2011 TENNESSEE *pork* REPORT

SHINING LIGHT ON GOVERNMENT SPENDING

TCPR Tennessee Center for Policy Research

CITIZENS AGAINST GOVERNMENT WASTE

Tennessee Center for Policy Research

The Tennessee Center for Policy Research is an independent, nonprofit and nonpartisan research organization dedicated to providing concerned citizens, the media and public leaders with expert empirical research and timely free market policy solutions to public policy issues in Tennessee.

The Tennessee Center for Policy Research generates and encourages public policy remedies grounded in the capacity of private enterprise, the ingenuity of individuals and the abilities of active communities to achieve a freer, more prosperous Tennessee.

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CITIZENS AGAINST GOVERNMENT WASTE

Citizens Against Government Waste (CAGW) is a private, nonprofit, nonpartisan organization dedicated to educating the American public about waste, mismanagement and inefficiency in the federal government. Since its inception, CAGW has been at the forefront of the fight for efficiency, economy and accountability in government.

CAGW has more than a million members and supporters nationwide. Since 1986, CAGW and its members have helped save taxpayers more than $1 trillion. CAGW publishes special reports, its official newspaper Government WasteWatch and the monthly newsletter Wastewatcher to scrutinize government waste and educate citizens on what they can do to stop it. CAGW's publications and experts are featured regularly in television, radio, print and Internet media.

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2011 Tennessee Pork Report

SHINING LIGHT ON GOVERNMENT SPENDING

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INTRODUCTION

The sixth-annual *Tennessee Pork Report* is chock-full yet again, of waste, fraud, abuse, and mismanagement of taxpayer money by state and local government officials. Despite a changing political landscape in Tennessee, wasteful government spending has not disappeared. In fact, the following pages expose even more government waste than the $269 million detailed in the *2010 Tennessee Pork Report*. In all, the *2011 Pork Report* uncovers $371 million that state and local governments wasted over the past year.

Right now, times are tough in America and Tennessee is no exception. Tennesseans are losing jobs, yet government continues to spend. As the *2011 Pork Report* will demonstrate, it is in times such as these that government often tries to "fix" economic calamity by spending—and wasting—a ton of money.

For example, state and local governments across Tennessee are pouring hundreds of millions of taxpayer dollars into "economic development." In reality, these programs amount to nothing more than corporate welfare—offering a handout to certain businesses at the expense of others, picking winners and losers—which makes these expenditures some of the most egregious in the state.

Policymakers will argue that these handouts are creating thousands of jobs across the state. However, proponents of corporate welfare rarely acknowledge the detrimental impact on existing and competing businesses—those that are not fortunate enough to have their own snout at the trough. Further, they never ask the important underlying question: whether the government should be subsidizing private business in the first place. It is because of these key concerns that this report calls out corporate welfare expenditures and programs for what they really are: government pork.

Another recurring theme with government spending is an emphasis on energy and environmental programs. Tennessee government has led the charge pressing for alternative energy solutions, and, as the *Pork Report* will show, its track record is subpar. Similar to the corporate welfare problem, government has no business attempting to create market demands. Such attempts hardly turn out favorably for taxpayers and always distort the free market. For this reason, the *2011 Pork Report* emphasizes some of the failures in the government-funded energy sector as additional examples of wasteful spending.

While the government has refocused its efforts on corporate welfare and alternative energy, it hasn't abandoned its pastime of spending in a range of areas such as golf courses and public television. Many government employees, primarily on the local level, also continue to cheat taxpayers out of their hard-earned money by taking advantage of the lack of oversight and accountability in government offices.

Introduction continued…

The *2011 Pork Report* exposes a myriad of such waste, some recurring and some new, including:

- $140 million to pay a European company to relocate to Memphis;
- $2.5 million on tax credits for Nissan Leaf purchasers, which could lead to an increase in state gas taxes;
- $1.8 million to teach foreign languages to Tennesseans (outside of public schools) at taxpayer expense;
- $131,000 to send utility district employees on exotic trips around the globe; and
- $95,000 wasted by a criminal court clerk who only works three days a week.

The concept of exposing government waste such as the examples outlined in this report originated in 1982 when President Ronald Reagan established a panel of business executives and private sector volunteers to undertake a comprehensive review of the federal government. The report of the President's Private Sector Survey on Cost Control—better known as the Grace Commission—made 2,478 recommendations that saved taxpayers $424.4 billion during a three-year period.

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

Since then, CAGW has been the leader in exposing wasteful spending by the United States Congress and state governments. CAGW's popular *Congressional Pig Book* (an annual exposé of pork-barrel spending in federal appropriations bills) and *Prime Cuts* (a comprehensive look at the depth and breadth of waste throughout the federal government) are responsible for more than $1 trillion in savings to U.S. taxpayers.

The Tennessee Center for Policy Research (TCPR) has incorporated the premise of the *Pig Book* and *Prime Cuts* publications to create, with the support of CAGW, the *Tennessee Pork Report.* TCPR, the state's premier free market think tank and government watchdog, has become widely known as the leading advocate for identifying and eliminating wasteful government spending in the Volunteer State.

Be forewarned, the content of this publication will raise the taxpayers' ire. Packed into these pages are examples of nepotism, alleged theft, craven political abuse, waste, irresponsible behavior, government living high on the proverbial hog, and general stupidity. Every taxpayer should sit down and take a deep breath before reading any further.

ENERGY HOGS

Solar Program Scorches Taxpayers

Former Gov. Phil Bredesen (D) is no stranger to the *Tennessee Pork Report*, in part due to his affinity for "alternative" energy sources. Throughout his time in office, Bredesen charred more than $100 million worth of taxpayer money on various solar initiatives. In 2011, the Bredesen-established Tennessee Solar Institute will shell out $14.5 million for "innovated project grants." According to Matt Kisber, former commissioner of Economic and Community Development, these grants "will allow Tennessee companies to take advantage of a growing solar industry."[1] Kisber failed to mention that solar energy comprises just one percent of renewable sources of electricity, let alone the combined sources of electricity, in the United States.[2]

The WAP Flap

As part of the federal stimulus money, Tennessee received $99 million for its Weatherization Assistance for Low-Income Persons (WAP) program. The goal of the program is to provide low-income Tennesseans with home weatherization assistance, but a March 2011 audit by the Tennessee Comptroller of the Treasury found that the program was fraught with deficiencies. Of the 444 homes that state auditors reviewed, more than half contained serious problems. The WAP program paid for the weatherization of numerous homes that were never even touched. For instance, the audit discovered that contractors were paid $3,600 for weatherization work billed on seven homes that was never performed.[3] In all, more than $185,000 was wasted on the program in 2010.[4]

Leafing Taxpayers in the Dust

In the fall of 2010, former Gov. Bredesen announced that a government program would provide rebates to the first 1,000 Tennesseans who purchased a Nissan Leaf, an electric-powered vehicle. A government-subsidized organization chose the Leaf, leaving out all other electric vehicles, because Nissan is participating in a project to deploy more electric vehicles throughout the country. The $2,500 per-vehicle rebate will wind up zapping taxpayers of $2.5 million in 2011.[5] In addition, the

Leafing Taxpayers in the Dust continued…

government's endorsement of electric vehicles could have a negative impact on gasoline tax revenue, which yields $659 million a year for the state's road maintenance needs. According to a former Department of Transportation spokeswoman, "Without that money, we'd be able to build fewer projects, or would have to look for other funding options in order to continue improving our system at the same level we are today."[6] In other words, this wasted money could also lead to a tax hike.

Time to Cut the Grass

Now in its fifth year, the University of Tennessee Biofuels Initiative continues to siphon money from taxpayers. The initiative is an effort to use switchgrass, a native prairie grass, as the main ingredient in the production of ethanol. After an initial $40.7 million investment by the state to build the facility, the program has required an annual $5.3 million subsidy to cover its operating costs.[7] The 2011-2012 budget includes the same amount, with no indication as to when the facility will begin to cover its own operating expenses.[8]

The facility has failed to develop the technology to convert switchgrass to ethanol in a commercially viable manner and has instead relied on producing ethanol from corn. According to Genera Energy, the company created to run the facility, commercial scale corn-based ethanol production should be obtained by 2012, and commercial scale switchgrass-based ethanol by 2013. These expectations, however, seem to be very optimistic, with the facility currently only producing 250,000 gallons of corn-based ethanol a year and with commercial switchgrass technology still non-existent.[9]

Even if the technology existed to produce ethanol from switchgrass, there is no self-sustaining market for it. The only vehicles currently on the market that can run on majority ethanol fuel are flex fuel vehicles that run on up to 85 percent ethanol. These vehicles are typically more expensive than regular vehicles, and E85 itself has not proven to be economical. A 2009 study by Edmonds, Inc., comparing E85 to regular gasoline, showed that E85 provided fewer miles per gallon, costing the consumer more in the long run, and did not cause a significant reduction in the amount of greenhouse gas emissions.[10]

Lawmakers should end this wasteful program and instead allow market forces to advance alternative fuels. The government should not be in the business of subsidizing flailing industries like switch-grass-to-ethanol with taxpayers' money.

Does the State Spend in the Woods?

The 2011-2012 budget once again calls for the state to buy land in an effort to promote conservation, providing $6.8 million to acquire land under the assumption that this somehow helps the environment. Local governments will be forced to match $3.7 million to receive this funding.[11] In addition, local governments will lose out on potential property tax revenue from land that is converted from private to public use. While the state has set aside $100,000 to compensate local governments for this loss, the long-term impact of the lost revenue will likely be far greater.[12]

In addition to forest acquisition, the state will spend $6.5 million to purchase wetlands. This is projected to boost the state's ownership of wetlands by 1,000 acres.[13]

Does the State Spend in the Woods? continued…

To make matters worse, the funding for these projects comes from the state's real estate transfer tax. According to the Tennessee Association of Realtors, "the real estate transfer tax is a major burden to buyers and sellers, particularly at time of closing." The tax drives up the acquisition costs of home ownership by 13 percent. This up-front cost is the single largest constraint on home ownership.[14]

Not only does government-owned land pose serious problems in and of itself, taxpayers should not be funding unnecessary land acquisition at the expense of those trying to own a home. The legislature should halt these programs and eliminate the real estate transfer tax. This would not only cut waste but would also help the state's ailing real estate market.

CORPORATE WELFARE QUEENS

If It Walks Like a Duck…

Electrolux, a European-based company that specializes in home appliances, plans to establish a factory near Memphis. Public officials expect the new facility to bring between 1,000 and 2,000 new jobs to the area. This doesn't come without a hefty price tag, however. Keeping good on an expensive promise made by his predecessor, Gov. Bill Haslam (R) has pledged $97 million in taxpayer money to the company, while Memphis and Shelby County officials have offered up an additional $20 million each to entice Electrolux to the area. In all, taxpayers will hand over nearly $140 million to the company in 2011.[15]

Despite voting for the deal, Shelby County Commissioner Henri Brooks bluntly stated, "This is a welfare check—that's what it is."[16] Wyatt Bunker, the only commissioner to vote no, said the following: "When we subsidize things like this (then) we make it difficult for small businesses to create jobs or expand their existing businesses in communities surrounding us. If we vote on our principles, then we lose state and federal money. We are either voting on principles or bringing jobs in our community. It's awkward. Is there a price tag on my principles? I don't know how I can vote for this and maintain the principles of the free market."[17]

While enticing company relocations is an understandably difficult challenge for public officials, the bottom line is that using taxpayer money to do it amounts to corporate welfare, making it a prime subject for the *2011 Pork Report*.

What the Wacker They Thinking?

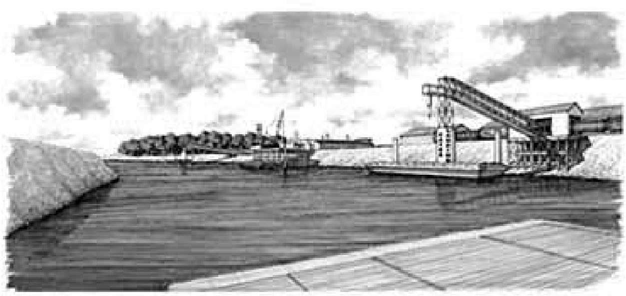
Wacker Chemie (pronounced Vah-ker Shay-mee), a German chemical company that is locating a plant in Bradley County, is another recipient of corporate welfare in the 2011-2012 state budget. Gov. Haslam has pledged $34.6 million in this year's budget to expand the proposed plant.[18] The multi-million dollar price tag for phase two of the plant comes along with an additional $3 million for job training.[19]

An April 2011 report by the Tennessee Department of Economic and Community Development (ECD) stated that 1.2 percent of new jobs in Tennessee are created by businesses relocating from outside of the state.[20] This miniscule figure makes high-dollar expenditures on corporate recruitment seem even more inefficient. ECD has pledged to refocus its efforts on existing Tennessee businesses because they account for 98 percent of the state's job growth. Taxpayers can only hope that this shift in focus will result in an end to government handouts to corporations.

While jobs are definitely needed in Tennessee, businesses should not be lured here on the backs of taxpayers. Corporate welfare not only robs taxpayers of their hard-earned money, it also hurts existing businesses that were not lucky enough to receive the government handouts.

USS Corporate Welfare Docks in West Tennessee

One of former U.S. Rep. John Tanner's (D) last acts as a member of Congress was to secure $13 million in federal stimulus funding for a proposed port in northwest Tennessee. The Port of Cates Landing will be built in Lake County, 90 miles north of Memphis. In addition to the federal funding, Gov. Haslam has promised $7 million from the 2011-2012 state budget to help build the port.[21]



A rendering of the Port at Cates Landing project in Northwest Tennessee.

Regional leaders cite numerous companies, including ConAgra Foods, that have expressed a strong interest in moving to the area if the port is built. ConAgra, however, denies any intention to set up shop in northwest Tennessee. Furthermore, statements by local leaders suggest that corporate welfare might not have even been necessary to complete the port. The port's marketing committee chairman has admitted that private money had been secured to build the port in the event that federal and state money could not be obtained.[22]

There is no doubt that this downtrodden area needs an economic boost, but taxpayer money should not be used to build a port that had the support of private investors.

Competition is Taxing

The Chattanooga Metropolitan Airport Authority plans to use funding from the Tennessee Department of Transportation to compete against a private company. Currently, TAC Air operates a fixed base of operations (FBO), the only one of its kind at the Chattanooga Airport. TAC Air provides fuel and other services at the airport as part of the FBO. Although three other privately-funded FBOs at the airport have previously failed due to market conditions, the Airport Authority wants to try yet again, and they want to risk taxpayer money to do it. In 2010, the authority obtained a $4 million grant from the state to establish a new taxpayer-funded FBO at the airport.[23]

The Airport Authority claims that TAC Air charges too much for fuel and that government-sponsored competition will help. However, according to research by *Tennessee Watchdog*, a publication of TCPR, fuel per-gallon at the Chattanooga Airport is considerably less than that at both the Nashville and Memphis international airports, both of which have two private FBOs competing against one another.[24] This is a case where competition will be taxing for Tennesseans.

The Million-Dollar Job

In 1986, the state legislature created the Four Lake Authority, which uses taxpayer money to attract new business to Trousdale, Macon, Smith, Sumner, and Wilson Counties—a task it performs at a hefty cost. The agency consumes roughly $150,000 annually for salaries and another $361,000 a year to maintain a large industrial building on the Four Lake property. Since 2002, taxpayers have shelled out more than $13.5 million to the authority, which has created a net gain of 16 jobs.[25] That amounts to $847,255 for each of those jobs. It is not surprising, then, that state Rep. Mark Pody (R-Lebanon), who represents the area, is now seeking to withhold funding from the agency until it can prove its worth. At its current pace, Four Lake Authority has a long way to go.

STATE GOVERNMENT'S BOONDOGGLES & BLUNDERS

Taking a Slice out of Taxpayers' Wallets

Every year that TCPR has released its annual *Pork Report*, state-run golf courses have shot over par. The total cost to taxpayers was $1,702,986 during this past fiscal year.

The state Department of Environment and Conservation argues that "golf courses are part of the larger Tennessee State Parks revenue-generating operations, which include inns, cabins, campgrounds, golf courses, restaurants, marinas, etc. Last year, the revenue-generating operations were collectively self-sufficient."[26] Still, as TCPR has maintained throughout the past six years, the state can raise greens fees or lease the courses to private businesses, with either move saving taxpayers more than $1.7 million a year.

At least there is a silver lining to this unending saga. As a result of TCPR's coverage of the courses' losses, the state has closed or privatized three state owned courses.

Tennessee State Golf Course Annual Revenues (+) and Losses (-)

Course	2005	2006	2007	2008	2009	2010
Fall Creek Falls	- $159,118	- $121,879	- $196,685	- $209,238	- $252,346	- $252,005
Harrison Bay	N/A	+ $51,004	+ $157,711	+ $86,723	- $45,717	+ $21,973
Henry Horton	- $132,571	- $294,248	- $257,164	- $264,954	- $274,978	- $263,623
Montgomery Bell	- $38,584	- $49,110	- $150,838	- $192,150	- $183,689	- $419,099
Old Stone Fort	+ $5,249	- $11,513	- $31,065	- $44,076	- $58,543	- $43,695
Paris Landing	- $85,785	- $68,790	- $116,341	- $95,523	- $102,312	- $112,029
Pickwick Landing	- $163,183	- $332,745	- $307,674	- $535,783	- $183,049	- $191,080
Tim's Ford	N/A	- $43,874	- $99,530	- $233,948	- $377,498	- $144,945
T.O. Fuller	- $147,760	- $149,979	- $198,225	- $282,901	- $316,462	- $298,483
TOTAL	**- $721,752**	**- $1,021,134**	**- $1,199,811**	**- $1,771,850**	**- $1,794,594**	**- $1,702,986**

Taxpayers Get Hosed on the Greens

The golf course at Pickwick Landing State Park deserves an encore in the *2011 Pork Report*. Since 2005, this course has racked up a cost of $1,713,514 to state taxpayers. Apparently, the state's solution to this money-sucker is to install new restrooms and an irrigation system, costing taxpayers $2.63 million in 2011.[27] To make matters worse, $2.5 million of this cost will be financed through bonds.[28] How a golf course that operates at an average yearly loss of $285,586 will pay off $2.5 million worth of debt is yet to be seen. One thing is certain, with the new restrooms and irrigation system, it is the taxpayers who are getting hosed.

Serving Taxpayers a Waste Buffet

In the private sector, a restaurant pays wages and covers its operating expenses through revenue generated from day-to-day operations. If it is unable to do this consistently, it will go out of business. The Henry Horton State Park Restaurant (owned and operated by the state) operates quite differently. Since 2004, the restaurant has lost an average of $280,971 every year.[29] Rather than turn the restaurant over to the private sector or let it fold, the state has decided to bail it out with $245,000 in taxpayer money to cover salaries and operating expenses for 2011.[30]

Government should not be in the restaurant business, but if it is, the Henry Horton restaurant should at the very least be self-sufficient. Taxpayers throughout the state should not be providing a breakfast buffet in a park that the vast majority of them will never visit. If the restaurant is necessary to make the park attractive to visitors, surely the state could work to make it profitable or allow a private business to operate the restaurant instead. Continuing to fund the yearly loss of the restaurant does nothing but leave taxpayers with an expensive tab.

Putting the BS in PBS

Public television stations across the state will receive $3,286,800 from state taxpayers during the 2011-2012 fiscal year. While Gov. Haslam initially sought to cut public television funding by $250,000 annually, the legislature amended the budget at the last minute, not only negating the cuts but also increasing public television's funding by $250,000 more than it received last year.[31] With the rise of online videos and the expansion of network and cable television, public television should not continue to rely on government subsidies to air its message. It should be left to market forces, just as private television stations are forced to compete with one another.

Pardon Moi?

Confirmé par le corps législatif de l'état dans 1986, le Tennessee Langues Etrangères Instituent des offres Tennesseans les cours dans plus de 100 langues étrangères. L'institut se vante que c'est le « l'institution de langue seulement état-soutenu dans l'U.S., » saisit plus de $1,8 million dans l'argent de contribuable tous les ans. Que fait-il avec cette subvention ? Il enseigne des langues étrangères à un simple 4.000 Tennesseans, faisant en moyenne hors à plus que $450 une personne, du même coût qu'un cours complet du célèbre « la Pierre de Rosetta » l'outil d'éducation de langue.

Those that do not speak French and therefore do not understand the preceding paragraph must not be one of the thousands of Tennesseans who learn foreign languages, including French, each year at taxpayer expense. Here is the translation:

Established by the state legislature in 1986, the Tennessee Foreign Languages Institute offers Tennesseans courses in more than 100 foreign languages. The institute boasts that it is the "only state-supported language institution in the U.S.,"[32] snatching more than $1.8 million in taxpayer money every year.[33] What does it do with that funding? It teaches foreign languages to a mere 4,000 Tennesseans, averaging out to more than $450 a person, about the same cost as a comprehensive course from the famed "Rosetta Stone" language education tool.

Of course, people would have to rely on their own money to learn a new language with Rosetta Stone or a similar program.

Pre-K Needs a Timeout

Once again, the state's Pre-Kindergarten program makes our list of government waste. This year, it checks in at a cost to the state of $90,545,100, despite past studies showing that it is ineffective.[34]

Another state-funded study, released in early June 2011, shows that there is no visible benefit to participants beyond the first grade.[35] However, a highly-touted Vanderbilt study from earlier in 2011 shows that the students involved in the program produced gains relative to those who were eligible but did not participate.[36] For $90 million a year, taxpayers surely would hope for positive gains. The study represents the first of many to be conducted over the course of the next five years, hoping to show that Pre-K student improvements last beyond the first grade.

Tennessee is at a pivotal moment in reforming its education system. While many options should be explored, Tennesseans should not continue to spend scarce resources on a program that has yet to prove its effectiveness.

Books From Birth, Taxes Till Death

Dolly Parton's Imagination Library is a very worthy charity. Its goal is to provide children from birth through age five with one free book per month. While this goal is certainly praiseworthy, the endeavor has turned into an annual taxpayer-funded program through the governor's Books From Birth Foundation. In 2011, taxpayers will spend another $3.4 million to support the program that initially began as a privately-supported charity.[37]

Currently, 66 percent of Tennessee children under the age of five are enrolled in the program.[38] Taxpayers throughout the state should question if it is really the government's role to subsidize the cost of books for every child under age five. Rather, Tennesseans should be allowed to keep more of their tax dollars and make their own decisions as to which charities they wish to support.

LOCAL GOVERNMENTS' SQUANDERING WAYS

Send the Meter Reader to Maui

Between 2005 and 2010, several East Tennessee public utilities used taxpayer money to send their employees to exotic locations around the world. Their most recent stop: Costa Rica.

Sevier County Utility District and Hawkins County Utility District each bilked taxpayers for $53,000 to send more than two-dozen employees and family members on the trip. Powell-Clinch Utility District and Oak Ridge Utility District ponied up $21,000, while Powell-Clinch spent an additional $2,000 for its guests to take a horseback-riding excursion. In all, the four public utilities billed local ratepayers more than $131,000 for the Costa Rica jaunt.[39]

The utilities have also funded similar trips to Hawaii and the Mediterranean. These trips not only involve the abuse of taxpayer money, they also raise claims of impropriety when local public officials accept gifts from private vendors, who funded approximately one-half of the cost of each trip. The icing on the cake: none of the jet-setting utility employees took vacation leave while they were out.

While utility district employees bask in the sunshine, the state Comptroller has sought to shine some light of his own on their expenditures. In an effort to protect taxpayer money from abuse by local utility districts, the Comptroller obtained the passage of legislation during the 2011 legislative session that would impose accountability measures for utility districts' spending habits, including additional reporting requirements for that spending.[40]

Bursting the Bubble

Not to be outdone by the city of Kingsport's new $15 million aquatics center (featured in the *2010 Pork Report*), Clarksville is giving taxpayers their own crown jewel. In early 2011, the city erected a $219,625 inflatable dome around its New Providence Pool.[41] Now, taxpayers can swim for 10 months a year.

In addition to the cost of the inflatable dome, taxpayers are on the hook for concrete work and the heater that warms the inside. The total cost is $242,692. Taxpayers can hopefully stay above water, however, as local officials claim they can recoup these costs by raising the admission fees at the pool.

A Healthy Contribution

Since 1990, Nashville and Davidson County taxpayers have paid for the health insurance benefits of sitting members of the Metro Council, as well as 31 former members who served at least two full terms, and their families. With Metro paying 75 percent of the cost, taxpayers are footing an annual bill of $245,898.[42] Talk about a healthy contribution.

Seeing Red

Seventy-nine different government entities failed to keep spending within the appropriated amounts last year, as required by state law, running up a total deficit of $37.9 million, to the detriment of taxpayers. Some of the most egregious misuses of taxpayer money are as follows:

- Smith County's Courthouse and Jail Maintenance Fund had a deficit in its unreserved fund balance of $969,337. The county's Solid Waste Disposal Fund had a deficit of $2.2 million in unrestricted net assets. The General Capital Projects Fund had a deficit in its unreserved fund balance of $358,539.[43]

- The Jefferson County Solid Waste Disposal Fund had a deficit in unrestricted net assets of $4.9 million, up by $216,000 from the previous year.[44]

- The Haywood County Solid Waste Disposal Fund had a deficit in unrestricted net assets of $1.4 million.[45]

- Hardeman County's Solid Waste Disposal Fund had a deficit of $1.6 million in unrestricted net assets.[46]

- Montgomery County's Self-Insurance Fund had a deficit of $1.6 million in unrestricted net assets.[47]

- Putnam County's Industrial/Economic Development Fund had a deficit in its unreserved fund balance of $2,050,280.[48]

Seeing Red continued…

- Williamson County's Self-Insurance Fund had a deficit of $4.9 million in unrestricted net assets.[49]

- DeKalb County's Solid Waste Disposal Fund had a deficit of $1.7 million in unrestricted net assets.[50]

- Cumberland County's Solid Waste Disposal Fund had a deficit of $1.2 million in unrestricted net assets, while its School Federal Projects Fund had a deficit in unreserved fund balances of $353,500. Meanwhile, expenditures for the county's Railroad Authority exceeded appropriations by $243,098 because management failed to hold spending to the limits authorized by the County Commission.[51]

Where, Oh Where Has the Water Gone?

Many government utilities experienced significant, and in some cases excessive, losses of water in 2010, which is a losing proposition for taxpayers. This resulted in some water going unbilled, leading to a loss in water districts' net earnings. Ratepayers are subsequently charged higher rates than necessary to cover the losses. In many cases, water department officials are failing to promptly locate and repair malfunctioning meters and leaks in lines, as required by the Uniform Accounting Manual for Tennessee Utility Districts. Some of the entities that lost water include:

- The Lake City Water Department lost 46 percent of its water. Each 10 percent reduction in the water loss rate would mean a savings of approximately $10,400 to the city, according to state auditors.[52]

- The Harbor Utility District in Big Sandy could not account for 54 percent of water pumped.[53]

- The average water loss for the Arthur-Shawanee Utility District in Harrogate was 40 percent in 2010, following water losses of 39 percent in 2009 and 36 percent in 2008.[54]

- The Double Springs Utility District of Putnam County lost 38 percent of the water it purchased.[55]

- Maury City had 28 percent of its water disappear.[56]

- The City of Decherd experienced a water loss rate ranging from 21 to 46 percent during the fiscal year. As a result, the city expended money for water for which no revenue was generated.[57]

- The Calhoun-Charleston Utility District of McMinn and Bradley counties experienced a water loss of 40 percent during 2010.[58]

If the loss ratio for each district is similar to that cited in the Comptroller's report on Lake City, local ratepayers could be out as much as $2.9 million for the lost water during 2010. The utility district reform legislation that was endorsed by the state Comptroller would also impose new reporting requirements for water loss, which will hopefully lead to more accountability and taxpayer savings.[59]

FRAUD, ABUSE, AND INCOMPETENCE

In Government, It Pays to Get Fired

On July 17, 2010, anyone wishing to vote early in the Rutherford County primary election got a rude surprise. While voting precincts everywhere else in the state were in full swing, the Rutherford County Election Commission was closed for business. Administrator Hooper Penuel apparently forgot that state law required him to open the polls. As a result, Penuel was "suspended" effective September 1, but was paid $19,500, or 75 percent of his salary for the remainder of the year until he was dismissed.

Torrence-ial Downpour on Taxpayers

Davidson County Criminal Court Clerk David Torrence has the sweetest gig east of the Mississippi. In April 2011, Nashville's Channel 4 News uncovered that Torrence worked a mere three days a week, taking Wednesdays and Fridays off every single week to play golf and run errands.[60] During some weeks, Torrence only worked two days. In total, he has worked roughly 50 percent of the time over the past two years. This job with such plentiful time off pays $125,000 a year. Thus, Torrence pocketed roughly $62,500 to play golf, do yard work, and run errands.

SOURCE: WSMV, Channel 4 News, Nashville

Torrence didn't stop there. Channel 4 News also discovered that Torrence used his taxpayer-funded vehicle to run those errands. "I go to the bank and pick up my wife and a couple bottles of wine and come home," Torrence flippantly admitted.[61] Not only does this waste taxpayer money, it is against Metro Nashville guidelines to transport alcohol of any kind in a Metro vehicle.

In yet a third snub to taxpayers, it was revealed that Torrence had recently hired his two sons to work in the clerk's office without publicizing that the positions were open. In the ultimate display of nepotism, Torrence offered his sons raises of $15,000 and $18,000, respectively, to move from other Metro government jobs to their dad's office.[62]

In total, Torrence's trifecta cost taxpayers at least $95,500. Torrence has since apologized for his actions, but he has yet to resign his elected position.

This Little Piggy Went Straight to the Bank

Government employees stole or misused more than $1.3 million of taxpayer money according to the state Comptroller's 2010 and 2011 audits.[63] Because people in various positions of authority failed to effectively exercise proper oversight procedures, certain government employees stole for their own personal whims. The examples include:

- Powell-Clinch Utility District—The former president of the Powell-Clinch Utility District used more than $95,000 in taxpayer money for his personal gain, including a Carnival cruise, a Disney vacation, a medical procedure, numerous personal items, and an undisclosed individual's college tuition. The president resigned, but surprisingly, the utility district later rehired him as a consultant.[64]

- Tipton County School Department—The Tipton County School-Age Child Care Program (SACCP) paid two employees a total of $27,357 despite the fact that the state Comptroller's office could not find enough evidence that they actually earned that money. For one employee, the SACCP supervisor admitted to falsifying payroll records to show that the employee had worked there. For the second employee, the SACCP supervisor admitted to falsely reporting the employee's actual time worked.[65]

- Lake County—From 2005 to 2010, the Lake County mayor's bookkeeper issued 191 vendor checks totaling $202,344 from the county's General Fund for personal use.[66]

- Hickman County—A former Hickman County clerk used her position to misuse $9,408 of taxpayer money—$4,628 in unauthorized checks and $4,780 in checks for her own personal use. The clerk also voided county records so that she and a friend would not have to pay vehicle registration renewal fees. She also removed laptop computers from the office for her own personal use.[67]

- Sevierville's Eagles Landing Golf Club—The former manager stole more than $95,000 from the club's coffers. The manager accomplished this by creating records that showed fictitious refunds for rounds of golf at the city-owned course in order to conceal the amount of cash she took from the clubhouse. A Sevier County grand jury later indicted her on charges of theft, forgery, computer fraud, official misconduct, and destruction of government records.[68]

- Giles County—Officials with the Giles County Emergency Management Office reported the theft of tires and a laptop computer, a $1,500 loss to taxpayers.[69]

- Clarksville-Montgomery County Community Action Agency—According to the state Comptroller, a former employee of the agency transferred $89,322 of taxpayer money into a bogus checking account that benefitted her financially.[70]

- Parsons—A former city employee used a city gas card to purchase $4,176 worth of fuel for non-city vehicles.[71]

- Unicoi County School Department—The department's former finance director misappropriated more than $20,000 worth of taxpayer money for personal use. She was later arrested on embezzlement charges.[72]

Family Ties

The term "keeping it in the family" is often ascribed to people who pass on family traditions or choose to keep their businesses family-owned and operated. During the past year, however, state residents could also use the term to describe families in the government line of business who stole from taxpayers.

In 2010, a Hawkins County commissioner (who was also the mayor of Surgoinsville) entered a guilty plea to charges of attempted theft over $10,000, official misconduct, and conspiracy to commit forgery over $10,000. The commissioner accepted pay for work he performed at the Surgoinsville Utility District while also serving as a county commissioner—in violation of state law. The commissioner also put his daughter on the utility district's payroll and submitted forged timesheets on her behalf for hours that she did not work at a total loss of $35,000 to Tennessee taxpayers.[73]

In Marion County, a husband and wife team, both of whom were trusted with important positions of authority, took advantage of taxpayers in a big way. The wife, in her capacity as the county's administrator of elections, ordered 107 warrants issued to 34 individuals, supposedly to pay for elections-related work, at a sum of $27,170—all of which she funneled to her husband, who was the secretary/treasurer for the local fire department.[74]

As if that were not enough, the husband used an additional $94,000 of taxpayer money meant for the fire department to pay for his personal expenses, including credit cards, utilities, computer equipment, food purchases, and cellular phone services. A Marion County grand jury later indicted him on a charge of theft over $60,000.[75]

Unfortunately, they were not the only couple whose misguided perception of matrimonial bliss involved stealing from Tennessee taxpayers. In May 2011, authorities arrested a Knoxville husband and wife and charged them with theft of more than $60,000 in state grant money supplied by the Department of Economic and Community Development (ECD).

ECD officials provided the couple with $142,000 to build a bio-diesel plant in Morgan County. According to the Tennessee Bureau of Investigation, the husband and wife instead used most of that money on personal items.[76]

It's My Way or the Highway

In May 2011, a high-ranking official in the Tennessee Department of Transportation stepped down after she was accused of misappropriating $22,000 from the Governor's Highway Safety Office budget.[77] The employee was responsible for managing 350 grants and state contracts in her role as the finance and marketing director for the Highway Safety Office. As of the release date of the *2011 Pork Report*, the Tennessee Bureau of Investigation was conducting an investigation into the alleged activity.

CONCLUSION

The *2011 Tennessee Pork Report* identifies $371 million in government waste, including the fat in Tennessee's state budget and wasteful spending at the local level. From perennial losers to newfound waste and largesse in 2011, Tennessee's governments are very poor stewards of taxpayers' money.

Through choices made at the ballot box in election cycle after election cycle, Tennesseans have made it clear that they want a state with low taxes. In order to maintain that covenant with the public, state and local elected officials need to make philosophical, legislative and operational changes that support governance that is as fiscally conservative as the citizenry expects. Embracing these changes will go a long way to reducing the waste in future *Pork Reports*.

In addition to tackling the various examples of waste, fraud, and abuse laid out in these pages, the state legislature should enact stricter spending laws. This would prevent further erosion of state tax dollars on needless pork projects (it would also save printing costs by reducing the number of pages needed to expose all of this waste). There are three key solutions that, if enacted, would provide much needed protection for taxpayers' wallets.

1 - Enact a State Kicker Law

First, to curb government spending, the General Assembly should enact a "kicker" law similar to that on the books in Oregon. The law gets its name because it would require the state to "kick" surplus funds back to taxpayers. If tax revenues exceed estimates, the General Assembly would be required to return the surplus to taxpayers. Lawmakers could do this in a variety of ways, such as removing the sales tax on groceries or reducing the state's death tax.

2 - Strengthen the Copeland Cap

Second, the state should complement a "kicker" law with a strengthened Copeland Cap. Enacted in 1978, the Copeland Cap is designed to prevent wasteful spending by preventing the General Assembly from increasing spending at a faster rate than personal income growth. If state spending grows at a higher percentage than Tennesseans' personal income, the legislature must approve the excess spending in a separate bill.

Unfortunately, the Copeland Cap can be overridden by a simple majority vote, rendering it practically ineffective. By amending the state Constitution to require a two-thirds vote rather than a simple majority to override the cap, lawmakers could curb spending abuse, while still preserving their ability to raise needed funds in times of emergency or disaster.

Further, lawmakers should revise the calculation used to determine whether annual spending "breaks the cap." State law currently prohibits the state budget from growing at a faster rate than the state's personal income growth. Because personal income growth could be substantial in good years, this calculation provides far too much needed leeway for out-of-control spending. The General Assembly should instead base the calculation off of population growth plus inflation. This more fiscally conservative approach would protect taxpayers' hard-earned money in good times and bad.

3 - Establish a State Spending Commission

Finally, state lawmakers should establish a version of the federal Grace Commission. This independent body should be tasked with analyzing the entire state budget from cover to cover, pinpointing waste and identifying opportunities for savings.

In the meantime, it is incumbent upon Tennesseans and groups like the Tennessee Center for Policy Research and Citizens Against Government Waste to hold elected and appointed officials accountable. Until lawmakers decide to truly tackle government waste, the *Tennessee Pork Report* will continue to make government spending as transparent as possible.

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