

Rural America, Washington, D.C.

The Conference of Alternative State & Local Policies, Washington, D.C.

The Woodlawn Organization, Chicago, Ill.

A Gallery of Grant Recipients



D. Menefee/News Photos Worldwide

RALPH NADER'S anti-business Center for Auto Safety got \$70,958 from five FTC intervenor grants. His Public Interest Research Groups (PIRGs) have received major help from tax-paid VISTA volunteers.



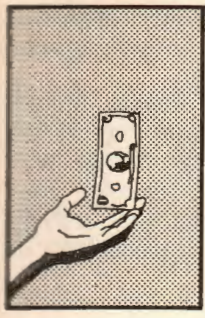
Nour/News Photos Worldwide

TOM HAYDEN runs the Laurel Springs Institute as a training school for his radical Campaign for Economic Democracy. Hayden received \$189,000 in 1977 to train VISTA volunteers throughout the late 1970s.



UPI

ELEANOR SMEAL'S National Organization for Women (NOW) is no stranger to the federal grant system. NOW's Legal Defense and Education Fund received \$275,755 in 1981 from Reagan's Education Department.



Leftist Causes Your Money Supports

Not all of the activist groups receiving taxpayer money are as easily recognized as the AFL-CIO, the Sierra Club or Planned Parenthood. Here are some of the causes funded by federal dollars, quite often by local cities or groups as subgrantees.

Homosexuals

Homosexual groups have received federal grants, often through local governments.

HHS FUNDS GAY STUDIES

Many grants for gay studies come from the **Department of Health and Human Services (HHS)** in the areas of alcohol and drug abuse, and mental health. **New Ways Ministry** of Mount Rainier, Md., received \$18,416 in 1979-80 to study the "coming-out process and coping strategies of gay women." **New Ways** received its grant through the help of **Dignity**, a national organization of homosexuals and "concerned Catholics."

California State University at San Francisco has formed a **Center for Homosexual Education, Evaluation and Research**, and is receiving federal funds for its studies. For example, in 1979-80, HHS gave the center \$167,724 to study "civil liberties and sexual orientation." The **University of Southern California** received a \$65,285 grant from HHS that same year to conduct "a study of successful heterosexual and homosexual men."

CETA DOLLARS FOR L.A. GAY CENTER

The **CETA jobs and training program** has provided much direct and indirect federal funding to gay groups, especially on the West Coast. **CETA** gave the **Gay and Lesbian Community Services Center** in Los Angeles funding for nearly half of its full-time staff of 84. The purpose of the \$640,000 grant was to provide "education about gay lifestyles and gay people's problems."

TAX-FUNDED GAY THEATER

The **City of Seattle, Washington**, paid 14 young gays and lesbians with CETA money to sponsor a production of the **Seattle Gay Youth Summer Theatre Project** entitled "Lavender Horizons." According to *In Unity*, a gay newspaper, the project was a social as well as theatrical success; "Most of the young women and men in the group had no other gay friends their age until the Theatre Project."

PAMPHLETS ON SODOMY LAWS

CETA also funded the **National Gay Task Force's** Public Education Program. Its activities included publication of pamphlets detailing the sodomy laws of the 50 states, and surveys on "patterns of employment discrimination faced by gay people" in New York City businesses.

DOLLARS FOR NUDE LESBIAN SHOW

"**The Leaping Lesbian Follies**" was another CETA project. \$41,000 was given to a feminist organization for women (only) to perform in the nude.

GAYS SLAM FAMILY PROTECTION ACT ON PUBLIC RADIO

The federally financed **National Public Radio** Satellite Program Development Fund awarded \$14,695 to the **National Lesbian and Gay Men's Radio Project** last October. The gay group will produce a series of 30-minute documentaries on the Family Protection Act and other issues. The programs will be broadcast nationwide over 230 taxpayer-funded public radio stations.

Feminists

Feminist organizations have been well-financed by federal grants in recent years. At the same time, the feminist coalition has lobbied hard against Reagan's programs.

TAX-FUNDED GROUPS ATTACK REAGAN

In March, 1981, 42 feminist and liberal groups denounced Reagan's policies, saying they would "destroy or severely impair many of the programs and endanger the rights for which women have struggled over the last several years." Among those groups attacking Reagan were the **League of Women Voters**, the **Women's Equity Action League**, **Wider Opportunities for Women**, the **YWCA**, and the **National Organization for Women's Legal Defense and Education Fund**—all of which receive federal funds.

(Continued on next page)

Leftist Causes

(Continued from previous page)

FEMINISTS USE BATTERED-SPOUSE ISSUE TO GET FEDERAL GRANTS

The problem of battered wives has brought hundreds of thousands into feminist coffers from the **HHS Administration on Children, Youth and Families. W.O.M.A.N., Inc.** of San Francisco received \$200,000 in 1980-82, half of which would help "develop an advocacy model program for battered women." The **Center for Women Policy Studies** received \$129,000 in 1980-81 from HHS to "educate service providers...in the field of domestic violence."

The **Department of Justice** manages to duplicate the HHS battered spouse program with funding by the **Law Enforcement Assistance Administration (LEAA)**. The **Center for Women Policy Studies** received \$1,221,751 from LEAA alone in 1978-82 for similar work on battered spouses as in its HHS program. Another \$299,908 in LEAA money went to **Wider Opportunities for Women, Inc.** for "a model program and clearinghouse for women offenders in nontraditional work."

CETA JOBS MONEY FOR FEMINISTS

CETA public jobs and training grants, which have provided critical financial support for many Left organizations, are not unknown in feminist circles. The **National Council of Negro Women** received a whopping \$2,231,106 in six CETA grants from 1978 to the present. Another group, **National Womens Employment Education**, received \$570,980 in two 1980-81 CETA grants.

REAGAN'S EDUCATION DEPARTMENT GIVES \$300,000 TO FEMINIST PRESS

Still, money from the **Department of Education** reaches more feminist groups than other types of funding. The **Feminist Press** received \$313,224 from two July 1981 grants, "for the improvement of postsecondary education." **W.O.M.A.N.'s** Dorchester, Mass. office also received \$123,026 last July. In the last year alone, Brooklyn's **National Congress of Neighborhood Women** received \$177,806 for the same purpose. The hard-left **Women's Equity Action League** pulled down \$659,837 from three education grants in 1980 alone.

Providing important seed money is the **Women's Educational Equity Act Project** of the **Department of Education**. A program run by feminists for feminists, it has managed to give two grants in one year to the **National Organization for Women's Legal Defense and Education Fund**, which is against government policy. (A fuller description of WEEAP may be found on page 26.)

Foreign Policy

MILITANT STUDENTS GET TAX DOLLARS

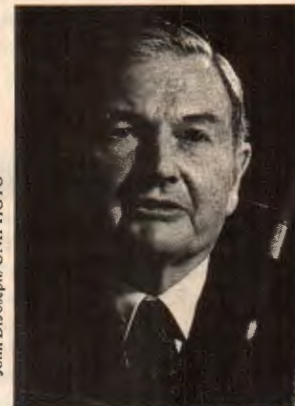
Militant leftism for America's students in the evocation of the **United States Student Association**

(**USSA**), some of whose members have apparent ties with the Marxist international youth group, the **International Union of Students**.

USSA worked hard against the Reagan budget proposals and participated in **Solidarity Day**. It has called for the United States to pay World War II reparations to the Japanese people, condemned U.S. sanctions against Cuba, and actively opposes American aid to non-Marxist countries in Latin America.



Lane Kirkland
AFL-CIO



David Rockefeller
Council on Foreign
Relations

John DiJoseph/UNIPHOTO

Ron David/Newa Photos Worldwide

Since Reagan's inauguration, the USSA has received \$107,630 from the **Department of Education's** fund "for the improvement of post-secondary education." USSA's "educational" front group, the **National Student Educational Fund** (located in the same Washington office), has also received two grants totaling more than \$275,000 from the Education Department's **Women's Educational Equity Act Program (WEEAP)**.

Amazingly, the grants for these extremist groups were *increased* over earlier grants by the Carter administration.

ROCKEFELLER GROUP GETS U.S. FUNDS

The **Council on Foreign Relations**, founded and dominated by David Rockefeller, was given \$200,000 in 1979-80 and \$300,000 in July, 1981 in federal funds. The grants were made by the **National Endowment for the Humanities**, for CFR's **International Fellowship Program**.

RADICAL PACIFISTS ON RADIO

No less surprising was the NEH's support of the **SANE (Scientists Against Nuclear Energy) Education Fund**. In 1979 and 1980, the radical pacifist organization received more than \$105,000 to produce "13 weekly radio shows to examine the impact of nuclear weapons on American culture."

MORE DOLLARS FOR 'PEACE' GROUPS

The **World Without War Council** received \$32,000 in 1980 "to identify and assess the primary teachings and organizations active in the public peace effort," i.e. a pacifist bibliography.

Another Left-oriented pacifist recipient is the **American Friends Service Committee**, based in Philadelphia, Pa. In addition to a \$183,804 CETA grant in 1978-81, AFSC has received at least two grants since President Reagan has taken office, totaling more than \$150,000 (from **ACTION** and the **Department of Education**.)

The AFSC also lobbies Congress to further its interests. The group joined 62 other Leftist groups in May 1981 to stop the Reagan block-grant proposals. (Many other federally funded organizations participated.)

Aged

TAX DOLLARS FOR GRAY PANTHERS

The most notorious leftist organization for the elderly, the **Gray Panthers**, received \$30,000 for media activities during the 1981 White House Conference on Aging. **VISTA** provided four volunteers in 1980-81 "to organize, guide, train, and motivate seniors to become members of the Gray Panthers network in Nevada," and in the same period five volunteers "trained in community organizing" as part of the Iowa Gray Panthers.

FEDS FUND 95% OF LOBBY GROUP'S BUDGET

The **National Council of Senior Citizens** received \$12,347.58 from the **Community Services Administration** for "2,000 annual subscriptions to *Washington Weekly* newsletter," and \$49,042 from the **Department of Justice** for "the creation of a model for a victim/witness senior citizen volunteer corps." NCSC also received two CETA grants. In all, \$50 million of the Council's \$52.5-million budget comes from federal taxes.

COUNCIL ON AGING GETS \$900,000

The **White House Conference on Aging** subsidized the **National Council on the Aging** with 10 grants, including \$173,000 for 150 trainers to "train at senior centers and voluntary organizations." The trainers might very well use material provided under a \$760,907 grant in 1979-80 from the **National Endowment for the Humanities** for "humanities material in senior centers."

EPA GIVES HUGE GRANT TO LEFT GROUP

The **Environmental Protection Agency** gave the **National Retired Teachers Association** 10 grants for 1980-82, totalling more than \$2 million, the largest subsidy given by EPA to any Left organization.

Also received by NRTA was a \$199,971 grant from the **Department of Justice** in 1979-81 "to more economically and efficiently implement the crime analysis process." In 1981, \$40 million of the association's \$90-million budget came from Uncle Sam.

Social Activists

\$110 MILLION FOR NATIONAL URBAN LEAGUE

A major recipient of government grants is the **National Urban League**, which got about \$110 million in federal aid in 1980, according to the *Washington Post*. In the past five years, NUL and its affiliates have taken at least 66 grants from the **Department of Housing and Urban Development's Housing Counseling Program**, 28 grants from CETA, and 5 different grants from the **Department of Education** for "talent searches."

In at least two cases, NUL has received grants to study the results of other grants: \$396,000 from the **Justice Department** to "assess completed research on the topic of minorities, crime and criminal justice," and \$135,000 from the **Department of Health and Human Services** for "knowledge resulting from an earlier study relevant to the adoption of black children."

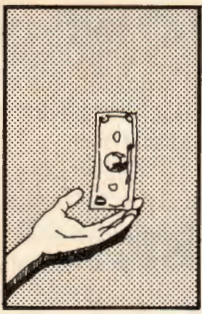
MORE URBAN GROUPS TAKE TAX DOLLARS

The **National Urban Coalition** has done a soft-shoe with the **Department of Labor**, receiving eight grants for "national emphasis." **The Urban Institute** got \$149,820 to "coordinate transportation problems for the elderly." (One wonders what sort of bus was used to transport the problem to and fro.) The Institute has also received Economic Development Administration grants of \$22,000 to "examine the geographic distribution of the structurally employed" and \$210,000 for "industrial performance and productivity in the nation's cities."

STATE AND LOCAL LOBBYISTS DEPENDENT ON FEDERAL HANDOUTS

According to the *National Journal*, several state and local government lobby groups are greatly dependent on federal aid for their existence. Among them:

- **U.S. Conference on Mayors.** In 1981, federal money accounted for \$3.1 million of its \$4.3-million budget. The 1982 budget of \$2.8 million has \$1.6 million in federal funds.
- **National League of Cities.** In 1981, \$3.6 million of the league's \$7.7-million budget came from the federal government; this year, \$3.1 million of the \$7.2 million emanates from Washington.
- **National Association of Counties.** NACO, which lobbied hard against Reagan's block-grant proposals, receives half of its \$5-million budget from Uncle Sam. ☐



Unions Win Huge Federal Grants, Lead Assault On Reagan Policies

The Department of Labor... or, the Department of Labor Unions?

Big Labor, perhaps the most politically active special-interest group in the U.S., has been rolling in tax-funded federal grants.

Most of these grants come from the Department of Labor, for its CETA public-jobs and job-training program and the Jobs Corps program. Examples:

- On October 1, 1980, the **AFL-CIO Appalachian Council** received five grants worth **\$2.9 million** in Job Corps money. The Appalachian Council was already handling **\$11.7 million** in Job Corps and other Labor grants.
- The **United Auto Workers** received more than **\$6 million** in Labor grants in 1979-82.
- The **International Union of Tile Marble Finishers** snagged grants worth almost **\$1 million** in 1980-81.
- The **Amalgamated Clothing and Textile Workers** received nearly **\$2.5 million** from five grants from the Labor Department in 1977-81.
- The **George Meany Center for Labor Studies** in Silver Spring, Md. received two grants worth **\$326,141** in 1978-81.



Public Broadcasting Gives \$148,000 For Solidarity Day Anti-Reagan Blast

Besides any indirect funding for Solidarity Day from federal grants to unions, Big Labor got a big boost for its anti-Reagan efforts from the Corporation for Public Broadcasting.

CPB spent \$148,000 to broadcast Solidarity Day activities across the country. The "Public Interest Video Network," which received the money, broadcast interviews with labor leaders, social activists, and the likes of fired air-traffic controllers. All this, despite stringent requirements in the CPB federal charter (written by Congress) that such broadcasts must tell both sides.

"It's pretty hard to balance a show with 100,000 on one side, I'll admit," said PBS spokeswoman Gail Christian, "but we have no reason to believe the show will not be objective."

AFL-CIO LEADERS and **Left** advocates march on **September 19, 1981**, against Reagan's policies. Several tax-funded radical groups participated.

CESAR CHAVEZ ORDERED TO RETURN FUNDS

A suit against Cesar Chavez's United Farmworkers union by the American Farm Bureau Federation has led to an order for the UFW to return \$427,000 in Community Services funds to the federal government.

The Farm Bureau suit, which alleged that the funds were used illegally to organize farmworkers for the union, was settled in October, 1981 with the understanding that the agencies involved would pursue their investigations into Chavez's activities.

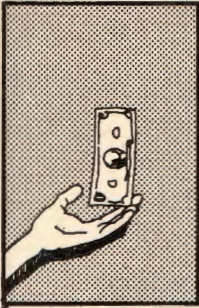
"[It's] a one-of-a-kind case," said Farm Bureau president Robert B. Delano. "What we sought was the return of the money to its rightful owner—the taxpayer."

An audit of UFW affiliates revealed incorrect and misleading posting of ledgers, failure to withhold payroll taxes on a consistent basis, unauthorized salary increases, unauthorized purchase of vehicles and unauthorized travel costs, among other discrepancies.



Cesar Chavez

Ron David/News Photos Worldwide



Planned Parenthood: Abortion, Sex Education, 'Social Change' And Your Tax Dollars

In 1980, the Planned Parenthood Federation of America (PPFA) took **\$12.8 million** in tax dollars—more than half its budget. Its 189 local affiliates received **\$58 million** total—their combined budget was \$122 million.

Abortion referrals—without telling parents, regardless of age

"Parental notification is against our policy...There is no age at which our counselors feel obligated to tell the parents that their child has opted for an abortion."—*David Andrews, executive vice-president, PPFA, November 1981.*

Sex education based on the Swedish model—preaching value-free "reproductive freedom."

"Sex is fun and joyful...and it comes in all types and styles, all of which are OK. Do what gives pleasure and enjoy what gives pleasure and ask for what gives pleasure. Don't rob yourself of joy by focusing on old-fashioned ideas..."—*From The Great Orgasm Robbery, Rocky Mountain PP, 1977.*

Lobbying for tax-paid abortions, for higher spending on family planning programs (which keep PP going) and against Reagan policies.

"Planned Parenthood is organizing a massive effort for continued Title X family-planning funding. President Reagan's proposed block-grant program would eliminate Title X entirely...We are urging all of our friends to write to Congress at this crucial time."—*Legislative Alert, Chicago PP, May 1981.*

"Social change" courtesy of Planned Parenthood

"Our mission is to serve as the nation's foremost agent of social change in the area of reproductive health and well-being, [including] reaffirming and protecting the legitimacy of induced abortion as a necessary backup to contraceptive failure...abolishing the arbitrary and outmoded restrictions—legal, regulatory, and cultural—which continue to limit the individual's freedom of choice in fertility matters."—*Five-Year Plan, 1976-80, PPFA*

Does Tax Money Pay For Abortions?

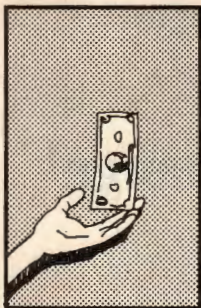
Planned Parenthood believes its federal grants can be used to promote and encourage abortion, according to its president, Faye Wattleton.

In 1980, Planned Parenthood affiliates operated 36 abortion clinics and performed 75,000 abortions. The General Accounting Office and the federal health Inspector General presently are investigating Planned Parenthood's financial records to learn whether tax money paid for PP abortions.

New York PP spokesman Doug Gould says, "No tax money was used to pay for abortions. The money was received under Title X and went to contraceptive services for those who do not qualify for Medicare and Medicaid help."

A Senate health-affairs aide disputes this. "You really can't be sure that federal funds for Planned Parenthood didn't pay for abortions. Tax dollars are used to pay for office supplies and overhead. The money that wasn't spent for these necessary items goes for whatever Planned Parenthood wants.

"It's a method of separate accounting. *The usual situation in these organizations is that no separation really exists.*"



The Youth Project

Tax-Funded Leftist Group Gives Money For Anti-Nuclear Protests

The Youth Project is a self-described "tax-exempt foundation which supports a wide range of grassroots social change efforts." YP provides cash grants and "technical assistance" through seven regional offices to various leftist groups.

The VISTA volunteer agency gave \$792,156 to the Youth Project in 1979-81, and funded 59 volunteers in various YP programs. YP also received \$41,990 from the Department of Health and Human Services in 1980.

Since receiving tax dollars in 1979, the Youth Project has given support to the following:

- **ANTI-NUCLEAR PROTESTORS.** The Youth Project has supported many anti-nuclear groups throughout the country, including:

- | | | |
|--|--|--|
| Bailly Alliance (Indiana) | Jenkinville (S.C.) Energy/Health Project | Palmetto Alliance (S.C.) |
| Clamshell Alliance (Seabrook, N.H.) | May 6th Coalition | Prairie Alliance (Illinois) |
| Great Lakes Energy Alliance (Michigan) | Musicians United for Safe Energy (MUSE) | Three Mile Island Alert (Pennsylvania) |
| | | Three Mile Island Legal Defense Fund |

The Youth Project also gave cash to and helped raise funds for the **September 23, 1979 anti-nuclear rally in New York City**, cosponsored by the **Naderite New York Public Interest Research Group**, which has also received federal funding for its activities.

- **INDIAN CLAIMS MOVEMENTS.** YP has been a strong supporter of efforts by Indians to reclaim old tribal lands.

YP gave funds in 1980-81 to the radical **American Indian Movement's Freedom for Survival** group. Major YP funding went to the **California Indian Land Acquisition Project**, which seeks to reclaim large portions of California for Indian ownership. This group has sued to place land in San Diego and in Yosemite National Park under Indian control.

The Youth Project also paid several Washington State tribal leaders to lobby Congress in 1979 on Indian fishing rights in their state's rivers.

- **ANTI-MX MISSILE GROUPS.** The Youth Project gives cash and technical support to the **Nevada Uranium Project**, which opposes nuclear power and the basing of the MX missile in Nevada. This group also seeks return of 20 million acres of Nevada to the Shoshone tribe.

YP also funds the **MX Information Coalition**, which "educates citizens and encourages public dialogue" concerning placement of the MX in Utah and Nevada.

The **No-MX/Great Basin MX Alliance**, another YP-funded group, pays for members to testify against the MX at public hearings. It also takes its "MX Roadshow" to small towns in Utah and Nevada to drum up local opposition.

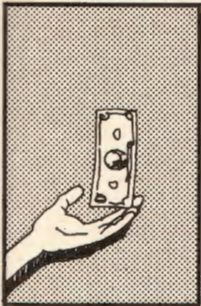
- **PRO-ABORTION ACTIVISM.** In 1979, the Youth Project gave cash and technical assistance to **Abortion Rights of Washington, D.C.**, an affiliate of the **National Abortion Rights Action League (NARAL)**, the most politically active pro-abortion group in the U.S.

Abortion Rights of Washington sought to protest and overturn Congress's prohibition on tax-funding of abortions by the D.C. government.

YP also supported the pro-abortion **Religious Coalition for Choice.**

Other groups receiving Youth Project assistance in 1979-81 include:

- | | | |
|------------------------------------|--|--|
| American Civil Liberties Union | Interfaith Center To Reverse the Arms Race | National Council of Churches |
| American Friends Service Committee | Institute for Policy Studies | SANE (Scientists Against Nuclear Energy) |
| Amnesty International | Malcolm X Cultural and Educational Center | U.S. Cuba Construction Project |
| Center for Third World Organizing | | |
| Environmental Policy Institute | | |



Environmental Groups Get Tax Dollars, Attack Reagan and Watt

Leftist environmental groups take federal grants and lobby against President Reagan and Interior chief James Watt at the same time.

Are tax dollars funding Reagan's opposition?



CONSERVATIVES PRAISE WATT as Reagan's best Cabinet secretary, according to a *CD* poll at the February Conservative Political Action Conference in Washington.



UNIPHOTO

Watt Must Go, Say Four Tax-Funded Groups

On October 19, 1981, the **Sierra Club** gave 1.1 million petitions to the U.S. Congress calling for the ouster of Interior Secretary James Watt. "We are declaring war on Wattism," said Joe Fontaine, the club's president.

Since 1978, the **Sierra Club** has received at least nine grants from the federal government, totalling \$611,427. This group has long been the most prominent anti-growth environmental lobby in the United States. Most of the **Sierra Club's** federal money came through the Environmental Protection Agency (EPA).

Three other openly anti-Watt groups have received recent federal funding:

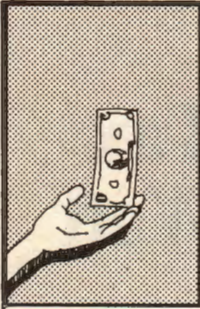
- The **National Audubon Society** and its affiliates received at least \$115,103 from nine federal grants in 1978-82.
- The **National Wildlife Federation** took at least \$905,377 from 13 grants in 1978-82. This includes one for \$43,437 from Reagan's Energy Department on August 28, 1981.
- **Friends of the Earth**, a hard-Left environmental lobby, received at least two grants worth \$31,345 in 1979-81. However, one of its spin-off groups, the **Citizens Environmental Coalition Education Fund**, received \$76,573 in federal funds in 1978-81.

Environmentalists Attack Reagan Budget

On March 1, a coalition of 11 environmental groups harshly attacked the Reagan 1983 budget, and promised to lobby hard in Congress to defeat his economic recovery plan.

At least 6 of the 11 receive federal grants. Their comments:

- "The EPA budget proposed by the administration is a fraud. It will not...protect the public from pollution."—Jonathan Lash, **Natural Resources Defense Council**. This group received at least \$1,342,768 from nine EPA grants in 1978-82.
- "Reagan is gutting our nation's environmental protection programs..."—Joe Fontaine, **Sierra Club**. (See above for Sierra Club funding.)
- "If we don't dramatically reshape the Reagan budget, we can pretty much write off clean air, clean water and a safe energy future..."—Rafe Pomerance, **Friends of the Earth**. (See above.)



Does Jesse Jackson Deserve Your Tax Dollars?

He Thinks So.

*“We intend to march in Washington
against these budget cuts.
We deserve equal protection...”*

—Jesse Jackson, 1981



Nour David/UNIPHOTO

Well, Jesse Marched... And He's Still Getting Your Money!

- In 1981, Reagan's Education Department gave Jackson's group, PUSH, \$656,644. Reagan's then-assistant education secretary, Vincent Reed, had earlier called PUSH's accounting system unstable and "not adequate to safeguard assets." Two studies by the department had severely criticized PUSH's handling of federal funds. "This does not add up to a program," said one study. Terrel Bell, Education Secretary, allowed the grant to go through.
- The Reagan grant to Jackson brings PUSH's total federal grants to **more than \$5 million** in the last four years. At one point, federal grants accounted for **one-third** of Jackson's budget.

Jesse Takes Care Of His Friends

Ernest Green was a Carter campaign aide. When Carter lost the election, Green returned to his job as assistant secretary of labor.

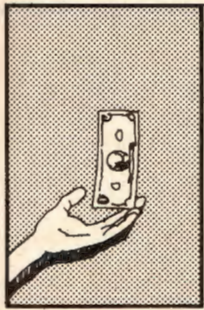
In the two months before Reagan's inauguration, Green approved millions in last-minute CETA public-jobs grants—including \$2 million to Jackson's PUSH.

When Green left office, he formed a public-relations firm.

In June, 1981, Jackson's PUSH hired Green's firm to a lucrative contract. (*Washington Post*, July 2, 1981)

Jesse Campaigns Against Reagan While Receiving Federal Funds

- Jackson was a major participant in the anti-Reagan Solidarity Day last September in Washington.
- Wherever possible, Jackson and PUSH have lobbied for more food stamps, more welfare, less defense spending, and more federal jobs programs (from which PUSH has benefited).
- While PUSH received millions of dollars from the Carter administration, Jackson made a great splash by meeting with candidate Reagan and then loudly denouncing him in favor of Carter.



From the Washington Post

Civil-Rights Groups Strive To Keep Federal Grants

By Herbert H. Denton

When leaders of civil rights organizations criticize President Reagan's proposed budget cuts for impacting on the poor, they do not mention another concern—the potential effect of the reductions on the civil rights groups themselves.

Little noticed in the years since the Great Society of the 1960s have been the millions of dollars civil rights groups have received in federal contracts and funds to administer government programs....

The National Urban League and its affiliates in 45 cities take in about \$110 million a year in federal grants and contracts, principally to administer now vulnerable jobs training programs.

Jesse Jackson's Operation PUSH receives only about \$2 million in federal funds, but these account for one-third or more of his annual budget.

Indeed, at least 10 of the 15 groups in the Black Leadership Forum, the loose federation of the major black advocacy organizations, have accepted federal dollars at one time or another.

The NAACP and the Southern Christian Leadership Conference the group the late Rev. Martin Luther King Jr. founded—have received small federal grants for one-shot projects, but as a matter of policy both have refrained from undertaking continuing administration of large federal programs....

"My sense is that this is kind of every man for himself," said one Washington political operative with long ties to civil rights groups. "You're talking for some of those folks about organizational survival. Coalitions don't work too well when the question is organizational survival."...

But, the differences are more than philosophical. In the White House there is the still fresh memory of the support black leaders, particularly

Jackson, gave Carter in his efforts to bring out the black vote by painting Reagan as a racist....

The flow of federal dollars to civil rights groups began in the mid-1960s, and the Urban League got a big boost during the Nixon administration. That group and subsequently the others became adept at playing the grants game on a high level, pulling the appropriate levers both in the executive branch and on Capitol Hill.

If you look at the matter in hard political terms [Reagan] has no political debt [to blacks or civil-rights groups]. We don't have him where we had Carter. Politically, we do not have any chits to cash in.

—Vernon Jordan
Former President
National Urban League

There is a line in federal jobs training legislation in which Congress suggests that the Urban League be favored for funds set aside for distribution at the secretary of labor's discretion. Jackson has a similar line in federal education legislation for his federally funded PUSH-EXCEL program to instill self-discipline and a desire to succeed in high school students.

Assistant Labor Secretary Ernest Green was the principal contact for civil rights organizations in the Carter administration. Green, the first black graduate of Little Rock Central High School in the stormy school desegregation battles in the South in the late 1950s, had later worked in New York running a firm, RTP Inc., that prepared poor youths for jobs in the construction trades.

"We knew that the people over at Labor, principally Ernie Green, were being generous to those [civil rights] groups," said a senior Carter administration policy adviser.

The adviser recalled how the Carter White House would seek to avoid cutting jobs funds in the episodic efforts to reduce federal spending because officials knew that, both because of reasons of ideology and of self-interest, this would bring on "squawking" from "our friends" in the civil rights organizations.

Another Carter aide remembered that relations between Green and the civil rights groups were not always cordial.

"About a year before the election, Ernie and the [civil rights] leadership were at odds because they felt not enough money was coming out of the pipeline," that aide recalled. "They asked for his head if he didn't do better."

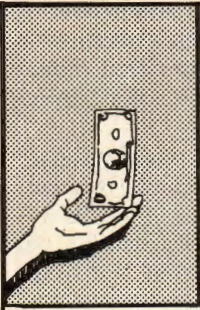
Green said there was never a confrontation between him and civil rights leaders.

There is certainly no dissatisfaction with him now.

In December after the campaign and in January up until the day before President Reagan was sworn in, Green and aides at the Labor Department processed millions of dollars in post-election grants to labor unions, consulting firms and the civil rights organizations.

The Urban League, the National Council for Negro Women, the Martin Luther King, Jr. Center for Social Change, the National Urban Coalition and Jackson's Operation PUSH were among the recipients. Much of Jackson's \$2 million two-year grant went for the establishment here of a research institute, which for the first time gave PUSH a presence in Washington. It is one of several of the last-minute grants, referred to as the "Midnight Specials" in the Reagan Labor Department, that is now slated for termination. An \$8.6 million grant went to Green's former firm, RTP Inc.

Green said he wanted to get the funds out to ensure that the organizations would continue to operate because it was clear the Reagan administration intended to cut the programs benefitting them.... **CD**



30 Liberal Groups

Who Funded Them, How Much They Got

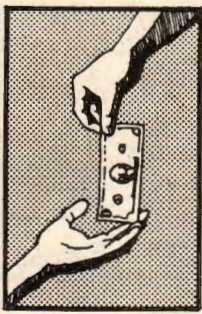
The following shows 30 leftist groups that took tax-funded grants in the last five years, the agencies that gave them grants, when they were given and the total amount received. The totals are taken from available grant lists supplied by the agencies. They represent the minimum amount of money received by these groups. (VISTA-funded volunteers are included in grant totals below.)

Organization	Federal Agencies That Gave Them Money	Years	Total
Amalgamated Clothing and Textile Workers	HHS, NEH, Labor	1979-81	\$ 2,979,799
AFL-CIO (Appalachian Council)	Labor, Transportation	1977-82	20,275,347
American Friends Service Committee	ACTION, Labor, Education, HHS, State, NEH	1978-82	1,354,052
Association of Community Organizations for Reform Now (ACORN)	ACTION, VISTA, NEH, FTC, CSA	1976-81	231,370 (plus funding for 4 volunteers)
Center for Renewable Resources	Energy, HUD, Education	1979-81	1,309,570
Citizen/Labor Energy Coalition	ACTION, Energy, CSA, VISTA	1979-81	288,490 (plus 8 volunteers)
Council on Foreign Relations	NEH	1980-85	500,000
Feminist Press	Education	1979-81	446,299
Food Research Action Center	CSA	1981	645,000
Gray Panthers	HHS, VISTA, EPA	1978-82	121,483 (plus 16 volunteers)
International Union of United Auto Workers	Education, Labor, NEA	1979-82	6,475,579
League of United Latin American Citizens	Education, Labor	1980-82	2,728,526
League of Women Voters of the United States	State, NEH, EPA, Energy	1977-82	1,396,842
Massachusetts Fair Share	ACTION,	1979-81	525,631 (plus 34 volunteers)
National Association of Farmworkers Organization	ACTION, Labor, CSA	1978-81	1,852,406

Organization	Agencies	Years	Total
National Council on the Aging	HHS, CSA, NEH, Labor, Education	1977-82	83,930,480
National Council of Senior Citizens	CSA, FTC, HHS, Justice, Labor	1976-81	154,062,880
National Retired Teachers Association	Labor, Justice, EPA, Legal Services	1979-82	229,768,783
National Student Education Fund	Education	1979-81	512,486
National Urban Coalition	Labor, Education	1977-81	2,800,717
National Welfare Rights Organization	ACTION	1979-82	5,900 (plus 71 volunteers)
Natural Resources Defense Council	Energy, EPA	1978-82	1,367,768
NOW-Legal Defense and Education Fund	Education	1980-81	595,961
Pacifica Foundation	NEH	1979-81	408,968
PUSH-EXCEL	Labor, Education, Commerce	1978-82	5,201,669
Sierra Club	NEH, EPA	1978-81	757,946
U.S. Student Association	Education	1980-81	159,976
Wider Opportunities for Women Inc.	Justice, CSA	1980-82	344,908
Women's Action Alliance	Education	1980-81	702,471
Women's Equity Action League	Education	1978-80	1,067,591

Key to Agencies

HHS—Dept. of Health and Human Services; Labor—Dept. of Labor; Transportation—Dept. of Transportation; Education—Dept. of Education; State—Dept. of State; Energy—Dept. of Energy; Commerce—Dept. of Commerce; Legal Services—Legal Services Corporation; CSA—Community Services Administration; NEA—National Endowment for the Arts; NEH—National Endowment for the Humanities; ACTION—Agency for Volunteer Service; VISTA—Volunteers in Service to America; EPA—Environmental Protection Agency; FTC—Federal Trade Commission; HUD—Dept. of Housing and Urban Development; Justice—Dept. of Justice.



Hostile Congress May Scuttle President's New Budget



Karl H. Schumacher/White House

By Martin Wooster

Early last year, President Reagan joked that his right hand didn't know what his far-right hand was doing. Good yuks were had by conservatives and liberals alike.

Just how far from the truth that statement was became clear in February as Reagan unveiled his budget for Fiscal Year 1983. As the second installment of his Program for Economic Recovery, it is an exacting document whose boldest strokes may cause Congress some pause.

The flip-side of the picture is the inability of the Reagan team to tame the bureaucracy. Instead of forcing changes in the structure, the administration seeks to gut and cut. This is admirably tough, but a hostile Congress has disallowed impoundment of appropriated funds and can force a stalemate.

For Reagan, maintaining the status quo is a defeat. The entrenched liberals are still giving away the store.

Despite its reputation for merciless budget-cutting, the proposed Reagan administration budget for fiscal year 1983 is still scheduled to be \$758 bil-

The first priority for OMB staffers looking for waste is to put the remainder of the liberal pork barrel where it belongs—in the trash.

lion—15 percent higher than the last Carter administration budget, an increase of \$100 billion.

Not all of the \$100 billion is going toward national defense, either. The Treasury Department and the Supreme Court both have been given bonuses in their budgets of 29 percent, while the Department of Health and Human Services—the largest de-

partment in the federal government—has been given an additional \$46 billion—an increase of 20 percent.

David Stockman's budget cutters have treated the programs that fund the Left with the same selectivity shown toward budget-cutting in general. To its credit, two of the most offensive programs—intervenor funding and the Community Services Administration—have been eliminated.

The Legal Services Corporation, which has operated without a budget for the past two years, is scheduled to die on March 31, 1982, after the continuing resolution providing LSC funding expires—unless Reagan signs another spending resolution that includes Legal Services.

CETA programs are also scheduled for elimination, transferred to the states as part of the block grant for job training. VISTA, the most blatant attempt by the New Left to capture a government bureaucracy, will die at the end of this fiscal year.

Critical areas of the New Left network, however, are intact. Perhaps the strongest part of the surviving leftist network is the National Endowment for the Arts and Humanities and allied agencies. The "iron triangle" of arts lobbyists, culture czars such as Congressmen Sidney Yates (D-Ill.) and Frederick Richmond (D-N.Y.), and an arts bureaucracy unrelentingly hostile to the Reagan administration's goals has not been broken.

The director of the NEA, Frank Hodsoll, has been working for James Baker since Baker's days as an under-secretary at Commerce. William Bennett, director of the NEH, is a Democrat whose only known conservative



David Stockman
Planned new budget

act was writing a dense tract mildly critical of affirmative action programs. While both NEA and NEH budgets are supposed to be cut by one-third, the NEH bureaucracy is to be preserved, and NEA's staff is supposed to be *increased* by 20 percent.

Other "cultural" agencies will still be rolling in cash. Despite cuts of 52 percent in the Department of the Interior's budget, the National Park Service still has \$5 million to spend on "cultural policy planning." The limousine liberals frolicking at their favorite palace of culture, the John F. Kennedy Center for the Performing Arts, are still happy that the government will pay part of their tickets—\$4 million worth.

The Corporation for Public Broadcasting will continue to spend \$137 million on quality programs from

Britain and dull socialist broadsides from the United States. National Public Radio, crying in its bureaucratic beer over budget cuts, its still prepared to take over United Press International, turning America's second-largest wire service into still another government bureaucracy.

The Corporation for Public Broadcasting will spend \$137 million on quality British programs and dull socialist broadsides from the U.S. National Public Radio is still prepared to take over UPI and turn our second-largest wire service into a government bureaucracy.

Another huge agency that funds the left, the Department of Education, is allegedly scheduled for termination. In fact, the federal education establishment will not be dismantled at all, but instead will merely change its name, to the Foundation for Education Assistance.

Except for returning control of schools at overseas military bases to the Department of Defense, the Foundation will still act as a central slush fund for dubious research. Among programs still to be funded by the "fed-ed" are:

- bilingual education (\$94,534,000)
- "arts in education" programs (\$1,860,000)
- educational research, "to enlarge scientific understanding of human learning and development" (\$53,645,000)
- Fund for the Improvement of Secondary Education (\$11,900,000)
- "discretionary special purpose projects" (\$16,071,000)

While ACTION has had its budget reduced by \$37 million, \$31 million of this cut comes from the elimination of VISTA. Other sections of ACTION remain in place, including \$26 million for "program support" and \$2 million for "citizen participation projects" such as the Vietnam Veterans Leadership Project.

The Peace Corps, under the leadership of Ripon Society Republican Loret Ruppe, was severed from ACTION in late 1981, with a budget of \$97 million, only reduced by 8 percent from Carter administration levels.

Also intact are various programs for "consumer education." The General Services Administration will

still spend \$8 million for "promoting greater public awareness of existing federal publications" through the Consumer Information Center.

The Department of Commerce's Energy Research and Technology Administration (i.e., the Department of Energy), will spend \$1.3

million providing "timely information to the public." And the Consumer Product Safety Commission will have \$2.2 million for "information and education."

A Reagan aide has said that "to argue that Ronald Reagan isn't conservative is to argue that the North Pole isn't cold." The Reagan administration has made a commendable start at eliminating leftist subsidies. The first priority for OMB staffers looking for waste is to put the remainder of the liberal pork barrel where it belongs—in the trash. **CD**

Action

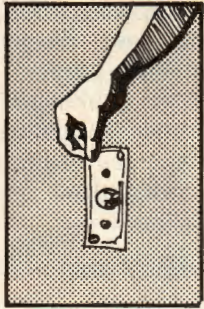
Here's what you can do about the 1983 Reagan budget:

—Write NOW to your Senators and Congressmen to support President Reagan's elimination of Legal Services, CETA and VISTA.

Remember: strong mail support helped pass the budget and tax cuts last year. With Congress already caving in to media pressure, your letter or telegram TODAY can help turn the tide.

In your letter, stress the importance of cutting the deficit with budget cuts, not tax hikes. Use the evidence given in this issue to support your arguments. Mention specific programs you want cut.

ADDRESSES: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.



Legal Services Must Be Stopped

**Leftist lawyers use poor as political pawns;
Reagan says program must end**

President Reagan believes the federal Legal Services program is more a boon for legal activists than a program for the poor. In 1981 and again this year, he has asked Congress to cut all funds for the Legal Services Corporation.

However, as a practical matter, considering the multi-million-dollar lobbying slush funds available to Legal Services grantees and their allies, the only way President Reagan can end LSC-financed abuses is by the exercise of his veto. So far he has been unwilling to do this.

Why Legal Services Cannot Be Reformed and Must Be Ended

Legal Services gives tax dollars to 325 private legal groups that are accountable only to themselves. The structure of the system makes its participants *unaccountable* to the taxpayers who foot the bill.

—The legal services group decides which cases to pursue, which causes to support, and which targets to attack—using taxpayer dollars.

—The board that controls each legal-services group is self-perpetuating.

—Once a group is funded by Legal Services, the law gives them a presumptive right to more money in future years.

—Legal Services attorneys are not required to keep a record of how they use their time and divide their work. Congressional committees and the General Accounting Office have complained about the lack of reliable data on legal Services management.

—There is no economic constraint on salaried Legal Services attorneys. It costs them nothing to sue. Those who are sued by Legal Services must pay for their own representation—for many, an economic impossibility when confronted with the millions spent by Legal Services.

Legal Services lawyers are free to pursue Leftist goals without normal restraint by fee-paying clients.

Legal Services Provides Network for Left-Wing Attorneys

The 325 tax-funded private Legal Services groups maintain a loose network, using these funds to plan strategies for social change in America. The Legal Services Corporation helps publish the agencies' magazine, *Clearinghouse Review*, and also funds 20 "National Support Centers," one of whose primary purposes is to pursue test cases to change U.S. law.

The December, 1979 *Clearinghouse Review* included an invitation to join a national group, Citizens for Tax Justice. Its members included such Left-dominated groups as the National Consumer Federation of America, the AFL-CIO, and the International Association of Machinists. The group opposes tax relief such as proposed in California's Proposition 13 and in President Reagan's tax program.

In the spring of 1981, local Legal Services groups began their media campaign against the Reagan economic program. An endless stream of articles appeared in local newspapers, all bearing the same message—Reagan will hurt the poor by cutting Legal Services funds.

Part of Legal Services' tactics is the collection of information on individual members of

Congress. A preferred procedure was outlined by LSC Research Director Alan Houseman in a December, 1980 memo to the 325 local groups:

“Analyze new members of Congress from your area and review all old members of Congress.

“What is needed is carefully compiled information about all members of Congress.

“This includes attitudes, public statements and prior voting records towards legal services and other social-benefit programs; their supporters and major contributors from within the bar and the general community; possible contacts with their supporters...”

Some Recent Examples of Questionable Legal Services Actions

Since Legal Services started in the late 1960s, horror stories of the program's abuses have flowed. From suits for sex-change operations and benefits for illegal aliens, to making black English a certified foreign language in the Ann Arbor, Michigan schools, Legal Services has left its scars on common sense in government.

While Reagan has tried to cut its funding and appoint conservatives to the LSC board, the abuses and their results have continued. Here is a sampling from the past year alone:

- **Prison Riots Result from Legal Services Action.** The Governor of Pennsylvania blames **Community Legal Services of Philadelphia** for helping to cause violence at Graterford Prison in October and November, 1981. Thirty persons were held hostage by a three-time killer, who was returned to the general prison population as a result of a 1975 Legal Services suit.

“Never again should government permit ‘cause’ groups...to place the purported rights of vicious criminals above the safety of law officers,” Gov. Richard Thornburgh said. Community Legal Services received **\$2,277,972** in federal dollars in 1980 (the most recent figures available).

- **Legal-Aid Group Sues to Overturn City Referendum, Force Use of Federal Funds.** **Connecticut Legal Services, Inc.**, which received **\$1,656,488** in 1980, went to court in 1981 to overturn a vote by the people of Manchester, Conn., not to accept federal HUD Community Development money. The referendum result was 3-1 against taking the HUD grants.

Legal Services won its victory against the city, but the decision was eventually overturned on appeal.

- **Pittsburgh Legal Services Joins Coalition Favoring Impeachment of President Reagan.** **Neighborhood Legal Services of Pittsburgh, Pa.**, which received **\$1,504,638** in tax dollars in 1980, recently became a key member of the Fair Budget Coalition, which is organizing a grassroots political campaign against the Reagan budget. It has also called for the impeachment of President Reagan.

- **Legal Services Continues Fight for Illegal Aliens' “Rights.”** In the recent past, Legal Services agencies have spent much time and effort representing illegal aliens. At least two cases exist of Legal Services representing Iranians scheduled for deportation during the hostage crisis.

The tax-funded **National Center for Immigrant Rights**, based in Los Angeles, challenged citizenship requirements for peace officers in California. The Supreme Court overruled their challenge, 5-4, on January 12, 1982.

Tucson's **Southern Arizona Legal Aid, Inc.**, which received **\$851,305** in 1980 from taxpayers, filed suit in January, 1982, to force a local border county to pay for free health care for illegal aliens. The county's health system has been overtaxed with the influx of aliens; it went broke in 1981 and will likely do so again this year.

- **Tax Dollars Support Iowa Man Indicted for Food-Stamp Fraud.** Lester Williams, the unemployed father whose sensationalized New Year's Eve suicide threat caused a national media splash, was indicted January 7, 1982 on 18 counts of food-stamp fraud. Williams has been a client of **Polk County Legal Aid Society**, which received **\$431,992** in tax money in 1980.

Williams' letter of Dec. 30, which was printed in the *Des Moines Register*, stated that he was going to kill himself the next day because he couldn't find work and his family could use the welfare benefits. The legal-services group helped publicize the letter.

These Senators and Congressmen Saved Legal Services

The following Senators and Congressmen listed are those who refused to support total abolition of the Legal Services Corporation, as requested by President Reagan.

The House vote (*Record #90*) was 165-221 on a McClory (R-Ill.) motion to recommit (kill) the funding bill. The Senate vote (*Record #370*) was 21-61 to approve the Denton (R-Ala.) amendment to delete LSC funding.

Senate: November 13, 1981

Senate Republicans

Alaska
Murkowski
Stevens
Connecticut
Weicker
Delaware
Roth
Georgia
Mattingly
Illinois
Percy
Indiana
Lugar
Kansas
Dole
Kassebaum
Maine
Cohen
Minnesota
Boschwitz
Durenberger
Mississippi
Cochran
Missouri
Danforth
New Hampshire
Rudman
New Mexico
Domenici
Schmitt
New York
D'Amato
North Dakota
Andrews
Oregon
Hatfield
Pennsylvania
Heinz
Rhode Island
Chaffee
South Dakota
Abdnor
Pressler
Tennessee
Baker
Vermont
Stafford
Virginia
Warner
Washington
Gorton
Wisconsin
Kasten

Senate Democrats

Alabama
Heflin
Arizona
DeConcini
Arkansas
Bumpers
Connecticut
Dodd
Delaware
Biden
Florida
Chiles
Georgia
Nunn
Hawaii
Inouye
Matsunaga
Illinois
Dixon
Kentucky
Ford
Huddleston
Louisiana
Johnston
Maine
Mitchell
Maryland
Sarbanes
Massachusetts
Kennedy
Tsongas
Michigan
Riegle
Mississippi
Stennis
Missouri
Eagleton
Montana
Baucus
Nebraska
Exon
New Jersey
Bradley
Williams
North Dakota
Burdick
Rhode Island
Pell
South Carolina
Hollings
Tennessee
Sasser
Texas
Bentsen
Washington
Jackson

West Virginia
Byrd
Randolph

House: June 18, 1981

House Republicans

California
McCloskey
Connecticut
DeNardis
McKinney
Delaware
Evans
Florida
McCollum
Illinois
Porter
Erlenborn
Martin
O'Brien
Railsback
Findley
Indiana
Deckard
Iowa
Leach
Tauke
Maine
Emery
Massachusetts
Conte
Heckler
Michigan
Pursell
Sawyer
Dunn
Davis
Minnesota
Erdahl
Montana
Marlenee
New Jersey
Fenwick
Hollenbeck
Rinaldo
New Mexico
Lujan
New York
Green
Fish
Gilman
Horton
Ohio
Gradison
Wylie
Williams

Pennsylvania
Coughlin
Marks
Atkinson
Rhode Island
Schneider
Virginia
Whitehurst
Butler
Wampler
Washington
Pritchard

House Democrats

Arizona
Udall
Arkansas
Anthony
California
Matsui
Fazio
J. Burton
P. Burton
Miller
Dellums
Stark
Edwards
Mineta
Coehlo
Panetta
Beilenson
Waxman
Roybal
Dixon
Danielson
Dymally
Anderson
Brown
Patterson
Colorado
Schroeder
Wirth
Connecticut
Gejdenson
Ratchford
Florida
Fuqua
Bennett
Pepper
Fascell
Georgia
Hatcher
Levitas
Fowler
Evans
Hawaii
Heftel
Akaka

Illinois
Washington
Savage
Russo
Fary
Collins
Rostenkowski
Yates
Annunzio
Indiana
Benjamin
Fithian
Evans
Hamilton
Sharp
Jacobs

Iowa
Smith
Kansas
Glickman
Kentucky
Hubbard
Natcher
Perkins
Louisiana
Boggs
Tauzin
Roemer
Long
Maryland
Dyson
Long
Mikulski
Hoyer
Byron
Mitchell
Barnes

Massachusetts
Boland
Frank
Shannon
Mavroules
Markey
Studds
Michigan
Kildee
Traxler
Bonior
Crockett
Hertel
Ford
Dingell
Broadhead
Blanchard
Wolpe
Minnesota
Vento
Sabo
Oberstar

What You Can Do

President Reagan has again asked Congress to cut all funds for the Legal Services Corporation which provides direct funds for Legal Services. (Legal Services also gets money from HHS and revenue sharing grants.) It is uncertain whether Congress will heed the President's decision to end LSC.

If you agree with the President, contact your Congressman and Senators. *A letter is especially important if their names are on the list of those who voted to support LSC in 1981.* Write to your elected representatives c/o the United States Senate, Washington, D.C. 20510, or c/o the U.S. House of Representatives, Washington, D.C. 20515.

House Democrats (continued)

Mississippi

Whitten
Bowen

Missouri

Clay
Young
Gephardt
Bolling
Volkmer

Montana

Williams

New Hampshire

D'Amours

New Jersey

Hughes
Howard
Roe
Rodino
Minish
Guarini
Dwyer

New York

Downey
Addabbo
Rosenthal
Ferraro
Biaggi
Scheuer
Chisholm
Solarz
Richmond
Schumer
Rangel

Weiss

Garcia
Bingham
Ottinger
McHugh
Stratton
LaFalce
Nowak
Lundine

North Carolina

Jones
Neal

North Dakota

Dorgan

Ohio

Shamansky
Pease
Seiberling
Applegate
Oakar
Stokes
Eckart
Hall
Mottl

Oklahoma

Jones
Synar
Watkins
McCurdy
English

Oregon

AuCoin
Wyden
Weaver

Pennsylvania

Foglietta

Yatron

Edgar
Murtha
W. Coyne
Ertel
Walgren
Gaydos
Bailey
Murphy

Rhode Island

St. Germain

South Carolina

Holland

South Dakota

Daschle

Tennessee

Bouquard
Gore
Jones
Ford

Texas

Wilson
Mattox
Pickle

Hightower

de la Garza
Leland
White
Gonzalez
Kazen
Frost

Washington

Swift
Bonker

Foley

Dicks

Lowry

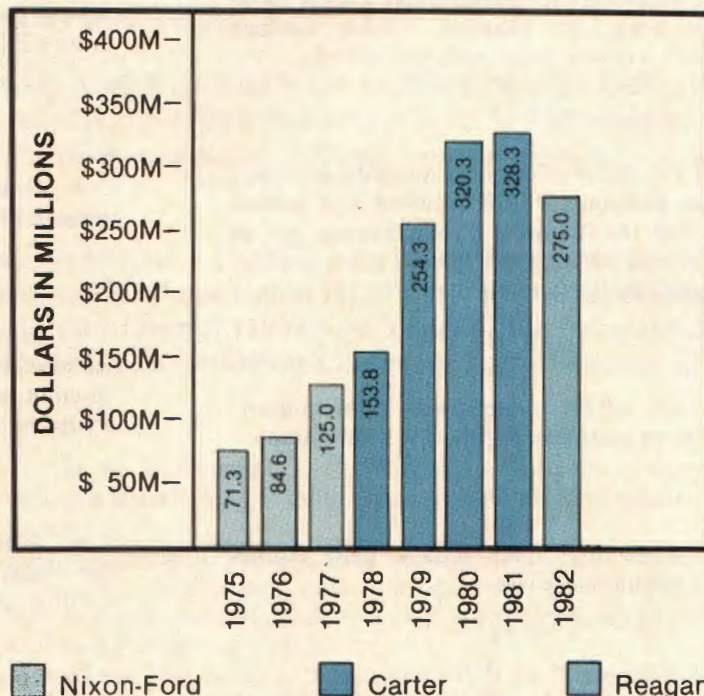
West Virginia

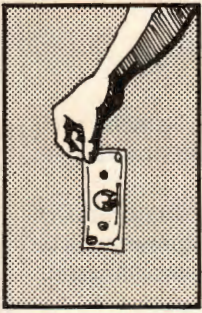
Rahall

Wisconsin

Aspin
Kastenmeier
Zablocki
Reuss
Obey

Legal Services Spending Since 1975





From Inquiry Magazine

CETA Jobs Program Aids Left, Spends \$51 Billion In 8 Years

Since 1973, the CETA jobs and training program has spent more than \$50 billion with slight success in curbing unemployment. A 1979 survey found that more than 60 percent of CETA public-service workers were unemployed 90 days after their "training" ended.

Carter's Labor Secretary, Ray Marshall, admitted to Congress that CETA was a make-work program designed to alter unemployment statistics a bit. "If you're going to stimulate the economy, we think this is a good way to do it," Marshall said.

President Reagan succeeded in ending the wasteful CETA jobs program. This year he hopes to scrap the equally suspect job-training portion of CETA.

In an August 1981 article for *Inquiry* magazine, freelance investigator Jim Bovard uncovered the following examples of CETA waste and abuse:

- In Atlanta, a Communist activist was paid \$500 a month, in his words, "to organize for demonstration and confrontation."

* * *

- \$640,000 went in 1980-81 to the Gay and Lesbian Community Services Center in Los Angeles "to provide education about gay lifestyles and gay people's problems." At one point, CETA paid for half of the Center's staff of 84.

* * *

- Leftist organizations often receive CETA money. In New York, for example, CETA workers helped organize a tenant strike against landlords.

* * *

- Big CETA dollars flow into minority-advocacy groups. Jesse Jackson's PUSH received \$2.5 million in 1980-81, and the National Urban League got 28 CETA grants nationwide. Both groups actively lobby against Reagan's budget and tax plans.

* * *

- In Florida, CETA trainees went door-to-door, trying to get more people to register for food stamps.

* * *

- In Bath County, Va., CETA paid county employees to attend dance classes.

* * *

- In Arizona, CETA paid college students to train for a track meet.

* * *

- \$41,000 in CETA money was spent to stage "The Leaping Lesbian Follies," which featured women (only) cavorting in the nude. The show was sponsored by a militant feminist group.

* * *

- In Chicago, CETA jobs are used as political payoffs. An audit by the state of Illinois called CETA "a refuge of cronyism."

* * *

- The American Friends Service Committee, which favors U.S. disarmament, received \$183,804 from CETA in 1978-81.

* * *

- In Montgomery County, Md., CETA paid nine women \$145 a week to attend ballet school.

* * *

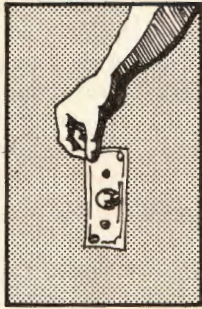
- In Seattle last year, CETA paid 14 young homosexuals to stage "Lavender Horizons," a production of the Seattle Gay Youth Summer Theatre Project.

* * *

- A female CETA worker in Chicago was paid for "playing checkers" with other employees, according to her own account.

* * *

- A Washington, D.C. organization received \$261,933 to help other groups like it get CETA money.



Arts And Humanities Dollars Bankroll Leftist Groups

National
Endowment
for the Arts



President Reagan proposed to cut in half the budget of the National Endowment for the Arts (NEA) and the National Endowment for the Humanities (NEH). Instead of saving the taxpayers as much as \$170 million, Congress voted to spend \$143 million for NEA and \$130 million for NEH in 1982—cuts of less than 15 percent from projected Carter levels.

Under Carter NEH appointee Joseph Duffey (former chairman of Americans for Democratic Action), funding of Left groups reached new heights. Here are some examples of liberal organizations and their “projects”:

- **SANE EDUCATION FUND, \$115,451** (1979 and 1980 combined). SANE (Scientists Against Nuclear Energy) was paid in two successive years by NEH to produce 13 weekly radio shows “to examine the impact of nuclear weapons on American culture.”
- **COUNCIL ON FOREIGN RELATIONS, \$500,000** (1980 and 1981). CFR, founded and dominated by David Rockefeller, received the half-million-dollar NEH grants for its International Affairs Fellowship Program.
- **SIERRA CLUB, \$87,493** (1980). The Sierra Club, among environmental groups the most vocal in denouncing Interior chief James Watt, received its NEH grant to collect and transcribe 40 to 60 taped interviews of Sierra Club activists and other environmental leaders.
- **NATIONAL COUNCIL ON AGING, \$910,907** (1979). This grant was to allow the Council to continue “the development and use of humanities materials in senior centers. The Council also received \$135,000 in 1980 and \$48,000 in 1981 from NEA.
- **WORKING WOMEN (NATIONAL ASSOCIATION OF OFFICE WORKERS), \$216,953** (1979 and 1980). Working Women received this grant for a two-year project to “implement a curriculum on the history of working women, to be disseminated through national networks of women’s studies programs.”
- **UNIONS** received big grants from NEH under Duffey. The following grants are from just 1980 and 1981: **International Ladies Garment Workers Union (ILGWU), \$175,000; Amalgamated Clothing and Textile Workers Union, \$317,000; District 1199 (New York) of the Drug and Hospital Employees Union, \$300,000; and the AFL-CIO George Meany Center for Labor Studies, \$30,000.**
- **OTHER PROJECTS INCLUDE:**
 - An erotic arts show (as advertised) this winter at the Washington, D.C. Women’s Arts Center, cosponsored by NEA and a store called The Pleasure Chest, “which sells lingerie, leather items, vibrators and ‘toys for adults’.” (*Washington Post*) \$9,000 in tax dollars was spent on this project.
 - A 1981 survey of how religion affects votes by congressmen. NEH-funded sociologists divided congressmen into the following “religious categories”—Nominal; Legalistic, emphasizing rigid rules and lifestyle; Self-concerned, seeing religion as a source of social comfort; People-concerned, having a marked concern for social justice; Integrated, balancing religious themes; and Nontraditional, believing in a more abstract God.
 - A radio series on prominent secular humanists of the 20th century, broadcast in 1981 on National Public Radio stations and funded by NEH. Among those honored in this series of “sound portraits”: Bertolt Brecht, Noam Chomsky, Simone de Beauvoir, W.E.B. DuBois and Sigmund Freud.



CD Exclusive:

Feminist Network Fed By Federal Grants

Insider exposes Education Department scandal

Conservative Digest received this account of ultra-Left activists in the Reagan administration from a concerned employee in the Education Department. The employee has asked to remain anonymous.

The Women's Educational Equity Act Program (WEEAP) is not a large program, with only a \$6-million budget. But in the hands of Ms. Leslie Wolfe, a radical feminist, WEEAP today is funding hard-Left women's groups. Reagan's Education Secretary, Terrel Bell, has called for elimination of the program, but the grants to leftists are still approved.

* * *

Congress passed the Women's Educational Equity Act in 1974. "Educational programs in the U.S....are frequently inequitable as much programs relate to women...It is the purpose of this...to provide educational equity to women."

The program is allowed to give grants for model projects around the country. New approaches to the equity problem are supposed to be explored. To make certain the projects

WEEAP has been turned into a money machine for a network of openly radical feminists.

would be diverse and potentially useful, no one organization could be given more than one grant at a time.

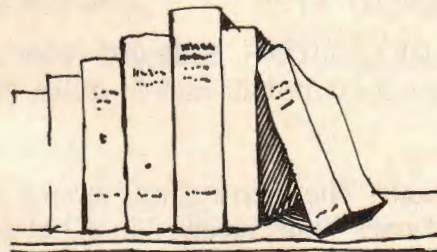
But Congress did not reckon with the likes of Leslie Wolfe. WEEAP is today a money machine for a network of openly radical feminist groups.

Twisting the Grant Approval Process

WEEAP's problems have as much to do with structure as with Wolfe's

personal political agenda. The present grant approval process allows the program's director to exercise near-total control over who gets money, because higher-ups (including the Secretary of Education) routinely rubber-stamp her edicts.

The process begins with the solicitation by WEEAP of grant requests. Anyone who desires an application



may be placed on the mailing list and receive (at government expense) the necessary form.

The WEEAP director—in this case, Leslie Wolfe—then selects a peer panel of "experts in the field," who meet in Washington to review the year's applications and rate them in order of worthiness. (The Education Secretary and the appropriate assistant secretary have the power to name members of this review panel, but generally refuse to do so.)

After the rating process, the list then goes to Ms. Wolfe, who can select whichever grant she wants for funding, regardless of the panel's recommendations.

With the list thus tailored to her own preferences, the WEEAP director sends the approved grants up the chain of command for approval. No matter how outrageous the proposal, no matter how duplicative the programs may be, no matter the nature of the group receiving the grant—the governing assistant secretary and the Secretary of Education routinely approve.

WEEAP's bitter harvest for taxpayers in 1981 included funding for

special-interest lobbying groups and the usual coterie of Wolfe's radical associates.

Wolfe's most audacious move was the double funding of the **National Organization for Women (NOW) Legal Defense and Education Fund**. The original document for the 1981-82 grant was changed to indicate that different personnel were administering the two separate grants.

This enabled NOW to use the excuse that two different offices were getting the grants. But since there is only *one* NOW Legal Defense and Education Fund, the regulations limiting WEEAP grants were clearly violated.

Thus, in 1981, NOW's spin-off group received \$170,178 to "choose community leaders to be trained on using the press to promote sex equity, develop strategies to cope with racism and sexism—a campaign for equity on a local level." It also received \$105,577 to produce TV spots concerning "equity." The second grant will continue through the end of 1982.

Other 1981 WEEAP grants included:

- \$87,067 to the **Bay Area Bilingual Education League, Inc.**, to pay for training Hispanic farmwomen in "citizen advocacy and community organizing," i.e., political activities. The group is directed by Dolores Huerta, a vice-president of Cesar Chavez's **United Farm Workers (UFW)**.

- \$141,087 to the **Council on Interracial Books for Children**, to publish a "feminist basal reader" for third-graders. The Council considers most children's classics to be racist and sexist.

- \$25,000 to **Planned Parenthood of Southeastern Pennsylvania**, for a project to eliminate racism and sexism in academic counseling. The

organization has an abortion clinic on its premises.

- \$117,411 to the **National Student Education Fund** for a national conference. (NSEF is a tax-exempt arm of the United States Student Association, a federally funded Marxist youth group described in fuller detail on pages 12 and 13.)

With one exception, these projects received multi-year funding. The dollar figures are only for 1981 spending.

Funding Wolfe's Feminist Network

WEEAP has no official forms for the evaluation of projects. Funding is continued year after year with no examination of the usefulness of the

project or its products. Project officers charged with the task of monitoring WEEAP-funded activities are given no official instructions—nothing exists in writing to guide them in their oversight duties.

This would seem strange were it not for a purpose, and there is a purpose in Ms. Wolfe's sabotaging her program's congressional mandate.

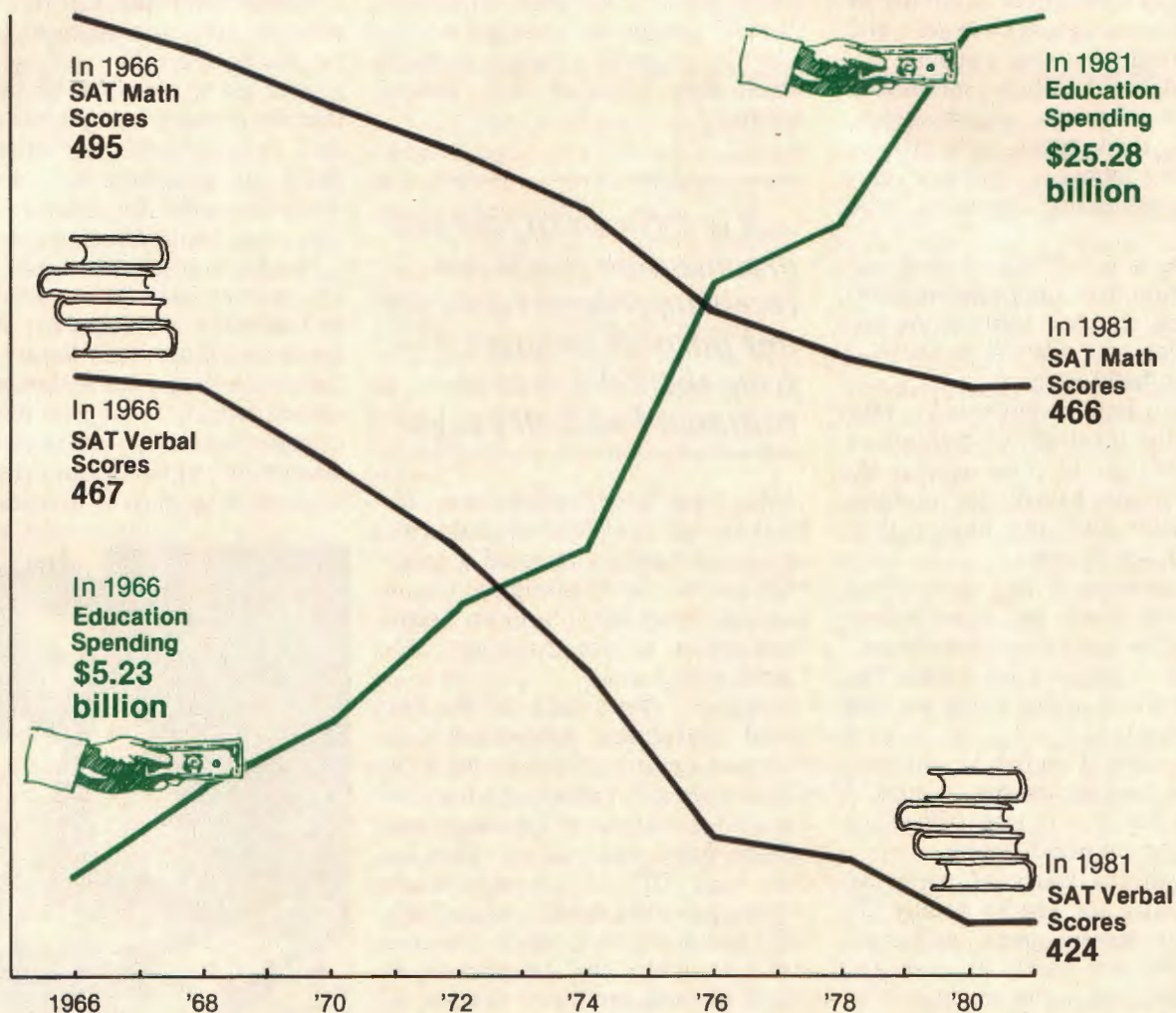
Ms. Wolfe holds a career position—she cannot be fired without great difficulty. As an entrenched bureaucrat, she is now in a powerful position to aid her radical feminist allies with taxpayer money. She can maintain a low profile, yet be extremely effective.

WEEAP's \$6 million is ideal seed

money for starting new projects and feeding old friends. Since so many projects are multi-year in nature, they can be renewed with even greater funding in later years. (NOW's grant was actually *increased* in 1981, from \$160,004 to \$170,178.) Since Reagan's election, Ms. Wolfe's actions are more outrageous than ever.

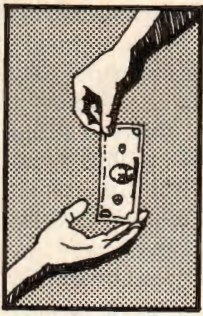
Leslie Wolfe is but one monarch in the feudal Washington bureaucracy, imperiously guarding her fiefdom. Her policies violate both regulation and the mandate of Congress. Her disdain for the President and the people she (ostensibly) serves ill-equips her to faithfully execute her duties. She deserves a swift dethronement. **CD**

Test Scores Fall As Aid To Education Rises 1966-1981



Source: National Educational Testing Service and Dept. of Education

Graph by Ron Blalock/PREP



The Grantsmanship Game: Funding The Liberal Interests

Leftists win, taxpayers lose

By Donald Lambro

America's political rhetoric is saturated with bitter condemnation of the rise of the special interest lobbies.

Overlooked almost entirely, however, is the fact that the federal government has been generously financing them year after year—with our money.

Spend a few days poring over the government's computer printouts of its grants, awards and contracts, and you will readily see what I mean.

Washington has been subsidizing thousands of groups, organizations, institutes, think tanks, associations, academics, lobbyists, political crusaders, consumerists, feminists—you name it.

In fact, it is difficult to find any organization that is not receiving federal funds for one purpose or another—from the YWCA to the National Football League.

In most cases the bureaucrats who approve the hundreds of millions of dollars that go to these special interest recipients haven't the slightest idea exactly how the money they shovel out will be spent.

There is little if any monitoring of how the funds are expended or who benefits from their expenditure. Often the funds end up paying for some report or study which no one will ever read.

"Essentially, it's a public jobs program for special interest groups," said one savvy contract officer in the Department of Education.

Although the staffs of many of these groups are almost totally financed by federal grants and contracts, they are rarely if ever examined by Congress to see how they have spent their funds and what the taxpayers have received in return.

Yet these funds have often been used to influence federal legislation and government policies, lobby legislatures, bring law suits against states and municipalities, and mount political pressure on everything from food stamps to abortions.

As fatter grants and contracts became available during the 1970s, many of these so-called advocacy groups began to establish tax-exempt spin-off groups or so-called education and research conduits through which they funneled their federal dollars.

...it is difficult to find any organization that is not receiving federal funds for one purpose or another—from the YWCA to the National Football League.

My own investigation into this shadowy world of federally bankrolled special interests revealed a seemingly endless list of subsidized organizations—from the U.S. Lawn Tennis Association to the Americans for Democratic Action.

Many of them, such as the National Governors Association, the National League of Cities, the U.S. Conference of Mayors, or the National Association of Counties have million dollar-plus budgets. They occupy huge office complexes in Washington, pay their officers exceedingly well, and use their federally-financed staffs to lobby the government in behalf of their demands—in favor of bigger budgets, expanded programs, and more federal aid.

Curiously, the people who run these enterprises do not attempt to hide the fact that they are lobbying with the help of federal tax dollars. While researching my book, *FAT CITY: How Washington Wastes Your Taxes*, I talked with a National Governors Association official about the purposes of his organization.

"There's no question that we are here to get more money for these programs (revenue sharing, block grants, etc.)," he said, pointing out that the research being done in-house with federal funds was often "valuable to governors as lobbyists" when they push for federal program expansion before Congress.

Are these grants and funding projects worthwhile? The many groups and wealthy organizations who relentlessly hunt for these federal dollars obviously think they are. Yet among some of those who staff these groups, there is an occasional blunt assessment: "I happen to believe that a lot of it (grants) is a crock," one



Donald Lambro

Robert Sherbow/UNIPHOTO

group official told me. "But we didn't build the system. The Feds built it and we have to play the game, otherwise we would be opting out to the other special interests."

Thus, the predatory nature of the "grantsmanship game" is to beat the other special interests to the federal bucks or be beaten.

Reviewing the multitude of contracts, grants and awards for fiscal 1981, one is immediately struck by the prolific numbers of organizations feeding at the federal trough. Interestingly enough, many of the same names appear again and again on various listings from agency to agency.

This is because the government is a veritable supermarket of grants and contracts. And the special interest

"...we didn't build the system. The Feds built it and we have to play the game, otherwise we would be opting out to the other special interests."

groups are out shopping for every dollar they can lay their hands on.

The only problem is that much of what the American taxpayer is buying is worthless, or at the very least of extremely low priority in terms of national social needs. Consider some recent examples from the Department of Energy:

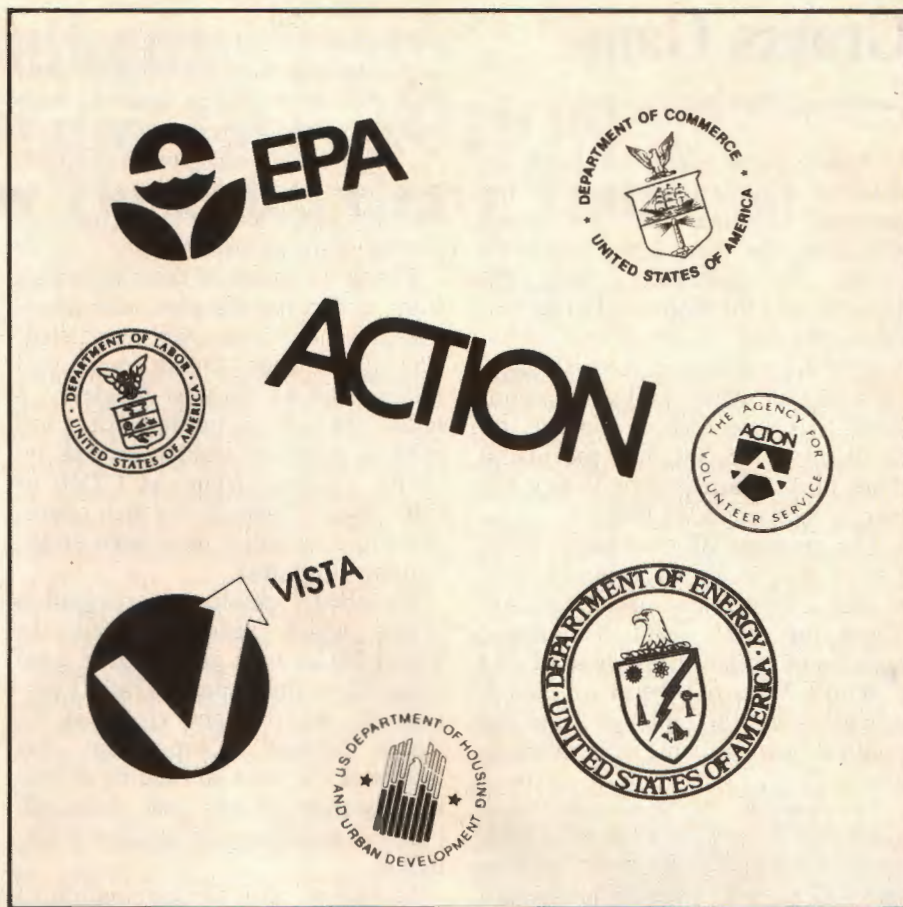
- A \$13,689 grant to Minorities Organized for Energy of Silver Spring, Md. to participate in a workshop for minorities in renewable energy.

- A \$52,620 grant to the Energy Foundation of Texas in Houston to examine the "cultural and management practices for (the) Chinese tallow tree as a biomass fuel source."

- A \$179,644 grant to the Environmental Action Foundation of Washington, D.C. to develop a "utility clearinghouse."

- A \$10,000 grant to Consumer Action Now of New York to hold "Women and Energy Workshops."

- A \$43,437 grant to the National Wildlife Federation of Washington, D.C. to hold a "Symposium on the environmental impacts of synthetic fuels production."



- A \$315,170 grant to the National League of Cities of Washington, D.C. to work on "municipal energy conservation."

- A \$46,856 grant to the National Consumer Research Institute for a conference on "Energy and the Community—The Decade Ahead."

- An \$88,000 grant to the National Association of Women "to provide assistance and procurement information to women owned businesses."

- A \$10,000 grant to the National Council of Churches to prepare "graphic materials relating to energy emergency planning."

DOE's list of grants continues for many pages, including a \$69,395 grant to make a movie called "The Energy Report" and a \$10,000 grant to put together a "bicycle slide show and public service announcements." The list of recipients and their projects stunningly illustrate why America could survive without a Department of Energy.

Throughout these grants and contracts one finds a seemingly endless variety of highly political activist organizations of all shapes and sizes pursuing grassroots, advocacy programs from an almost uniformly left-

ist point of view.

In most cases these activities and causes are being financed by taxpayers who would not, if asked, support such causes voluntarily. Thus, one finds DOE giving \$20,000 to the Environmental Defense Fund, \$180,000 to the Environmental Action Foundation, \$10,000 to Consumer Action Now, and \$20,000 to Citizen/Labor Energy Coalition.

Nowhere has the propensity of the bureaucracy to fund political and social advocacy organizations of the left been greater than at ACTION, the government's collection of volunteer programs such as VISTA and the Peace Corps.

An examination of ACTION's fiscal 1981 grants reveals, for example, a \$228,000 grant to the Greater Washington Central Labor Council of the AFL-CIO; a \$15,000 grant to the feminist Nine to Five Organization for Women Office Workers; a \$10,000 grant to Organizing for Social Change, Inc. of Providence, R.I.; and a \$5,000 grant to the liberal American Friends Service Committee.

Similarly, the employment and training contracts at the Department

Continued on next page

Grants Game

Continued from previous page

of Labor have channeled funds to leftward organizations such as the National Council of La Raza (\$91,000), the Rev. Jesse Jackson's PUSH for Excellence, Inc. (\$2 million), and the National Urban Coalition (\$9,950).

It is not surprising to see America's largest urban lobbying group, the U.S. Conference of Mayors, on the list for \$55,000, nor the liberal think tank, Mathematica Policy Research, receiving \$325,000.

The greening of the special interests is also much in evidence over at the Department of Education where the 1981 grant lists reveal millions of dollars being poured into a Who's Who of liberal to far-left organizations far removed from the political mainstream of American life.

For example, the American Federation of Teachers had its palms greased for \$107,000. The American Bar Association, which lobbies hard for federal programs such as Legal Services to absorb the excess law school graduates, was the recipient of \$1 million in grants.

...the government is a veritable supermarket of grants and contracts. And the special interest groups are out shopping for every dollar they can lay their hands on.

Other Department of Education recipients include Planned Parenthood, \$110,364; the American Friends Service Committee, \$64,923; the National Organization of Women's Legal Defense and Education Fund, \$105,577; the Center for Law and Social Policy, \$257,000; the Feminist Press, \$64,635; the U.S. Student Association, \$55,284; the United Auto Workers, \$7,686.

"The purpose of these groups is to influence legislation and public policies," said a prominent Washington attorney whose career originally began in the public interest movement. He estimated that various so-called

public interest and consumer-oriented organizations were receiving at least \$100 million a year in federal grants and contracts during the 1970s.

"Their traditional sources of financing were drying up," he said, "so the only place left to look (for support) to is the government."

Funds for many of these organizations under the Reagan administration has been measurably curtailed. The days when highly politicized groups such as Midwest Academy, a leftist training institution for community activists, could depend on yearly funding from ACTION or other federal agencies for their counter-culture activities have been ended in many programs.

So-called public participation grants which generously fed the Ralph Nader-type groups have been trimmed at the Federal Trade Commission. And the new crowd at the Legal Services Corporation has tightened the reins on funding of leftist research centers and financing political activities and legislative lobbying.

Moreover, with the elimination of the Great Society's Community Services Administration, the days when the National Urban League could pick up a quick \$125,000 grant or the Food Research Action Center was given \$645,000 to help them lobby for food stamp expansion are fading.

Still, groups and organizations of virtually every stripe continue to receive millions of dollars in funding from almost every department and agency of the government for one project or another.

"Many of the same old groups are still being funded over here," an official with the Department of Education told me. "The spigot hasn't been turned completely off by any means."

"There is still a lot of money in the pipeline," according to one Senate Appropriations Committee aide, "for many of these organizations, and while the budgets may be cut back, the grants and contract game is still being played as aggressively as ever."

Can it be stopped? Yes, if the Reagan administration's Office of Management and Budget is willing to undertake a wall-to-wall housecleaning of every grant, award and contract that has been issued in the cur-

rent fiscal year.

For openers, an executive order should be issued calling for a review of everyone of them under a stringent criteria of priority and need. Those that do not meet such a test should be summarily terminated.

Congress would also do well to re-examine every appropriation bill for any and all funds used for grants, contracts and awards to groups and organizations which do not deserve to be supported by America's hardpressed taxpayers.




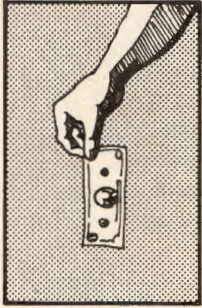
**President Jimmy Carter
Increased Federal Grant Programs**

Clearly, then, lawmakers who are arguing that budgets have already been "cut to the bone" have never bothered to examine the grant contract lists such as the one at the National Endowment for the Humanities.

An all-too-typical grant from this agency is the \$28,477 to the American Bar Association of Chicago. Its purpose: "To support the planning of a program aimed at increasing the public's understanding of fundamental principles of our legal and judicial system."

Someone should tell the well-heeled legal professionals that they had better fund this one themselves. In case they haven't noticed, our Treasury is deeply in debt.

Donald Lambro has taken a new look at the growth and cost of the federal government in a recently aired public television special, Star Spangled Spenders. 



Tom Pauken: A Conservative Takes ACTION And Stops The Left's Gravy Train

Interview by CD Editor John Lofton, February 9, 1982

CD: Mr. Pauken, some of those on the left who are having their federal funds cut are critical of what you're doing here at ACTION, and they're accusing you of conducting some kind of leftwing witch hunt.

What exactly are you trying to accomplish and why?

Pauken: The law under which this agency operates is known as the Domestic Volunteer Service Act, Amended in 1973, that act in its section on political activities provides:

"No part of any funds appropriated to carry out this act or any program administered by the ACTION agency shall be used to finance, directly or indirectly, any activity designed to influence the outcome of any election to federal office or the outcome of any election to state or local public office, or any voter registration activity, etc."

And it goes on to indicate that partisan and nonpartisan political activity is not permitted and that federal funds are not to be used for political purposes on behalf of anybody—conservatives, liberals, socialists or Ku Klux Klansmen.

Our concern in coming into office was that the previous administration,

"I was shocked at the depth of funding of activist groups...that in the name of the poor, the needy, or the sick, are in reality organized for the purpose...of gaining political power."

headed by the antiwar activist Sam Brown, was heavily funding politically active organizations involved—directly or indirectly—in lobbying for or against a variety of public policy issues.

That's wrong. We are eliminating that funding in this administration and we're not funding any political activities on the right. I don't believe the federal government ought to be in the business of using tax dollars to promote political points of view.

Specifically, under the previous administration, some \$200,000 went to the Tom Hayden and Jane Fonda-related Laurel Springs Institute in California—a part of their Campaign for Economic Democracy umbrella, which they used under VISTA funding.

More than a half-million dollars went to an organization in Chicago, the Midwest Academy, headed by former SDS leaders Paul and Heather Booth. This group, founded by the now deceased radical Saul Alinsky, is the organizational network for the New Left that trains community organizers.

The Citizens/Labor Energy Coalition, heavily funded by this agency in the past, organizes antinuclear activity throughout the country. A variety of tenants' rights activist organizations were funded through VISTA under the previous administration which took positions on behalf of or in opposition to various referenda concerning tenants' issues.

An organization associated with Ralph Nader's Public Interest Research Groups received approximately \$1 million from ACTION.

The irony is that they probably shouldn't have gotten it under the law in the first place. If they want to get funding for their ideological causes, that's fine, but let them go raise it from their ideological brethren.

CD: How widespread is this problem?

Pauken: Well, I knew that this agency had spent *some* money on this kind of activity. I didn't realize it amounted to tens of millions of dollars.

I was shocked at the depth of the

funding of political activist groups under the previous administration. I'm referring to the various organizations that in the name of the poor, the needy, or the sick, are in reality organized for the purpose of changing this political and economic system and then gaining political power.

In a recent article in *Social Policy* magazine, one of the officials of the New Orleans-based Association of Community Organizations For Reform Now (ACORN)—which has received substantial grants from ACTION in the past—had this to say:



Tom Pauken
Director, ACTION

"We do not use our food-buying clubs as anything other than a tool to build the necessary social bonds for our people to struggle in the political and social arena. Our interest is not in specific or immediate reforms; instead, our purpose in such participation is to build political power."

And then in an ACORN training manual, there is this: "Our goal is building power. We're not interested in just making people like one another."

Continued on next page

CD Interview

Continued from previous page

In addition, the request for funds from the Midwest Academy said their project would address the following issue:

"The great majority of people in poverty feel unable to deal with its causes and remain trapped in its vicious cycle. They need the help of *skillful organizers* who can help them understand the root causes of their poverty and enable them to take collective action to improve their standard of living."

Under the grant, of course, the Midwest Academy would provide and train the VISTA volunteers so that they could become, "skillful organizers."

Then they had a series of instructions and topics for the VISTA volunteers—again using taxpayers' dollars. Topics on the agenda included "organizing for power, direct action organizing, some guidelines on Mass Lobby Day, organizing rallies."

VISTA volunteers were taught how to pick an issue to fight about, and to target an enemy who could be portrayed publicly in a bad light.

ACTION probably was a significant funding arm of the New Left political movement, and kept a lot of its organizations going. There's no question in my mind that in order to organize they were heavily dependent upon federal funding.

CD: Are we talking about thousands of people or tens of thousands—again, all totaled over the years?

Pauken: It's hard to say. Over the years there were thousands, to be sure. Probably there are a few key organizations, with affiliates in some 50 to 100 communities around the country; if you look beneath the surface at most of those organizations involved in community organizing, they have now or have had federal grants in order to operate.

CD: Are all or most of these activities here illegal, or close to being illegal—or what?

Pauken: The House Appropriations Committee in 1979 raised serious questions about whether this type of funding ought to continue.

Not only was this against the spirit of the law, but—look, it's one thing to inherit somebody else's mess, but after a year, it's your own mess. We

resolved from the beginning to do what we could to see that politically activist groups—of any cause—were not involved in getting funding.

I happen to be opposed to abortion; I personally support the Right to Life effort. However, I would not be in favor of a federal agency providing funds for this movement. Politically activist groups need to raise their funds in the private sector and to get volunteers that way too. I think that's the way it ought to be. Those are the rules for all organizations. Our inspector general's office is auditing the projects, and we require it to follow the rules (concerning political activities).

We terminated a project in Philadelphia where one of the VISTA volunteers was involved in a union demonstration at the home of the mayor. We thought that was rather clearly in violation of the statute, but a federal judge overturned our decision.

We've done two things: made sure funding will not continue to go to

prove who's using the only telephone for what? Is the non-political organization's telephone service, which is paid for by the federal government, being used by the political organization? I think it's reasonable to assume that funds are commingled, but proving it under the law is another matter.

You may have two organizations: one, your "non-political" organization" that receives federal funding; and another, separate organization in the same room with the same telephone involved in political activity. And they say, "Gee, we did that on our own time," or, "We did that separately; in terms of any political involvement, it wasn't connected with the project."

From a legal standpoint, however, there may be technical problems in proving this commingling of funds.

We have upgraded our inspector general's office. The previous administration did not have an independent inspector general. It was an office given low priority. Obviously, we



Robert Sherbow/UNIPHOTO

I don't believe the federal government ought to be in the business of using tax dollars to promote political points of view.

—Tom Pauken
Director, ACTION

these kinds of organizations, and we are auditing many ongoing projects for violations of law. Where there are violations, we refer them to the appropriate authorities.

CD: Do you think, based upon what you've discovered thus far, that the law was winked at, or even blatantly disregarded?

Pauken: It's like having a political organization with one office. If that office is shared by another non-political organization, how can you

have upgraded it.

CD: Are you its boss?

Pauken: Yes. But although I am the boss, the inspector general is ultimately independent.

CD: You're going to be hard-nosed on this?

Pauken: Yes.

CD: Is ACTION the only federal agency through which federal dollars are given to these radical and liberal groups?

Pauken: We know one case in



Pauken with CD Editor John Lofton

Robert Sherbow/UNIPHOTO

which we cut off the funding of an organization that had spent substantial sums in grant money for memberships in health clubs and a trip to Puerto Rico to attend some Pan American basketball championship. We found that hard to justify as poverty related.

We also learned in the investigation that this organization had received money from other agencies—including the Department of Education—and were trying to get money from Interior to cover the money they owed this agency. They used the money from this agency to pay off money owed the Department of Education in their grant process.

Organizations like these go to every agency in town to get funding. But we have made it a strong policy that it isn't going to happen here.

CD: Let's talk about your predecessor, Sam Brown. What kind of a ship did he run here?

Pauken: Sam Brown was part of the New Left political coalition. He apparently came into this office with the idea that he would build and support that political network, and he put a lot of federal tax dollars into that network.

His choice as director of VISTA—Marge Tabankin—was one of those who went to Hanoi, and took part in the antiwar activist efforts.

They had Lee Weiner as a consultant. Weiner was a member of the Chicago Seven.

They set out to get as much money as possible out to their ideological brethren.

CD: In doing this, how close did they come, in your judgment, to breaking the law?

Pauken: I think in the 1979 hear-

ings before the House Appropriation Subcommittee it was a very close call as to whether additional action would be taken. In a different time and under a different administration, some action would have been taken. The spirit of the law was violated in my opinion.

CD: When they left, did they strip files or take records? Do you think you really know everything Sam Brown did while he was at ACTION?

Pauken: No. Who knows what was taken? We know that records were taken by a former senior official. Although we were able to get these records back, I can't say we have a complete set of records of what took place in the previous administration.

CD: Did Brown take what he was entitled to take? Of course, one of the problems is that you don't know exactly what he took.

Pauken: I don't know what he took. He was entitled to take his personal papers. But I don't know what else was taken. Sometimes you learn things by an unusual situation. In Dallas, my home community, they funded a self-proclaimed socialist organization called the Bois d'Arc Patriots. They had a VISTA grant, and it turned up on a fluke. We found out that our agency turned over furniture to them, which they were using in their offices. As a result, we got the furniture back.

I sent out a directive to our people asking whether any other agency equipment had been given out to various organizations. At the Laurel Springs Institute we turned up a TV monitor that had been given to them. How that fits in to poverty-related activities, I don't know.

I can't say we've caught every-

thing, but we've got a pretty good record of shutting down most of those activities that were in violation of the spirit, if not the letter, of the law.

CD: What about the bottom line, then? What have you been able to accomplish, and how effective have you been?

Pauken: We have stopped almost all of the funding of politically oriented or activist groups begun under the previous administration, *where permitted by the law*. Obviously, there's some funding which was in progress prior to our getting in office. Almost all of that will be finished in the next couple of months.

We make sure that these matters are reviewed throughout the organization. So, if someone in the bureaucracy, on a personal whim, wants to fund politically activist groups, they don't have the authority.

CD: Would you say that anyone need be concerned that poor people will suffer from your de-funding of these groups?

Pauken: Absolutely not. These groups didn't do anything for poor people. We're facing budget cuts at this agency, and yet we're putting *more volunteers* into the field. We're beefing up our Older American Volunteers, the volunteers who truly want to help the needy, and we've cut out this wasteful expenditure of tax dollars.

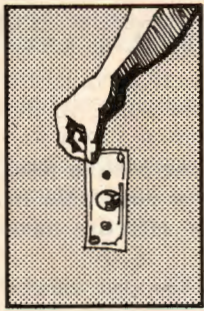
CD: How have the leftists reacted to your administration of ACTION?

Pauken: Well, I'm not one of their favorite people. But so what? We're here to do what the President campaigned on. These groups don't deserve to be using taxpayers' money. In the Philadelphia case, the opposition was a group that's associated with the Midwest Academy. They were represented by Legal Services' attorneys.

Are they representing the poor people? Are they helping the needy? Or are they involved in politically activist causes?

CD: Has any group sued you to keep their money?

Pauken: Yes. We've won a couple, lost a couple. As I mentioned earlier, a federal judge in Philadelphia prevented us from terminating the project earlier. That case is pending and I would anticipate an appeal. But there has been legal effort, generally using Legal Services' attorneys, against us. **CD**



VISTA's Director Says:

Take My Agency — Please!

By Jim Burnley

When Ronald Reagan was running for president, he promised the American people "a new beginning." A major part of that "new beginning" is the reexamination of many government programs that have been taken for granted in recent years.

Basic questions are being asked about each program under review, including (1) is the program fulfilling the goals set by the legislation authorizing it; (2) is the program cost-effective, and (3) even if the answer to those two questions is "yes," is the program a proper function of the federal government?

VISTA fails all three tests. Therefore, the Reagan administration has decided to phase it out. As the new director of VISTA, I find myself being asked to work myself out of a job. Although this is a somewhat curious position to be in, I fully support the administration's decision.

VISTA is an acronym which stands for Volunteers In Service to America. Founded in 1965 as a part of Lyndon Johnson's so-called War on Poverty, it is often described as a domestic Peace Corps.

In fact, both VISTA and Peace Corps are a part of the ACTION agency, which also includes a number of programs involving older Americans as volunteers such as the Foster Grandparents Program.

At present, VISTA has over 4,000 participants, called "volunteers." However, the term "volunteers" is a bit misleading. Each participant in the program is expected to work full-time. He or she receives a poverty level living allowance, plus a payment called a "stipend" of \$75 per month.

By law, these payments cannot be considered in determining if an individual qualifies for unemployment compensation or other forms of pub-

lic assistance. Thus, there are quite a few VISTA volunteers serving today, at a cost to the U.S. government of just over \$8,000 per person, who are also receiving food stamps and welfare.

Each VISTA volunteer is assigned to a sponsoring organization such as a state or local government or to a private nonprofit organization. *None are under the direct supervision of VISTA.* With more than 800 sponsoring organizations, which means an average of five volunteers per sponsor, it is impossible for the national program to keep close track of the



Jim Burnley
Director, VISTA

activities of each person it is paying.

According to the legislation under which we operate, VISTA is supposed "to strengthen and supplement efforts to eliminate poverty and poverty related human, social and environmental problems in the United States by encouraging and enabling persons from all walks of life and all age groups—including elderly and retired Americans—to perform meaningful and constructive volunteer service in agencies, institutions, and situations where the application of human talent and dedication may assist in the solution of poverty and

poverty related problems and secure and exploit opportunities for self advancement by persons afflicted with such problems."

Translated into English: The program can do almost anything those in control wish, so long as it is cloaked in the claim that poverty is being fought.

There may not be another agency in the federal government where, on last Election Day, the political pendulum swung more broadly. One example: I am a conservative Republican from North Carolina. My predecessor as director, Marge Tabankin, won her political spurs on the radical fringes of the antiwar movement. In May 1972, at the height of the Vietnam war she traveled to Hanoi where she participated in a press conference denouncing supposed war crimes by the United States.

Another example of the pendulum swing: During the last administration, the VISTA program funded and supplied volunteers to numerous leftwing groups. VISTA's own records describe other current or only recently closed projects as follows:

- "Developing advocacy programs; equipping poor people with the knowledge and proper perspective necessary to organize and bring about social changes;
- "Acting as change agents at the local level;
- "Expanding five-county area to organize around welfare rights issues;
- "Fund raising;
- "Disseminating information on legislation;
- "Training leaders;
- "Organizing in the northeast side of Chicago a volunteer self-help group, a not-for-profit housing corporation, and tenants groups to combat slum landlords;
- "Consumer/ecology advocacy;
- "Research issues, assist community groups and disseminate information pertinent to prevent consumer injustices throughout the state, rural nonindustrial area."

I want to point out that not all VISTA projects are confrontational in nature and based on the leftist community organizing theory. Quite a few are unobjectionable.

But during the last administration, far too many projects were set up which seem primarily designed to fit the community organizing mold.

Whether or not the statutory mandate requiring VISTA to address the problems of poverty is fulfilled by such activities is, at best, highly debatable.

The second question to be addressed is whether VISTA is cost effective. In one sense, the answer is clearly "yes." It currently has al-

The program can do almost anything those in control wish, so long as it is cloaked in the claim that poverty is being fought.

most 4,000 people working in communities all over America for poverty level pay. Its bureaucracy is relatively small. Compared to numerous other governmental programs it appears to be inexpensive.

However, in the larger more important view there is scant evidence that VISTA has made a serious dent in the problems of poverty. According to the Bureau of the Census, there were 24.1 million poor people in this country in 1969 and 25.2 million ten years later—an increase of 1.1 million.

You will recall that the Johnson administration's broad array of social programs was supposed to wipe out poverty. That hasn't happened; and more than \$400 million in tax dollars has been spent just on VISTA since its inception.

Finally, we should ask whether VISTA program activities are appropriate for the federal government. I believe that answer is "no." One serious problem is that VISTA's mission is too broadly defined in the authorization legislation. Each time the party in power changes, the new VISTA director virtually has a free hand to remold programs to suit his or her vision of the world.

Paradoxically, another reason to question the program is the lack of control a director has over the activities of individual VISTA volunteers and those of their sponsoring organizations. When a sponsor is chosen, VISTA signs a 12-month contract which can be terminated only if there is clear evidence of a violation of the statutes, regulations or national VISTA policies.

Equally disturbing is the total lack of control local communities have over the activities of their VISTA volunteers. Even though the governor of a state can veto a project using VISTA volunteers within 45 days of being notified of a proposed project, this power is seldom exercised. On a number of occasions, VISTA volunteers beginning work in a small town have antagonized the local citizenry. Yet when the complaint comes into the national office, we must reply that there is nothing we can do until the one-year agreement expires, unless there is clear evidence of wrongdoing by a specific volunteer. Furthermore, if the federal officials in charge of the program are unsympathetic to the complaints, the project—and the problems it creates—may continue for several years.

Thus, VISTA is being phased out. However, the agency of which it is a part—ACTION—will continue

through its other programs to encourage volunteerism throughout this country. This encouragement will come in the forms of technical assistance and seed money for volunteer programs set up and controlled by local communities. With this non-coercive approach, ACTION will not impose its views or programs on communities where they are not wanted.

As President Reagan said on October 5 when he announced the creation of the Presidential Task Force on Private Sector Initiatives: "With the same energy that Franklin Roosevelt sought government solutions to problems, we will seek private solutions. That independent spirit will accomplish far, far more than government programs ever could. **CD**

Jim Burnley recently resigned as director of VISTA to take a position at the Department of Justice.

Leftist Causes Aided By VISTA

President Reagan's 1983 budget ends the VISTA program, for a savings of \$31 million. Here are some examples of VISTA recipients on the far Left:

- **Tom Hayden and Jane Fonda's Laurel Springs Institute** in Los Angeles received \$189,000 from VISTA in August 1978. The institute is a training school for Hayden's political arm, the **Campaign for Economic Democracy**. Many CED staffers also serve on the institute's board.

- **American Civil Liberties Union** in Atlanta in 1981 had six VISTA volunteers to organize a local lobby on "decisions relating to public assistance and the criminal justice system," according to VISTA.

- **New York PIRG Citizens' Alliance** in Albany received funding for nine VISTA volunteers in 1981. PIRGs (Public Interest Research Groups) are affiliated with the **Ralph Nader** national network.

- **Dane County Welfare Rights Organization**, Madison, Wisc., received funding for five volunteers in 1981 to lobby for more welfare, for "training leaders" and for "acting as change agents at the local level."

- With the help of 11 VISTA volunteers, a study called "**The Reagan Cruelty Index**" and another, "**The Greed Index—a Guide to Reagan Tax Reductions**" were produced in March, 1981, by the **Institute for the Study of Human Values** in Philadelphia, Pa.

- **Iowa Gray Panthers** in Iowa City received assistance in 1980-81 in organizing a Gray Panther network from five tax-funded VISTA volunteers.

- **ACORN (Association of Community Organizations for Reform Now)** received \$470,475 in September, 1977, for the training of 100 volunteers. According to a 1979 congressional report, ACORN's tax-funded volunteers were openly active in political campaigns in Arkansas and Missouri, and five volunteers helped with union organizing in New Orleans, La.

- **The Midwest Academy**, an ultra-left training school in Chicago, received \$432,235 in September, 1977, and prepared VISTA volunteers for their duties throughout the Carter years. Two volunteers were made full-time union organizers in Rhode Island, and others were sent to bolster leftist organizations in the Midwest, a congressional study found. (**Midwest's** radical training manual is excerpted on the next page.)

Radical VISTA Manual Uncovered

“Give People a Taste of Blood,” Federal Volunteers Told

These are excerpts from training materials used by VISTA volunteers at the Midwest Academy in Chicago in the late 1970s:

(The academy is run by two former SDS radicals.)

Give people a ‘taste of blood.’ Push your opponents so hard you can see them squirm.

* * *

Make what the opposition is doing or not doing sound scandalous. It generally is scandalous, but the edge may have been dulled by the routine manner in which it is normally treated.

* * *

You may want to assign some people to be ‘*inciters*’ and move about to heat up the action getting people angrier and encouraging them to show their anger. You may at other times want some ‘*calmers*’ to stand near people who may be disruptive to the focus of the action.

* * *

Your power is your ability to hurt the target or withhold something the target wants. The hurt can be immediate, as in a strike or boycott, or it can be potential, as when bad publicity will cause a politician to be unseated. You should always know exactly what kind of power you are using and how it will work.

* * *

Stunts can help....If, for example, a politician won’t meet with you, tape a sign across his office which says, ‘This Office Closed to the Public.’ If someone won’t come into a debate, put a dummy in the chair and debate that for dramatic affect [sic].

* * *

Be ever on the lookout to play targets off against each other, Republican vs. Democrat, Up-State vs. Down-State, In Group vs. Out Group. Your enemy’s enemy may be your ally....

* * *

The Third Principle of Direct Action organizing is that it attempts to alter the relations of power between people’s organizations and their real enemies. The enemies are often unresponsive politicians, tax assessors, utilities, landlords, government agencies, large corporations or banks.

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- What Senators and Congressmen are active in the New Right.

- Why some of the conservative ministers decided to team up with economic conservatives.
- How Nelson Rockefeller's appointment as Vice President helped create the New Right.
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- What are the four secrets of the New Right's remarkable success.



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Tax-Funded Broadcasting Aids Radical Leftists

The tax-funded Corporation for Public Broadcasting (CPB), has a history of supporting hard-Left programming and radical radio stations with the money given it by Congress.

In September 1981, CPB spent \$148,000 to broadcast anti-Reagan propaganda from Solidarity Day, which was sponsored by several left-wing unions and, among others, the U.S. Communist party.

CPB also used money normally reserved for hard-news events (like space exploration) to broadcast "El Salvador: Another Vietnam?", a pro-Left documentary, on the nationwide Public Broadcast System. The airing was timed to coincide with the Soviet-backed guerrillas' "final offensive" (which was a failure).

The Pacifica Foundation operates five radio stations around the country. In the last five years, CPB gave at least \$1.6 million to Pacifica, whose leftist slant and broadcasting of offensive material has brought numerous complaints against them to the Federal Communications Commission (FCC).

The license of Pacifica's Washington, D.C. station, WPFW, has been challenged by the conservative Washington Legal Foundation. The case of WPFW may be seen as a microcosm for the entire tax-funded Pacifica system.

Consider these points while reading the following:

—A station must present both sides of a controversial issue. (The "Fairness Doctrine") The mere voicing of these opinions is *not at issue*.

—A station is responsible for *everything* that goes out from its transmitter. (This includes phone-in callers.)

—The station cited, WPFW, has not been heard to present the opposing view on the following subjects.

• **WPFW AIRS EXTREMIST PROPAGANDA AGAINST U.S. AND EL SALVADOR.** Speakers on WPFW repeatedly link the U.S. and the Duarte government with Hitler and his actions. "(These) bloody crimes...are the same as those of Hitler." (Sept. 21, 1980) "(This is) indiscriminate, genocidal oppression

equal to that of the Nazis." (July 22, 1981) The speaker also asserted that the Reagan administration's involvement in El Salvador was "racist motivated." (same date).

• U.S. IS A RACIST NATION, SAYS TAX-FUNDED STATION.

On Aug. 10, 1981, a speaker on WPFW said that the neutron bomb is being developed so that it could be deployed against black people in the U.S. Another in the same program said that the word "terrorists" is really a code word for blacks, and equated anti-terrorist measures with racism. The next day, a speaker suggested that the King Tut exhibit (then being shown in Washington) was to perpetuate white supremacy by portraying the ancient Egyptians as white.

• REAGAN SHOULD HAVE DIED, STATION BROADCASTS.

On the day President Reagan was shot, WPFW broadcast the following on a phone-in talk show:

"I feel that the person that shot President Reagan should have killed him...I feel that Reagan is an unthoughtful person...And I'm sorry this man (John Hinckley, the accused assassin) is being incarcerated for something he tried to do. I wish he had succeeded..."

The morning after the Reagan shooting, an announcer on WPFW said Reagan's assassin "should have had a '45'," according to the complaint.

WPFW is also accused of violating FCC standards by broadcasting obscene and offensive material on the airwaves. At least one other Pacifica station (WBAI in New York) has received similar complaints.

And you paid for it. In the past five years, WPFW received at least \$143,776 in tax dollars from CPB and the National Telecommunications and Information Agency.

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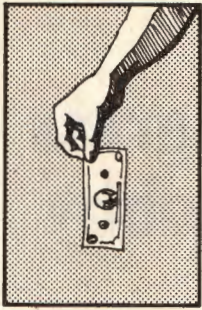
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Reagan Reformers End Aid Program For Naderites

By Martin Wooster

Ronald Reagan's greatest victory in 1981 was probably his breaking the New Deal-Great Society cycle of endless government growth. However, the result tended to be a net reduction in the rate of spending growth, not actual termination of programs.

An effective Left-oriented program was killed last year by President Reagan—intervenor funding. Though statutes allowing the program funding remain on the books, virtually all spending was cut.

“Intervening” for Taxpayers

Intervenor funding was the practice of subsidizing groups that testify at regulatory hearings. For example, suppose your electric power company wanted to increase its rates.

A hearing would be held by your state's utility commission. You would be “defended” by lawyers from the state's consumer affairs office. Said Lorna Wilkes of the Wyoming Energy Advocacy Commission, “consumer protection in utility rate matters is necessary because, no matter where you live, your local utility has experts, attorneys, and lobbyists to present the utility's side of the story.

“The consumer pays for telling the utility's side of the story through his rates, but a consumer counsel office is needed to research and present the other side of the story on behalf of the consumer.”

This is a half-truth. You paid the utility's costs through electricity bills, but you also paid the bills for the \$50-an-hour “consumer” lawyers through your taxes, as part of a \$2-million slush fund administered by 40 Department of Energy bureaucrats.

Intervenor funding began in the Federal Trade Commission in 1975, as part of the Magnuson-Moss Act. Added in conference, without any debates or hearings, was a “public

participation amendment” that required the FTC to “provide compensation for reasonable attorney's fees, expert witness fees, and other costs of participating” in FTC hearings.

Carterites Pushed for Funds

The Carter administration, as part of its effort to create a Consumer Protection Agency, established intervenor-funding programs throughout the bureaucracy. By 1979, there were six such programs, including the Food and Drug Administration, the Consumer Product Safety Commission, the Community Services Administration, the Environmental Protection Agency, and even the National Oceanographic and Atmospheric Administration.

This radical tampering of government wasn't even considered by Congress, because the Carter administration felt that these added regulatory powers, even though not authorized by Congress, could nonetheless be established because the Carter administration had an “inherent authority” to establish intervenor funding.

Ed Cohen, the Carter staffer in charge of establishing intervenor programs, explains: “We liked to use inherent authority. Nobody would object to it.”

Once the supply of intervenor funding was established, demand for grants quickly followed. Washington writer Morgan Norval learned that the FTC in 1979 alone had given grants to the Americans for Democratic Action, Action for Children's Television, and the Community Nutrition Institute.

The FTC even gave money to phantom organizations, such as the Council on Children, Media, and Merchandising, which “consisted of a single individual and had no dues-paying members. But from 1976 through the


middle of May 1979, this “organization received \$185,839” for five rule-making hearings.

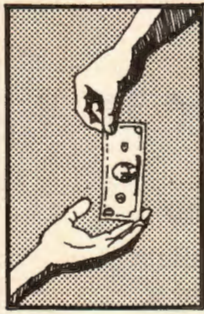
Some FTC intervenors had to beg for witnesses. The National Association of Senior Citizens, armed with \$46,734 in taxpayer loot, could only get witnesses by taking out ads reading: “If you bought a hearing aid in the past 30 days, you were probably cheated. The U.S. Government wants to know about it.”

In the Department of Energy, only one witness at the hearing establishing intervenor funding was asked if his group had saved consumers any money. State Senator David Holmes of Michigan didn't answer the question. “I approach these grants from the standpoint of a legislator, not a technical person,” said a man who had previously discussed the differences between section 460.11 (b) (11) and 460.15 (b) (5) of the DOE intervenor grants regulations.

During 1981, all intervenor grants programs ceased. Hearings called by Senator John Danforth (R-Mo.) exposed intervenor abuses.

The discredited intervenor programs were finally declared unconstitutional by the Second Circuit Court of New York in September, 1981. However, several agencies may reinstate intervenor funding under a future administration. The court decision prohibited intervenor programs without legislative approval. Several intervenor statutes remain on the books—and should be repealed.

Even some liberals questioned intervenor abuses. Said John Gardner, founder of Common Cause, “Public participation proposes direct assistance. If the concept of conflict-of-interest means anything, then there is danger in potential critics of an agency being financed by the very agency they criticize. We could easily create a class of kept critics, and damage the future of an independent public interest movement.” 



Young Conservatives In Congress Fight Tax-Funded Liberal Lobby

To get along, you have to go along," Speaker Sam Rayburn used to remind wayward congressmen in the 1940s and '50s.

For decades, a majority of Democrats and Republicans in Congress have done just that. While the GOP occasionally raised hell about budget deficits, few questioned the growth of government programs.

The Department of Health, Education and Welfare was begun by a Republican administration—Eisenhower's. While Nixon began to dis-

"We're dealing with the shock troops of the Left. The legal-services lawyers and the community-action organizers are at the front-lines of liberalism."

—Rep. Vin Weber
Minnesota

mantle part of the Great Society, he soon turned his attentions to such exotic schemes as a "super-Cabinet" and the consolidation of all departments into four huge agencies. Ford had little time and a hostile Congress; Carter preached reorganization but went along for the ride.

All of which makes 1981 a momentous year. Two events best describe the sea-change Reagan has accomplished:

1) For the first time since the end of World War II, the number of federal employees decreased.

2) A prominent federal agency, the Community Services Administration, was cut and downgraded.

One should add: the world did not end, as Tip O'Neill and Co. predicted. Of this fact, several resourceful politicians took note.

Activists Lobby with Tax Money

The budget battles of May and June 1981 gave inexperienced Republicans a baptism of fire. Reagan's forging of a conservative coalition was greatly aided by local activists whose survival instincts overcame their better political judgment.

The spectacle of bureaucrats using their positions (and taxpayer money) to lobby for more government was first seen recently with California's Proposition 13 campaign in 1978. Local parks officials sent notices to



voters that public facilities would close if Prop. 13 passed. Teachers were given layoff notices—conditional on 13's passage—just before the election.

Voters, outraged at high taxes and the heavy-handed propaganda, passed Prop. 13 by a 2-1 margin.

With Reagan's budget, the stakes were higher. The activists decided to hit back—hard. They didn't notice the new breed roaming the halls of Congress.

Minnesota's Vin Weber is one. A committed conservative who learned the Hill's ropes as a staff aide, he successfully bucked the state's liberal trend (Carter-Anderson polled 56 percent) with a thoughtful, non-ideological approach.

Sensing vulnerability, the entrenched Left swung into action.

Headquarters was the Region 6E Community Action Agency in Willmar, Minn., a key town in Weber's district.

On official CSA letterhead, they wrote a form letter to "Friends of Community Action:

"As someone who has received services from our agency or personally known someone who has, I'm sure you are concerned with the future of our agency...

"Reagan...is attempting to completely eliminate CSA. This would severely cripple, if not completely eliminate, agencies such as ours all across the nation.

"Please help people who desperately need our services by taking a few minutes to write your Congressman. Ask him to support CSA. Explain what specific assistance you have received or seen and what would have happened without it.

"The poor, the elderly, the children need YOUR support!"

Included was Weber's address and that of Senators Durenberger and Boschwitz—all Republicans.

For the year ending April 30, 1981, Region 6E CAA received \$2,755,546 of federal money—86 percent of its income.

Young Conservatives Take Action

Weber was infuriated by the letter campaign, and by reports of Community Action staff holding meetings to organize citizens for personal lobbying.

"We're dealing with the shock troops of the Left," Weber said. "The legal-services lawyers and the community-action organizers are at the front-lines of liberalism.

"In Minnesota, the Democrats used to represent some farmers, the common workingman. But there's been quite a change, and that's not true anymore. Now, the Democrats represent those who work for the government, and to a lesser degree those who are dependent on government handouts."

Weber's inquiry into the lobbying campaign led to an investigation by CSA's Inspector General, the Department of Justice and the FBI.

He was not alone. Another GOP freshman, Rep. Steve Gunderson of Wisconsin, was confronted with federally funded brochures sent through his district, titled "Reagan Says No to Human Needs...What Do YOU Say?"

"Aside from being an extremely biased presentation, the West CAP pamphlet implied a vengeance against the poor on the part of the President and his supporters," said Gunderson, who beat a three-term Democrat in 1980.

"We immediately called for an investigation by the regional Community Services office in Chicago. Most of them were Carter holdovers,

and they said that there was no violation of the law by West CAP. We took our case to the Reagan appointees in Washington, and finally got some action.

"This was purely political. It had nothing to do with serving the poor. At their community meetings, there was no pretense about giving the other side of the budget picture."

The local Wisconsin activists have since lobbied successfully for control of such projects as the distribution of excess cheese to the poor. "They're extremely talented at getting federal grants, and the politics continue. They attacked me in their January newsletter, and didn't bother to ask me about their charge," Gunderson said.

Because of the Democratic control of the House, Republicans are

looking to the Senate for early consideration of laws to strengthen prohibitions on lobbying and political use of tax funds.

Sen. William Armstrong (R-Colo.), a young but high-ranking member of the Budget and Finance Committees, has studied the problem and may introduce legislation to curb grant-program abuses. Such a proposal could be tacked on to a major funding bill and through conference agreement pass into law.

Whatever the final action, young conservatives in Congress have been quick to fight back against brass-knuckle tactics by the federally funded Left. They understand that political survival for conservatives may depend on swift clearing of such weeds at their own grassroots. **CD**

Tax-Funded Brochure Attacks Reagan

Excerpts from a publication printed and mailed at government expense by the West Central Community Action Agency of Glenwood City, Wisc.



Cover of Anti-Reagan Brochure from Wisconsin

Conservative Digest April 1982

How Will Reagan's Proposed Budget Affect You?

President Reagan has proposed cuts in the federal budget amounting to *over \$48 billion*. He has also proposed a 10 percent across-the-board income tax cut.

The tax cut will benefit the wealthy; lower- and middle-income people will bear the brunt of the budget cuts.

If you live on a lower income, Reagan's proposals affect you directly. You would:

- receive fewer Food Stamps
- receive a lower AFDC or SSI payment, and
- receive a lower HUD rental subsidy...

What Can We Do About It

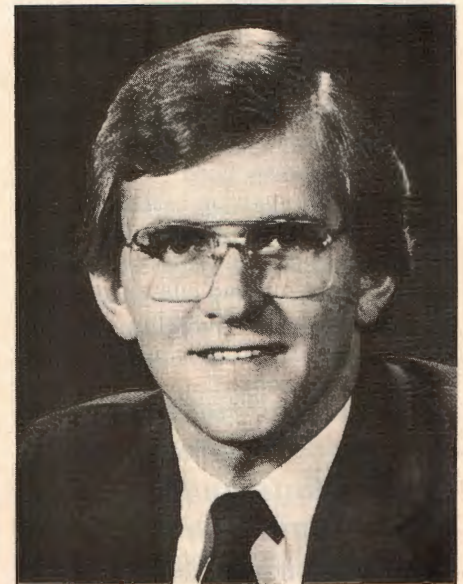
Reagan's budget is still a proposed budget. It must be approved by Congress before any of the cuts can go into effect. And right now, while the budget is still a proposal, you can help prevent it from ever becoming a reality...

West CAP will sponsor meetings... (to) plan a course of action to protest the budget cuts.

Tell Your Legislators You Oppose The Cuts

The single most important thing you can do to prevent these cuts is to write to your legislators, right now, and tell them how you feel.

...Your letters should be short and to the point. Name the programs you do not want to be cut, and say what

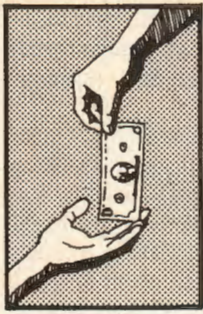


"We are funding bureaucrats who use people for their own ends, with little or no regard for serving the poor."

—Rep. Steve Gunderson
Wisconsin

will happen in your household if the cuts are allowed to go through...

(Included in the brochure are names and addresses of Wisconsin Representatives and Senators, and a schedule of meetings on the budget. It was mailed using a bulk-rate permit intended for nonprofit groups.) **CD**



Media Proves A Stumbling Block To Conservative Reform

Reagan can overcome the problem — but will he?

By Fran Griffin Gemma

As Reagan's term entered its second year, it was increasingly clear that most of the national radio, TV and press media comprise a major stumbling block to Reagan's federal reforms.

This should be no surprise. The press corps as a group is more liberal and Democratic than the rest of the country. In a recent survey of 240 of the national press, *Public Opinion* magazine found that 81 percent of the media voted for McGovern in 1972; the exact same percentage preferred Carter over Ford in 1976. The media "show a strong preference for welfare capitalism, pressing for assistance to the poor in the form of income distribution and guaranteed employment," the report said.

"Turning all social welfare programs into block grants could crush communities with swelling public assistance burdens. Why punish them? Poverty is a national problem. Relieving it is a national responsibility."

**—New York Times
August 15, 1981**

It's not hard to conceive which questions—based on liberal assumptions—are asked of Reagan, and which concepts of government are given sacred-cow treatment.

Another problem is, what makes good copy? Controversy does, philosophy doesn't. It's more interesting to cover opposition to Reagan's budget

than to explain its reasoning or identify its supporters.

Block Grants Draw Press Ire

When President Reagan proposed last year to consolidate some federal programs into block grants that the states could use for broadly defined purposes, the Eastern Establishment press (in particular, the *New York Times* and *Washington Post*) were quick to play up the opposition to the idea. This formidable opposition was strengthened by constant press coverage.

The handling of the U.S. Conference of Mayors annual meeting in June of 1981 is a case in point. "Mayors Open Meeting With Clash Over Reagan Cuts, Block Grants," read the *Washington Post*. Milwaukee Mayor Henry Maier was quoted as saying, "There is going to be blood in the streets as a result of this budget... either in rising crime rates or direct riots."

The *New York Times* had two successive stories on the conference, headlined: "Mayors Conference In Rift Over Budget" and "Rift at Mayors' Meeting Grows Over Budget Cuts."

Articles like "U.S. Aid Hedges on Block Grants As Bipartisan Opposition Grows" or "States' Rights Advocate Led Defeat of Block Grant Plan" (*Post*, summer 1981) are subjects that are timely and newsworthy.

However, the headlines were consistently negative on block grants. Typical headlines (besides those above) read like "Local Leaders Far From Sold On Reagan Block Grants" (*Christian Science Monitor*) and "Trouble Brews For Reagan On Block Grant Proposal" (*Washington Star*, both May 1981).

News Or Opinion?

One might argue that such articles

are straight news stories, not disguised opinion pieces. It is, after all, difficult to judge whether or not a newspaper has given unwarranted

Until Reagan regains the political upper-hand—perhaps by showing specific examples of fraud and abuse in grant programs—his programs will seem hard-hearted, simply because no one is told otherwise.

coverage to a certain event. So the second step in the process is to survey the editorials on the issue.

The *Los Angeles Times* (August 24), the *Baltimore Sun* (August 6) and (predictably) the *Wall Street Journal* (June 18) presented fairly balanced, factual accounts of what block grants would mean to the states and localities.

The *New York Times* published two editorials worthy of note: "Block Those Block Grants" (August 15) and "The Truly Needy, Continued" (June 12). In the first, the *Times* talked of the "dismay" of the mayors and governors over the fact that Congress "cut deeper than they expected," and said that it "would be far easier [for Congress] to turn a deaf ear to need if these were, indeed, 50 different block grant programs...Turning all social welfare programs into block grants could crush communities with swelling public assistance burdens. Why punish them? Poverty is a national problem. Relieving it is a national responsibility."

Earlier, on June 12, the *Times*

Conservative Digest April 1982

said, "Block grants are a way for Washington to tell the states that it trusts them to deliver services to the poor," but cautioned, "(Block grants) can also be a screen behind which, presto! such government programs disappear altogether."

A Los Angeles Times editorial, "Closer, Not Wiser" (August 21), also expressed caution in this area: "The most serious flaw in the argument for giving just any old state more authority is the assumption that all state governments are more competent to deal with people and their problems, just because they are closer to them than Washington is."

What Confronts Reagan

These editors are entitled to publish what they want, of course. However, such comments do demonstrate what Reagan is up against in cutting Washington down to size.

When the President proposed his new budget this year, the Washington Post was consistently critical of the cuts, which, in their view, would only serve to hurt the poor and minorities.

"New Budget Seeks Deep Cuts in Basic Social Programs" was the headline on Feb. 2. "Health Cuts—the Medically Needy Face Doing Without...U.S. Cuts in Health Programs to Deprive Millions of Needy of Care," read a page-one article on Feb. 6. It also contained a detailed explanation of the plight of a diabetic woman of 73 who would probably not be able to purchase her insulin under the new budget.

"Poor Would Pay More For Hous-

ing Cost," said the Post on February 7, and "Medical Care Found Deficient for Minorities" (a UPI story) ran on Feb. 9.

On a daily basis, the Post carried items about people who would suffer because of the Reagan budget proposals. In a Feb. 8 editorial on "The Disappearing Urban Crisis," the Post said the cities were still very dependent on federal aid and were already cutting back.

"The large round of budget cuts planned by the Reagan administration will hit all the harder," the Post editorialized; "you will probably be able to call it an urban crisis."

The New York Times this Feb. 13 told of "Fewer Legal Aid Lawyers Coping With the Increasing Troubles of the Poor," lamenting "President Reagan's renewed proposal to end federal financing of legal aid."

It quoted Dan J. Bradley, president of the Legal Services Corporation, as saying that if President Reagan had his way, there would be "mass disruption in our court system throughout the country."

"We'd close down 1,000 neighborhood law offices, over 10,000 lawyers and other employees would be immediately laid off, and hundreds of thousands of clients who had cases pending in courts all over America would go without representation."

Activists Using the Press

Indeed, the groups affected by Reagan budget cuts have been waging an intense campaign in the press to protest the budget slashes. Jesse Jackson of Operation PUSH,

which has received more than \$5 million in federal grants, told the Post that he believed "that we're singled out on a political hit list." (April 3, 1981)

In an April 12, 1981 article in the Post, "Civil Rights Groups Are Threatened by Reductions in Federal Funds," Urban League president Vernon Jordan said, "Federal grants never stopped me from saying what I wanted to say." Jordan's Urban League received \$18.2 million out of a \$25.2-million budget in 1980.

The general perception of these groups in the national media is that they perform invaluable services to the poor. Any cuts in programs designed "to assist the poor" are generally criticized harshly in the press.

The conservative position on the economy is far from being understood by the press. Budget cuts are perceived as hurting the poor and/or minorities. The Left has seized the high ground by focusing attention on tangible negative effects of the cuts.

President Reagan should be commended for his tedious efforts in attempting to give the nation—and the press—lessons in sound economic policy. It's a good start.

But until he regains the political upper-hand—perhaps by showing specific examples of fraud and abuse in grant programs—his programs will seem hard-hearted, simply because no one is told otherwise.

It is a problem solvable through Reagan's power of communication. The media will remain a stumbling block so long as he puts off using his most formidable tools. □

The collage features several prominent headlines from major newspapers. The Washington Post's main headline is "New Budget Seeks Deep Cuts in Basic Social Programs". The New York Times headline is "States don't want federal problems dumped on them". Other visible headlines include "Block Those Block Grants", "Reagan Reaffirms Determination to Cut Federal Aid Even Further", and "\$757.6 Billion Budget Planned for Fiscal '83". The clippings are arranged in a layered, overlapping fashion, with some text partially obscured by others.

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I'M RON HUME, President of Hume Publishing. We've spent eight years and several hundred thousand dollars creating and refining *Successful Investing & Money Management*. Most important, we have the guidance of some of the brightest and most extraordinarily successful experts, like Dr. Morton Shulman, a noted author, practicing physician, and self-made millionaire, and Andrew Sarlos, who created an investment empire on a \$500 stake.

Based on the power of money in our society, the understanding the very wealthy have always had that

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Action-reaction investments that can double and triple your money, turn \$2,500 into \$10,000 in months sometimes. Moreover, investments that are no more difficult, really, than the traditional ones in stocks and bonds.

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So, on your own, following lessons learned — even if you have nothing to show for the money you're now making — you can be on your way to accumulating the kind of wealth that's always been unthinkable to all but the incredibly lucky or a financial genius.

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And by learning to recognize pro-

pitious times for investing in commodities, currencies, financial instruments — like gold futures, Japanese yen, Swiss francs, German marks, T-bills, T-bonds, GNMA's . . . in precious metals and foreign markets, real estate and collectibles . . . and special situations in stocks, maximizing the potential, limiting your risks with options, warrants and convertibles.

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bably never sure how to plan for or use.

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I prefer to use my VISA MasterCard American Express Diners Club

Account Number _____ Expiration Date _____

Signature _____ S-371-03-G



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Trying To Bell The Cat:



The Grant Watchers

Fortunately, there are a few good guys tracking fraud, waste and abuse

Washington power is money power. The most influential are those who carve up the federal pie. And many—too many indeed—never received a vote in an election.

As the federal budget has grown to more than \$700 billion, lower-level bureaucrats have been given control of sizable sums of money. Though political appointees like Cabinet secretaries have veto power over grants made at the lower levels, they rarely use it.

Where the money goes is a big game in Washington. Anonymous civil servants have found it convenient to assemble personal networks of allies and organizations—and most all are leftist.

But for the Freedom of Information Act and a very few persistent individuals, there would be little or no

But for the Freedom of Information Act and very few persistent individuals, there would be little or no public awareness of the public-funding game and how it affects Americans.

public awareness of the public-funding game and how it affects Americans. They are the grant watchers.

Howard Phillips, the Pioneer

Back in 1970, after a race for Congress, Howard Phillips returned to Washington to serve in the Office of Economic Opportunity. There he gained an intimate knowledge of the bureaucracy and its grant programs.

President Nixon named Phillips Acting Director of OEO in 1973. Phillips was determined to dismantle the self-perpetuating agencies of the Great Society, but received only lukewarm support from above. He resigned, and soon thereafter founded the Conservative Caucus.

Phillips kept his eye on the grant system through voracious research. Concluding that Left activists were

(Continued on next page)

Grant Watchers

(Continued from previous page)

being widely funded with taxpayer money, he set out to document and publicize the situation. To the task he committed the resources of his research group, The Conservative Caucus Research, Analysis and Education Foundation.

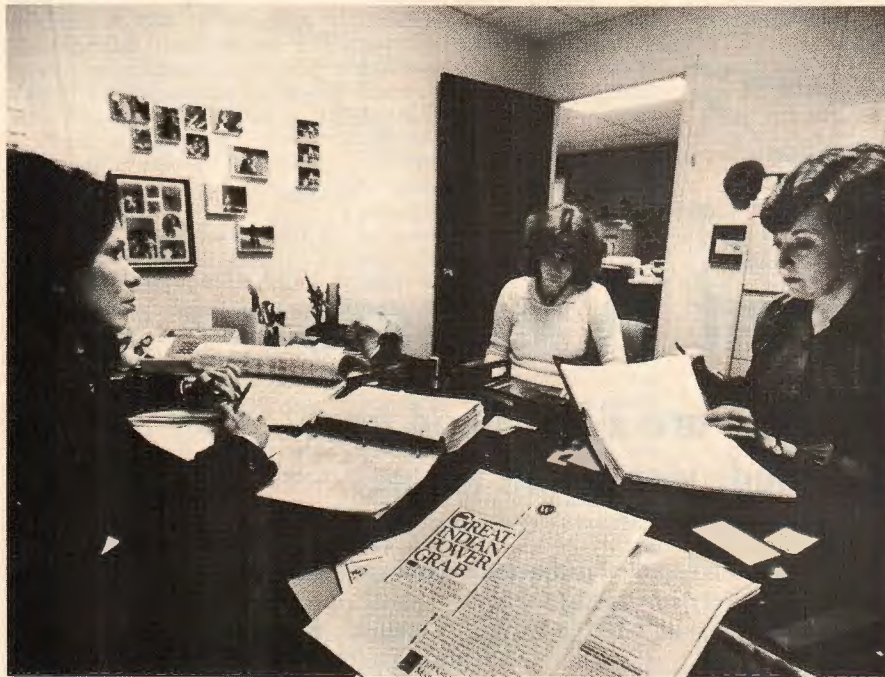
The Foundation, once a one-man operation, now has a sizable staff. Susan Phillips, Howard's sister, directs the research department, which has taken on the "funding-of-the-Left" issue on a nearly full-time basis. In so doing, she learned the pitfalls of the bureaucracy beat.

"My first Freedom of Information request was for the ACTION agency,



Michael Pettypool/UNIPHOTO

Aides Michele Rossi and Jan Finn rely on the huge files of Conservative Caucus Foundation for grant-funding research.



Michael Pettypool/UNIPHOTO

Foundation Research Director Susan Phillips reviews the latest data on government grants with assistants Audrey Killion and Gay Ryster.

which we'd heard was funding a Tom Hayden-Jane Fonda organization called the Laurel Springs Institute," Susan Phillips said.

"We were stonewalled by the agency personnel. From then on, I haven't stopped. In the last six months, we've filed more than 400 information requests."

Enormity of the Task

Even with two full-time researchers, she says, it's difficult to keep

up. "The departments keep stalling. Despite the public-access laws, they still send us incomplete information. Often they tell us we'll get the computer print-outs when they're available—and then we're never contacted."

As the public becomes more aware of the grant abuses, the Foundation receives numerous requests for information. "If we had the money to publish what we have in the files, there'd be more time for new re-

search," Susan Phillips says. "Just following up our present requests from the agencies is impossible without more personnel."

Despite these limitations, The Conservative Caucus Foundation is a unique resource center specializing in Washington's Other Executive Branch.

Donald Lambro, the Investigator

As journalists go, no one yet matches the mastery of the bureaucracy beat achieved by Donald Lambro, author of *The Federal Rathole* and *Fat City: How Washington Wastes Your Taxes*.

"Americans have more government than they need, more than they want, and more than they can afford," says Lambro, a former correspondent in United Press International's Washington bureau. "Government *can* be reduced in size, and not a single truly needy American has to be denied benefits he or she truly deserves."

Where reporters of a previous generation balked at naming specific wasteful programs that could be cut, Lambro is wide-ranging and comprehensive. His speciality is the detailed list or catalog of marginal government projects. In prefacing his proposal of 100 cuttable programs in *Fat City*, he wrote:

"No longer should anyone be forced to remain inarticulate when challenged by the question, 'Okay,

where would you cut?' There are at least 100 possible replies to that question provided here."

Lambro has launched a successful newspaper column, which benefits the new mood in Washington. (Reagan is a fan.) His PBS television special, *Star-Spangled Spenders*, was shown recently throughout the nation. However, both of Washington's public stations refused to air it.

Another prime resource for grant-watching is the *National Journal*. *NJ*, the lesser-known tandem publication to the widely read *Congressional Quarterly*, trains its efforts on the Executive Branch.

Rochelle Stanfield, a veteran *NJ* reporter, has long covered the grants beat. While she retains a keen eye for the you-scratch-my-back-and-I'll-scratch-yours pattern in Washington, Stanfield also is skeptical of conservative hopes of significantly de-funding the Left.

In a recent *NJ* report, Stanfield said, "The assertion that a substantial number of civil rights, social action and other liberal interest groups would go out of business without

federal aid is a faulty one." Hard-core hit, she said, would be the lobby-

Lambro is wide-ranging and comprehensive. His speciality is the detailed list or catalog of marginal government projects.

ing groups of state and local governments. Many liberal groups would be hurt by cuts in grant funding, she suggested, but most would survive.

National Journal also tracks the movement of several career bureaucrats and agency insiders, as each new administration brings its crew to the capital.

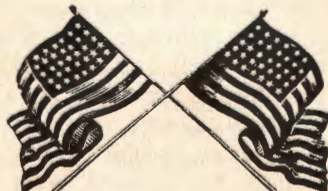
With the enormous discretionary power given to many careerists, this coverage may be more important than documenting specific grants.

From the Great Society and OEO to Reagan and *Fat City*: the grant watchers have come far. PBS-Washington's piggishness should remind them that the great deal they don't know can still hurt. **CD**



Robert Sherbow/UNIPHOTO

**Donald Lambro
Watching Your Money**



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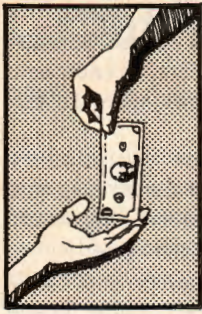
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Let's De-Fund The Left

Time's a-wasting and so are your tax dollars, warns the undisputed expert on grant giveaways

By Howard Phillips

"To compel a man to furnish funds for the propagation of ideas he disbelieves and abhors is sinful and tyrannical."

Thomas Jefferson
Virginia Declaration
of Religious Liberty, 1777

The basic premise of a free society is that, to the degree that the lives of the citizenry are touched by government, such politicization ought to be subject to constitutional restraints and be accountable to the political process.

"He who pays the piper" ought to call the tune, and America's citizen taxpayers are entitled to hold public policy—and the use of their taxes—accountable through the ballot box.

As the burden of governance has expanded, elected officials in Congress and the White House have found it ever more convenient to delegate decisionmaking authority—first to appointed officials, then to career bureaucrats, and, at last, to private groups and individuals.

The career civil service—members of which presumably have been chosen on the basis of their academic credentials, job experience, and technical skills—have increasingly been called upon not merely to implement policies determined by electorally accountable political leaders, but to set policy in their own right, through the power which attaches to regulation writing, grant making, and contract award.

Distorted Class View

Thus it is the "values" and moral, political, religious, ethical perspective of these employees which must inevitably influence their decision-making—albeit the fact that such world view inclinations are not properly taken into account when the suitability for the positions they seek is considered.

Very often, from on high, it seems more efficient and practical for bureaucratic decision makers to reach conclusions, or set policies, on a collective or "class" basis.

The classes so selected may very often be of an "external" rather than intrinsic or "policy-based" character. Thus, we are dealt with, not on the basis of problems and issues which transcend superficial class distinctions, but from the standpoint of race, sex, age, or national origin.

Moreover, it is frequently assumed by bureaucratic policymakers that Americans below a certain level of income or resources constitute a poverty class, with common values,

deficiencies, aspirations, and needs; the only appropriate response to the needs of this bureaucratically defined "poverty class" is that which arises from Marxist ideology.

Since the days of the Great Society, bureaucrats have been empowered by Congress to delegate policy setting and even policy advocacy functions to private organizations—many of them highly ideological in character and objective.

In some cases, bureaucrats have helped create the very organizations which they then fund. In many cases they have encouraged funded groups to engage in comprehensive organization building, often with the idea that the groups and associations thus created (e.g. American Indian Movement, National Council of Senior Citizens, National Welfare Rights Organization, National Tenants Organization, National Anti-Hunger Coalition, Citizens for Tax Justice, etc.) would "represent" entire classes of people with whom the bureaucracy could readily deal.



Howard Phillips
National Director
The Conservative Caucus

Subsidizing Secular Faith

The First Amendment to the U.S. Constitution intends to preclude federal support for any particular group or groups of religious practitioners: "Congress shall make no law respecting an establishment of religion." Does not the same principle militate against subsidies to practitioners of any secular faith?

Yet, despite the apparent disregard of the civil liberties safeguards afforded by the First Amendment, billions of taxpayer dollars are being dispatched annually to organizations which seek to influence our cultural, economic, political, and religious life.

Some subsidies are direct, as when the ACTION agency through its VISTA program assigned dollars to groups like the Midwest Academy and ACORN. Others are indirect, as

when the VISTA-funded Youth Project delegated funds to the Institute for Policy Studies, or when a group such as the National Lawyers Guild or the American Civil Liberties Union is assigned seats on the governing bodies of federally funded Legal Services Corporation recipients.

In certain instances, dollars are directed for the specific purpose of encouraging advocacy, as in grants from the Community Services Administration to the Food Research and Action Center. On other occasions, high profile advocacy groups such as the National Council of Churches, the NOW Legal Defense and Education Foundation, and Jesse Jackson's Operation PUSH have been given dollars. This funding offsets the basic overhead costs of such groups, purportedly to encourage them to provide employment or education services.

Activities of a faith-based advocacy nature undertaken by federally subsidized private groups range from training programs to lawsuits, to mass communications, to grass roots lobbying, to grant and contract seeking for political allies, to patronage dispensing, to research, to administrative and legislative advocacy, to actual participation in ballot referendum campaigns.

Extent of Problem

The problem is immense. Hardly an area of the federal government fails to support some form of value-based advocacy, whether it is the Agency for International Development encouraging abortion, the National Endowment for the Arts subsidizing preferred cultural themes, the Department of Energy pushing "Earth Day", National Public Radio describing world affairs from a leftist perspective, or the Department of Education directly and indirectly underwriting left-wing academicians and programs of study.

The problem is intricate. Very often, neutral instruments, such as health clinics, are given dollars to deliver health services through individuals who use their health delivery responsibilities as a basis for developing private political influence. Aspirin tablets, in a sense, become instruments of patronage in programs of this sort as job-training scholarships might be in others.

In some cases patronage takes the

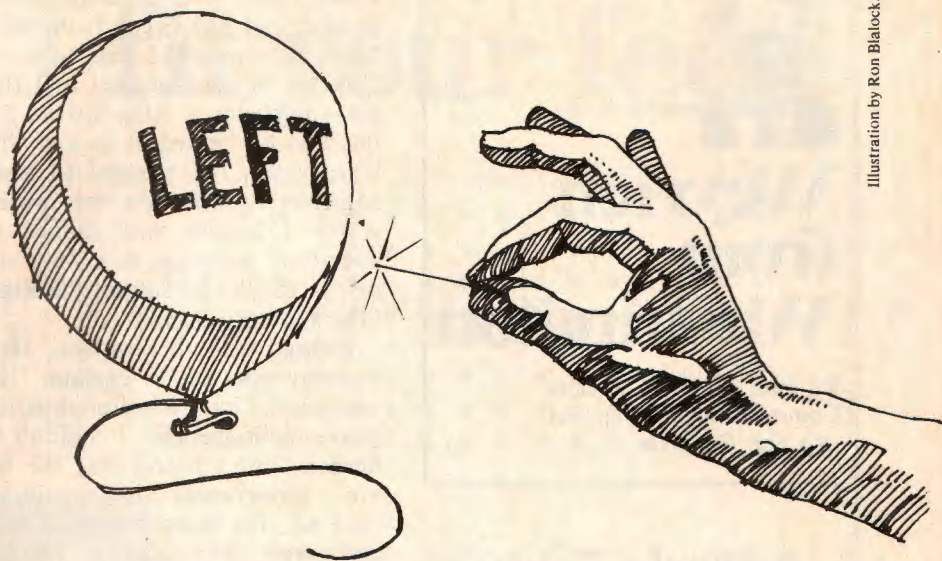


Illustration by Ron Blalock/PREP

form of contractual consultancies to ideological activists.

Significant Expense

The dollars involved are significant, not just in their own right, but in comparison with the amounts spent by political candidates. Reagan, Carter, and Anderson reportedly spent less than \$100 million in 1980, but the Legal Services Corporation had \$321.3 million. CETA had billions.

Subsidized advocacy has strong political support. It isn't just the attractive labels ("legal services for the poor", "volunteers in service to America", "public broadcasting", "aid to education", etc.). Also to be measured is the power of the employees, governing board members, organized service consumers, and allied professional and political groups which benefit from continuation of the subsidies.

Technically, we can try to end subsidized advocacy by:

- restrictions on authorizations and appropriations
- revised regulations
- lawsuits
- funding terminations
- decisive administrative management.

What Must Be Done

But even assuming we can overcome such technical obstacles as presumptive rights to refunding and excruciatingly complex process requirements, we would still fail without adequate popular understanding and political support.

We must frame the issue so that subsidized cause advocacy is readily perceived to be unconstitutional, unfair, anti-democratic, expensive, and outrageous.

Before attacking, we must have our facts straight and demonstrate that we are even-handed in our concerns. (We oppose funding for nuclear power advocates as well as for solar power advocates.)

At the local level, concerned individuals should seek to involve others in their fact finding and call upon their congressman for assistance in ferreting out information. The local media can become a powerful ally, if involved in the early stages.

To demonstrate fairness, recipients of funds should be given a chance to "come clean," give full disclosure, come into the "sunshine."

Easily understood records should be kept of requests for information. Even letters to the editor can be used to highlight our desire to get the facts. Let's not fire until we see the whites of their eyes: audits, salary levels, activity reports, etc. Let's raise the questions, and help the answers speak for themselves.

Above all, let's remember that none of these questionable activities could go forward except by act of Congress. Article I, Section 1 of the U.S. Constitution states: "All legislative powers herein granted shall be vested in a Congress of the United States." Congress can end subsidized cause advocacy whenever it resolves to do so. ☐



Weyrich from Washington

By Paul Weyrich, director,
Committee for the Survival
of a Free Congress

A Wacky Fable, Or Is It?

Consider the following fable: The ultimate black day in American politics for conservatives arrives. President Ted Kennedy and Vice President Gary Hart are sworn in at the Capitol. There is doom and gloom everywhere in the New Right movement.

Kennedy, in his inaugural address, pledges to return America to the liberal principles he says were abandoned eight years ago with the election of Ronald Reagan. "Ask not what you can do for your country, ask what your country can do for you," Kennedy intones to the cheering throngs.

Meanwhile, longtime liberal political activist Russ Hemmenway of the National Committee for An Effective Congress holds a meeting at a nearby Capitol Hill townhouse. "This is an historic moment and all of us in the liberal cause who have worked so hard these past eight years to bring about this event, must now mobilize to take advantage of it. If we fail, in another four years the situation could again be reversed with someone far worse than Ronald Reagan—a real Jesse Helms-type person—sworn to stand where our friend Ted Kennedy stood earlier today; that literally would be the end of liberalism in America.

"Although we now deserve to celebrate, we can waste no time. I want each of you to pledge to help me with the most important project in

which I have ever participated. My good friend Bill Green from Ralph Nader's group and I went to see the Director of Management and Budget—our beloved Alice Rivlin. Rivlin, who has served us so well all of these years, has pledged to assign someone to work on my project, which I believe will change the course of America. It is very simple: A project to defund the Right. (The audience gasps.)

Pleased with the reaction, Hemmenway goes on to explain: "For years now I have monitored various government agencies. I couldn't believe it, but I found that the federal government is subsidizing NCPAC, the Moral Majority, ACU and even the National Pro-Life Political Action Committee. The government is also pouring billions of dollars each year into little neighborhood front groups set up by evil right wingers throughout the country.

"Now with your help, however, we are going to do something about it. Our beloved President is going to cut off the life blood of the New Right, to see that taxpayers' funds never again go into their coffers. We are going to cut the heart out of the infrastructure that the New Right has built over these years... built with *our money*."

The crowd rises to its feet as Hemmenway clearly strikes a responsive chord. This truly is a day to remember.

A few weeks later, Hemmenway drops by the White House with the name of a monitor to cut off right-wing money. Although the name of John Culver, a former liberal legislator, is submitted, nothing happens. Disturbed after weeks of tugging and pulling, Hemmenway again visits the White House and is told that one of the Kennedy senior staffers, former Senator Lloyd Bentsen, has blocked the appointment.

Undaunted, Hemmenway, Green and all of the leadership of the organized left seek meeting after meeting with top White House officials to push for the defunding of the right. There's no response. White House spokesman Harry Doublespeaks, when asked by reporters about the effort to "defund the right," says that the Kennedy

administration has put the project on the "back burner."

Hemmenway and his associates are discouraged. "Don't they understand who won the election?" Green asks, speaking particularly of Bentsen and Senator Howard Baker who has been designated, along with Rep. Kent Hance (who ran against Kennedy in the Democratic primaries and lost), to be chief operatives in the new administration. (It was said that Hance really knew how to operate and had most of the power.)

Then it happens. One Tuesday morning Hemmenway gets his *New York Times*. There it is: a picture of President Kennedy smilingly having dinner with Jerry Falwell, Howard Phillips and Richard Viguerie at the home of rightwing publisher Bill Rusher. To make matters worse, a small article titled "NCPAC GETS NEW GRANT" details the \$1,754,567 grant from the National Endowment for the Humanities to NCPAC to study the correlation between voting and mating habits in West Virginia.

Hemmenway is stunned. How could this sort of thing happen in a liberal administration? Hemmenway catches the first available plane, grabs a taxi and goes directly to the White House. But since he hasn't made an appointment and isn't

There it is, in the New York Times: a picture of President Ted Kennedy smilingly having dinner with Jerry Falwell, Howard Phillips and Richard Viguerie.

cleared through security, he has to stand in the cold for 45 minutes before he gets in to see Bentsen. Bentsen tolerates them since they had supported Kennedy and contributed heavily.

In Bentsen's office, Hemmenway gets right to the point. "We demand to see the President," he says waving the *Times* in front of Bentsen. "What's happening is outrageous. They're killing our troops. No

one wants to work for the liberal cause anymore because they say you've sold us out. I can't believe that Ted Kennedy knows this is going on. I have known Kennedy for 30 years. He has always said the right things. He has always helped us. This is just incredible." By this time Hemmenway is shouting.

"Calm down," Bentsen says icily, "you don't seem to understand that the President is president of *all* the people."

Hemmenway shakes his head. "Why did we fight for the liberals to come to power? I still can't believe that Ted Kennedy knows about the NCPAC grant and the billions of dollars that are going to right-wing groups. Here is a grant of \$10 million to the Joe Coors Fund for Free Enterprise and \$500,000 to the Richard Allen Foreign Policy Institute. We demand to see him."

Bentsen gets up from his chair, goes to the door and stands by it as a signal for Hemmenway to leave. "I can't guarantee you a meeting with the President," he says, "he is a busy man. He is meeting with the NAM, the chamber and the NFIB."

Hemmenway leaves with a heavy heart. He cannot believe this has happened.

Later that night, he gathers the crew which only a few months earlier had been so triumphant; the best they can do is agree to hold a press conference critical of Kennedy.

They do, but nobody's heart is really in it.

Doublespeaks issues a statement in response to the Hemmenway press conference saying that the White House welcomes the opportunity to disassociate itself from these leftwing kooks. But the media doesn't cover the press conference well—those holding it are irrelevant.

Money continues to flow to Falwell, Viguerie, the Heritage Foundation, Young Americans for Freedom and others who take the money and use it against the administration. They use it for training and recruiting and to help frame the issues against Kennedy. As Hemmenway and his friends stand by, demoralized, the 1990 elections turn out to be a stunning defeat for the seemingly popular Kennedy.

Of course this is just a story. Things like this don't really happen.

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Thanks for advice and assistance on this issue to Dan Griswold, Stan Evans, Mike Hammond, Gary Curran, Ed Darrell and Doug Bandow.

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Martin Wooster's prodigious research and writing abilities were indispensable.

—Gary Maloney
Special Issue Editor

Liberals Fail to Justify Taxpayer Funding of the Left

Some liberals and leftists may defend their receipt of hundreds of millions of taxpayer dollars by saying their organizations do not benefit financially from tax money. They'll say that it all either goes directly to the projects approved by Congress, or is strictly used to pay the necessary expenses to administer these programs.

They'll claim that the National Organization for Women's Legal Defense and Education Fund, the United States Student Association, Planned Parenthood and all the other hundreds of liberal organizations get no financial advantage because of the federal money they receive.

But take a look at what government funding of these Left organizations really means.

When a liberal group gets a federal grant, it can immediately put the money in the bank and start collecting tax-free interest—which is still more money it can then spend. Taxpayer funds can help defray overhead costs, *thus freeing up all the other money the group raises for purely political purposes.*

Sometimes, the use of federal funds benefits the Left even more directly. For example, when a liberal group uses the money it receives from the government to send representatives to a conference in Washington, those representatives can use their free time to lobby Congressmen and hold political meetings—and the taxpayer foots the bill.

Anyone who runs an organization will tell you that the hardest money of all to raise is the money for the basic things you need the most. Especially for groups that are just starting up, money for overhead items like rent, lights, heat, salaries, typewriters, phones, Xerox machines and postage stamps can make the difference between surviving or not. The problem is that most people like to give their money for a specific cause or project they feel strongly about...not to buy typewriters and postage stamps.

So, any organization that can get this kind of money for free from the government has a big head start.

Also, it takes a lot of time to raise money. So when an organization is guaranteed the money it needs—when its executives and staff know that their paychecks will arrive on time each week and that they will have whatever office space and office supplies they will need—that frees them up to work on political things...including fund-raising.

Just ask Ed Feulner of the Heritage Foundation, or Howard Phillips of the Conservative Caucus, or Paul Weyrich of the Committee for the Survival of a Free Congress, or Terry Dolan of NCPAC, or the leaders of any conservative organization. They'll tell you how hard it is to raise the money to cover their day-to-day operating overhead. They'll tell you how much more they could accomplish for the conservative movement if they knew that someone was going to take care of all their expenses each month.

So, when the Left says that it doesn't benefit directly from the hundreds of millions of federal dollars it receives, that may be technically true for some. But the *indirect* help of paying the rent and salaries and other expenses is, literally, worth its weight in gold.

Another argument many leftists and liberals will use is that, compared to the massive amounts of money the Right has, a few hundred-million dollars doesn't make any difference. In fact, the balance is tilted totally to the Left.

For example, the Conservative Caucus's yearly budget is \$3 million. Ronald Reagan, Jimmy Carter and John Anderson *combined* received just a little more than \$100 million. But Planned Parenthood received \$44 million, and the National Council of Senior Citizens got \$50 million of its \$52-million budget from federal sources.

This argument is wrong. It's misleading. It's an attempt to cover up the fact that, besides the hundreds of millions of government dollars leftists and liberals receive, they also receive huge amounts of money from the labor unions.

The facts are plain: the American liberal and leftist cause probably receives most of its funds from two sources of compulsory support. Government dollars taken from workers' pockets help the Left.

Time is money. Federal money frees up time for liberals to fight for leftist causes. Federal money means the ability to hire more staff. Federal money means more Xerox machines, mailings, typewriters and offices. Federal money means that payrolls can be met on time. Federal money means that the leftists and liberals can take for granted the fund-raising that takes so much time and effort for conservative groups.

Federal money fuels the massive Left machinery. **CD**



From the Publisher



We Must End Federal Aid to the Left

The media has devoted millions of words to describing and analyzing the different social issues that concern conservatives. But for the most part they've missed the most important social issue of all.

The one social issue that most all conservatives—including Old Right, New Right, and Religious Right—consider the most important is the issue of de-funding the Left.

By de-funding the Left, we mean that the government should stop the billions of taxpayer dollars that have been going for the last dozen or more years to help advance the liberals' domestic and foreign political agenda.

The desire to see the de-funding of the Left is the Number One shared goal of the majority of American conservatives today. We are outraged because the federal government is giving taxpayers' money to liberal and leftist groups and causes.

It was shocking when this happened under earlier administrations. It is tragic when it continues under the Reagan administration.

Federal funding of these groups is like an ugly cancer growing inside our government. Cosmetic surgery—trimming a little bit away here and there—just won't work. If any is left, it will continue to grow until it poisons the whole system and destroys it. Only radical surgery can remove it once and for all.

Much of Ronald Reagan's ultimate success or failure will depend on his ability to stop bank-rolling his opponents. But after more than a year in office, the Reagan administration is still giving hundreds of millions of dollars a year to liberal groups that are dedicated to opposing its programs now—and to defeating conservatives and Republicans in 1982 and 1984.

To date, there has been modest progress in cutting back federal funds to some leftist programs and groups. But well-placed liberal bureaucrats still dole out massive amounts of tax money to leftist groups. Administration officials with veto power over these grants sit idly by and rubber-stamp the bureaucrats' work. And Congressmen are naturally sensitive to the well-organized pressures of the special-interest liberal and leftist groups that have grown fat on public money.

The result is that thousands of left-wing activists in towns and communities all across the country are still paying their rent and their overhead and keeping in touch with each other thanks to taxpayer dollars.

Fortunately, this situation can be changed. It is not too late. But we must have action soon.

(Continued on next page)

End Aid to Left

(Continued from previous page)

What the President Can Do

Direction must come from the top. So far, President Reagan has said many right things about ending unnecessary and improper federal programs. But he must make it clear that he really means business.

- 1. The President should immediately freeze all federal categorical grant payments to politically activist organizations.** He should then order that each grant be reviewed and approved by a specifically designated Reagan appointee to make sure that no political groups are getting federal dollars.
- 2. The President should immediately propose that all grant programs be converted into contracts.** Money given as grants too often slips through the government's fingers. It's like writing a blank check: there's little or no control over how it is spent. It is very difficult to keep track of grants, and abuses usually aren't discovered until after the money has been spent.

Contracts are different. A contract requires the recipient to meet specific goals. In addition, contracts can be ended on short notice due to abuse or the failure to perform satisfactorily; grants often take six months to stop.

- 3. Terrel Bell should be replaced as Education Secretary.** Secretary Bell has failed to stop the flow of federal dollars to radical groups. He has failed to begin the dismantling of his department. He has refused to recommend the end to federal education controls mandated by the President. He is fighting to preserve his department under a new name (Foundation for Education Assistance). President Reagan should replace him quickly.

What Every American Can Do

Every American who cares about this problem can do something about it. Here's what you can do today.

Write to your Senator and Congressman and to President Reagan and let them know what you think. Cards and letters are extremely important to stopping the flow of tax dollars to the Left. The media and the liberal bureaucrats exert constant pressure on politicians to keep the federal dollars flowing. The people who want this giveaway to stop must make themselves heard.

You can use the postcards next to this page. Just fill in the names of your Congressman and Senator, sign the card, give your address and send them today.

The time for talking is long over. The time for decisive action is right now.

Richard A. Viguerie

Richard A. Viguerie



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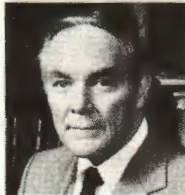
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LISTEN AND LEARN AT YOUR OWN PACE

No matter how slow a reader you are now, THE SUPER READING SYSTEM is designed to get you started on this new way to read quickly and painlessly. In just a few days you'll begin to see an improvement. The teacher-on-cassette will be your guide through this remarkable program. You'll practice on materials you read everyday. *Your living room becomes your classroom.* You should complete the course in about 20-25 hours. But, you set the pace . . . you create your own schedule. Practice at home, the office . . . wherever or whenever it's convenient.

College Credits You may obtain 2 full semester hour credits for course completion, wherever you reside. Credits offered through Whittier College (California). Details included in your program.

Continuing Education Units National Management Association, the world's largest association of professional managers, awards 3.0 CEU's for course completion. CEU's can be applied toward the certificate in Management Studies.

EXAMINE THE COMPLETE SUPER READING SYSTEM WITHOUT OBLIGATION

We've said a lot of things in this advertisement that may be difficult to believe. So we want you to see SUPER READING for yourself. Examine it for 15 days. Listen to the teacher-on-cassette. Then decide. If you feel that SUPER READING will not benefit you, simply return it for a full, no questions asked, refund. You have nothing to lose.

SPECIAL JUNIOR EDITION

If you have a child between 10 and 16 and you would like to see them get help with the reading they must do to succeed in school, order the Junior SUPER READING SYSTEM. There's a special Parents Manual included and a special set of cassettes. Your children will be on their way to the head of the class.

Super Reading Institute CD482
113 Gaither Drive, Mt. Laurel, NJ 08054

- YES! Please send me the Super Reading System at \$39.95 plus \$2 postage and insured delivery. If I'm not completely satisfied within 15 days, I may return it for a full refund.
- Send the Junior Edition of Super Reading.
- Check or money order enclosed.
- Charge my credit card under regular terms.

Visa Mastercard (Interbank # _____)
 American Express
Card No. _____
Exp. Date _____

Name: _____
Address: _____
City: _____ State: _____ Zip: _____
Signature: _____