



IN TENNESSEE *back* TO REPORT

SMASHING WASTEFUL GOVERNMENT SPENDING





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

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P.O. Box 198646 • Nashville, Tennessee 37219
Phone: 615.383.6431 • Fax: 615.383.6432 • www.beacontn.org

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2024 TENNESSEE BACK REPORT

SMASHING WASTEFUL GOVERNMENT SPENDING

by Justin Owen, Christopher Butler, & Ryan Turbeville

Contributors: Stephen Cobb & Michele Thompson

Designed by: Jason Keisling

CONTENTS

INTRODUCTION 6

PORK OF THE YEAR 6

 Living the Dream on Your Dime 6

 Developing a Poor Habit? 7

TAXPAYER-FUNDED TOURIST TRAPS..... 7

 Museum Boondoggle Crosses the Line, Literally 7

 National Pork Festival 8

 Enlighten Yourself to Other People’s Money 8

 Rotten Tomatoes 9

 Even Clark Griswold Wouldn’t Bother 9

 Dolly’s Snow-Capped Fountains 9

 Pink Palace Turns Red 10

CORPORATE WELFARE IS ALIVE AND WELL..... 10

 From the White House to the State House 10

 Field of (Pipe) Dreams 11

 Bringing a Competitor to Town 11

 See Your Tax Dollars Wasted from Space 11

 Tennessee’s Low Standards on Corporate Welfare 11

STATE BUDGET OFFERS SLABS OF PORK..... 12

 Landing on a Pile of Cash 12

 Taxpayer Waste is Par for the Course..... 13

 Pre-K Through Infinity 13

 Working 9-5 Won’t Pay for This 14

WASTFUL SPENDING HITS A TOWN NEAR YOU 14

 Not a Cash Cow for Taxpayers..... 14

 Carmaxed 15

 Carmaxed, Redux 15

 Another Clerk Bites the Dust..... 15

 A Property Tax You Can’t Criticize 16

 The Gestapo of Metro Government..... 16

 A Most Discreet Agreement..... 17

 The Mayor’s Brand New Entitlement 17

 Is a Hungry Politician More Foolish Than a Stuffed One? 18

 This School’s Arithmetic is Way Off 18

MISCELLANEOUS: A MIXED BAG OF WASTE19
 Money Trees.....19
 A Kamikaze-Style Boon.....19
 Beam Me up, Taxpayer.....20
 A Prescription for Waste.....21
THEFT & MISMANAGEMENT OF YOUR MONEY21
 A Steal of a Deal.....21
 Running on Empty.....22
 No Bidding Wars Around Here23
ONE GOVERNMENT’S SCRAP IS ANOTHER MAN’S (STOLEN) TREASURE24
 Leaky Faucets.....25
CONCLUSION.....25
GET PLUGGED IN27
 Turn a Donation into Savings27
 Become a Citizen Watchdog.....27
SOURCES28

INTRODUCTION

The Beacon Center's seventh annual *Tennessee Pork Report* is no less full of wasteful government fat than in years past. State and local governments across Tennessee continue to go hog wild with taxpayers' hard-earned money. In all, the *2012 Pork Report* uncovers \$468 million that state and local governments wasted during the past year.

Political pet projects implemented years ago continue unabated; fraud and abuse remain serious problems, particularly at the local level; and state and local governments press forward with hundreds of millions of taxpayer dollars on what they call "economic development." As we noted in the *2011 Pork Report*, these economic development programs and incentives amount to nothing more than corporate welfare—offering a taxpayer handout to certain businesses at the expense of others.

The *2012 Pork Report* exposes a myriad of government waste, fraud, and abuse, including:

- \$1.5 million blown on a mansion and lavish furnishings by the head of the Upper Cumberland Development District, taking the prize as our "Pork of the Year";
- A handout worth \$500,000 to build a country music museum in a different state;
- Another \$1.5 million in corporate welfare to General Motors, even after its historic \$50 billion federal bailout;
- \$266,000 to another car company, Volkswagen, to construct a massive sign atop its Chattanooga plant, visible only from the air;
- \$50,000 to haul off dead cows in Columbia; and
- \$1.3 million wasted yet again on state-owned golf courses.

As anyone who has flipped through the pages of a *Tennessee Pork Report* over the past seven years will attest, the contents of this publication will raise the ire of taxpayers from Mountain City to Memphis. 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.

PORK OF THE YEAR

LIVING THE DREAM ON YOUR DIME

Probably the most stunning example of taxpayer abuse in the past year comes from Cookeville. During an investigation spanning several months, Nashville's News Channel 5 and Phil Williams uncovered how one local official was living lavishly on the taxpayer dime. Whitney Askins, the executive director of the Upper Cumberland Development District (UCDD), had launched a

project called “Living the Dream” with \$300,000 in seed funding from the development district.¹ She also received millions of dollars in various government grants. The funding went to purchase an elaborate mansion designed to provide housing for needy seniors. They weren’t the only ones living the dream.

What Williams and his team found was that Askins herself promptly moved into the mansion, filling it with her own furniture after paying herself from the “Living the Dream” coffers. She reimbursed herself nearly \$10,000 for furniture and then went on a spending spree. Among her purchases:

- a \$1,500 high-definition TV;
- a custom-made \$25,000 staircase;
- a steam shower and sauna costing \$3,000 each;
- a crystal chandelier worth \$1,600;
- a two-sided fireplace costing \$1,600; and
- two massive fountains totaling nearly \$9,000²



Courtesy of News Channel 5

Askins also relocated her horses and dogs to the mansion, or, as she called it, a “therapeutic petting zoo” for the seniors. She also put numerous family members on the payroll, including her mother, father, sister, brother, and daughter. Each of the family members received his or her own car and gas cards.³

In all, Askins blew more than \$1.5 million on the project. After News Channel 5 released its findings, the development district board placed Askins on administrative leave, while state and local officials launched criminal and civil investigations into her actions.⁴ As if pouring salt in the wound, Askins applied for unemployment benefits, but fortunately her claim was denied.⁵

DEVELOPING A POOR HABIT?

While the UCDD has clearly revealed itself as a poor steward of tax dollars, there are also eight other development districts throughout the state. This year, the state will give \$1.5 million in grants to these districts in an effort to encourage economic development.⁶ Taxpayers should be wary of just how this money will be spent given the huge lack of oversight and accountability within the UCDD. Could one of these eight development districts be the next *Pork Report* headliner?

TAXPAYER-FUNDED TOURIST TRAPS

MUSEUM BOONDOGGLE CROSSES THE LINE, LITERALLY

The most notorious example of government waste in the state budget passed by the General Assembly in late April comes from an unlikely source. Lieutenant Governor Ron Ramsey (R-Blountville),

who is the speaker of the Senate and a frequent critic of government waste, served up his own fat slice of pork to the tune of \$500,000 for a “Birthplace of Country Music” museum in his upper East Tennessee district.⁷

According to Ramsey and other legislative proponents, the taxpayer subsidy will pay off handsomely, with at least a \$13 return on investment for every dollar spent.⁸ Such claims that taxpayer-funded tourism leads to a direct benefit are dubious as they are plentiful. For instance, if one could reap a reward of \$13 for every single dollar invested, no sensible enterprising business would turn down that type of return. Yet not many businesses have shown an interest in propping up these political pet projects with their own investments.

To make matters worse, the country music museum is not even in Ramsey’s district...or the state of Tennessee for that matter. The city of Bristol is in the unique situation of straddling the state line between Tennessee and Virginia. The city is literally cut in half by its main downtown street. To his credit, Ramsey points out that the museum will sit just a stone’s throw away from Tennessee, but it nonetheless shows that taxpayer waste doesn’t stop at the state border. And that type of government waste just crosses the line.



NATIONAL PORK FESTIVAL

In an effort to boost tourism, the state will spend \$50,000 this year on the marketing and administration costs for the National Folk Festival in Nashville.⁹ This festival will probably bring in revenue for the state and city, but it should not do so at the expense of taxpayers. For a national festival of this size, one would think that the organizers and sponsors could raise the necessary funds to promote the event and probably do so in a more efficient manner. In 2012, the state also spent a similar amount on the Africa in April Festival in Memphis. Through a \$45,000 grant from the Tennessee Arts Commission, the state hopes to promote cultural awareness via the project.¹⁰ Taxpayers throughout the state should not be liable for these localized events that could easily be promoted through private means.

ENLIGHTEN YOURSELF TO OTHER PEOPLE’S MONEY

In addition to spending Tennesseans’ money for a museum in Virginia, the state also offers yearly maintenance grants to the Civil Rights Museum in Memphis and the Tennessee Performing Arts Center in Nashville. Each of these entities receives \$300,000 a year.¹¹ Museums such as these do play an important role in the cultural aspects of cities, but perhaps these endeavors would best be supported through philanthropy and private dollars. Funding should not come from the pockets of taxpayers, many of whom will never set foot through the doors of these facilities.

ROTTEN TOMATOES

Tennessee has a vibrant culture and many creative citizens. Because of this, many think it should have a larger presence on the big screen. In order to do this, the state has set up yet another corporate welfare fund to incentivize production of TV shows and movies within Tennessee's borders. In 2012, an additional \$2 million will be dumped into the fund.¹² While some say this would be an economic boon for the state, a recent study of Ohio's film incentive program revealed that for every dollar of tax credits provided, the state only saw a 21-cent return, squandering a whopping 79 percent of the funds.¹³ We should hope that the industry would choose to locate in Tennessee because of our many cultural attributes, not because of a handout that fails to give taxpayers their 15 minutes of fame.

EVEN CLARK GRISWOLD WOULDN'T BOTHER

When planning your last vacation, did you research the amount of welcome centers in the state you were visiting? Did those welcome centers influence where you chose to go or what events you attended? The state Department of Tourist Development sure believes that these are a necessary function for the state's tourism industry. In 2012, the state will spend \$1.4 million on welcome centers throughout Tennessee.¹⁴ Thank goodness, because apparently that's the only thing that keeps the tourists coming.



DOLLY'S SNOW-CAPPED FOUNTAINS

State government is not the only place where companies can turn for preferential treatment. Metro Nashville is fond of doling out its fair share of taxpayer handouts to select businesses, and it's not just limited to traditional companies. Most recently, the Metro Council voted to award a \$5.8 million property tax break to Gaylord Entertainment and Dollywood Co. to build a water and snow park east of downtown Nashville near the site of the former Opryland theme park.¹⁵

Handing out a 60 percent tax abatement over a 12-year period surely came after long debate, right? Unfortunately, it did not. The tax break cleared the Council after no deliberation and with just two councilmen—Duane Dominy and Josh Stites—voting against the measure.¹⁶

While they were at it, Metro Council members found it prudent to spend even more taxpayer money on corporate welfare. The Council also recently handed out a \$3 million tax abatement to Healthcare Corporation of America for a new data center in Antioch.¹⁷ But it didn't stop there.

An even more perplexing handout came in the form of a 15-year property tax abatement to LifePoint

Hospitals for its relocation to Davidson County. This long-term tax break, which frees the company from paying any property taxes whatsoever in the first four years of its relocation, was designed to lure LifePoint from its existing location. . .three miles away. Yes, Nashville officials gave a company a 15-year tax break to move just three miles from the next county over, a decision that will almost certainly provide no economic benefit whatsoever to local taxpayers.¹⁸

PINK PALACE TURNS RED

The city of Memphis has several coveted tourist attractions. Among them is a massive pink mansion, known affectionately as the Pink Palace. The house, which now serves as a museum and planetarium, was constructed by Piggly Wiggly grocery chain magnate Clarence Saunders and converted to a museum in 1930.¹⁹ The city claims the museum needs to be improved. More than 240,000 tourists visit the museum annually, and they could pay for the enhancements through increased admission. Instead, the city of Memphis wants taxpayers to fork over \$10 million for the upgrades.²⁰

CORPORATE WELFARE IS ALIVE AND WELL

FROM THE WHITE HOUSE TO THE STATEHOUSE

Only a few years after the federal government gave an unprecedented \$50 billion bailout to General Motors, company officials want even more taxpayer-subsidized handouts, and they have shifted their lobbying efforts from Washington, D.C. to the states to make it happen.

GM came to the Volunteer State last year looking for money from Tennessee's Department of Economic and Community Development (ECD). State officials were all too willing to accommodate GM's request. ECD gave \$1.5 million to help the company expand its production plant in Spring Hill. Not coincidentally, the total aggregate lobbyist compensation that GM pays to Tennessee lobbyists has more than doubled in the past few years.

GM, however, already had more than enough cash to do as it pleased and never should have sought money at the expense of hard-working Tennessee taxpayers. Company CEO Dan Akerson told CNN last year that his company is now so prosperous that it has more than \$35 billion of cash on hand. The company's pattern of lobbying for taxpayer money has also paid off in other states, including Maryland, Michigan, Kentucky, Texas, Indiana, and Ohio. And company officials wonder why they have received the moniker "Government Motors."²¹



Scan this code to listen to a podcast about how much GM is costing Tennessee taxpayers.

FIELD OF (PIPE) DREAMS

A popular tool of late in economic development has been to prepare industrial “megasites” in hopes of attracting a large manufacturing plant or other businesses to a particular area. In the past, these sites have been used to bring companies like Volkswagen and Hemlock Semiconductor to Tennessee. This year, the state will spend \$25 million to continue developing the West Tennessee Megasite in Haywood County.²² While this site may eventually bring new business to the state, the government should not have a “build it and they will come” approach when using taxpayer money. Not only will the state spend huge amounts of taxpayer dollars to prepare the site, it will also inevitably offer further tax incentives to lure a company to relocate to the area, an even more expensive proposition for taxpayers.

BRINGING A COMPETITOR TO TOWN

In addition to the state’s FastTrack grant program, an \$80 million fund that gives cash incentives to businesses, the state also provides corporate welfare through its headquarters relocation assistance fund. This program is designed to give tax breaks to companies who choose to relocate their corporate headquarters to Tennessee. In the previous and current fiscal years, the state has appropriated \$40 million for this purpose, taken from families and business owners who are already here.²³ There’s nothing like using taxpayers’ money to attract their competitors to the neighborhood.

SEE YOUR TAX DOLLARS WASTED FROM SPACE

After dropping several hundred million dollars to lure Volkswagen to Tennessee, taxpayers are still on the hook for the car company. In January 2012, Volkswagen received a whopping \$266,200 grant from the state to market its Chattanooga plant via a massive sign.²⁴ But if you’re driving through the area, don’t expect to see your tax dollars at work. That’s because the sign will span the plant’s roof, visible only from above.

The claim is that the company can market to passengers flying in and out of the Chattanooga airport. The only problem is that the airport is not exactly a bustling hub. On average, a mere 595 passengers fly in and out daily.²⁵ Officials considered giving the company an additional \$158,000 to illuminate the sign with solar-powered LED lights, but they came to their collective senses and scrapped that plan. Thus, only those that fly during the day will be able to see the giant “Volkswagen Chattanooga” sign.

TENNESSEE’S LOW STANDARDS ON CORPORATE WELFARE

Tennessee officials are not doing a good job holding businesses that receive corporate welfare to high enough standards, and taxpayers are losing out to the tune of about \$36 million per year.

This year, members of the Washington, D.C.-based Good Jobs First criticized Tennessee officials for their low standards on how they dole out taxpayer money. The center examined how all 50 states and the District of Columbia hold companies accountable when they receive economic incentives for job creation.

The organization said state officials fail to do enough to penalize companies that are not fulfilling their agreements.

Among the highlights of the report:

- Tennessee's Job Tax Credit was one of 23 programs (out of 238 studied) that had no reporting provisions requiring recipients to report to a state agency on their outcomes.
- Three of the state's incentive programs (FastTrack Job Training Assistance, Headquarters Tax Credit, and the Sales and Use Tax Credit for Qualified Facility to Support an Emerging Industry) lacked measures to independently verify any of a company's reported claims.
- Tennessee Job Skills program lacks penalties for non-performance.
- Tennessee does not publish names of noncompliant recipients (while 38 programs in 18 other states do) and does not post lists of which recipients were penalized (only 14 programs in eight other states did).

The center gave Tennessee a grade of C minus, tying West Virginia for 29th place.²⁶

STATE BUDGET OFFERS SLABS OF PORK

LANDING ON A PILE OF CASH

The state is once again doling out big money to purchase land for conservation purposes. This year, the state will spend more than \$3 million to purchase land directly and allocate another \$3.7 million to local governments to acquire more land for parks. These land purchases not only cost taxpayers on the front end. Local governments often lose out on future property tax revenue as well. To offset this, the state will spend another \$100,000 to compensate local governments for this potential loss in revenue that results from the state's land-buying frenzy.

In addition to buying land for parks, the state will also shell out \$6.5 million to purchase wetlands, including another \$400,000 to compensate local governments for more lost property tax revenue. The state's land acquisition is funded through several dedicated funds that are supported by the real estate transfer tax. If the money is there, government is sure to spend it. The best way to stop this unnecessary practice would be for the General Assembly to eliminate the real estate transfer tax, which will have the added benefit of freeing homeowners of a costly penalty when they sell or purchase homes.

On top of all this, the state will spend \$1 million to expand Radnor Lake Park just south of Nashville. This is in addition to the existing multi-million dollar spending spree, not a part of the dedicated funding meant for the purchase of parkland. All told, the state's land-grab will cost taxpayers \$14.7 million.²⁷

TAXPAYER WASTE IS PAR FOR THE COURSE

In 2012, the state of Tennessee continued to dabble—and quite miserably so—in the golf course business. Of the nine golf courses the state operates, eight lost significant sums of taxpayer money. In total, these state-owned golf courses dipped into the red by more than \$1.3 million this past fiscal year.²⁸

TENNESSEE STATE GOLF COURSE NET PROFIT/LOSS FOR FISCAL YEAR 2010-2011			
COURSE	REVENUE	EXPENSES	NET PROFIT (+) OR LOSS (-)
Cumberland Mountain	\$856,781	\$1,052,982	-\$196,201
Fall Creek Falls	\$503,980	\$760,069	-\$256,089
Harrison Bay	\$1,160,674	\$1,112,397	+\$48,277
Henry Horton	\$725,137	\$880,731	-\$155,594
Montgomery Bell	\$776,980	\$948,944	-\$171,964
Paris Landing	\$658,982	\$731,277	-\$72,294
Pickwich Landing	\$536,835	\$713,380	-\$176,545
Tim's Ford	\$650,495	\$867,620	-\$217,125
Warrior's Path	\$772,125	\$877,090	-\$104,965
TOTAL	\$6,641,989	\$7,944,490	-\$1,302,500

The Department of Environment and Conservation argues that the courses are a part of the overall state parks, which as a whole are self-sufficient. In addition, department officials noted in an email to Beacon that: “Golfers often purchase meals at the inns. Conservatively basing meal cost on breakfast (typically \$8.00), it is estimated that an additional \$47,344 in restaurant revenues is generated at state park restaurants due to the presence of a golf course at a state park.”²⁹ Still, the additional revenue from breakfasts barely makes a dent in the overall loss of the courses themselves.

While it is reassuring that the state parks as a whole have become self-sustaining, it is still not the business of government to operate golf courses. Thus far, the state has sold certain courses that failed to remain profitable, saving taxpayers hundreds of thousands of dollars. State officials should continue down that path. At the very least, they should raise greens fees at the nine remaining courses so that some taxpayers are not subsidizing the leisure of others.

PRE-K TO INFINITY

President Ronald Reagan once said that the closest thing to eternal life on Earth was a government program. There is no greater Tennessee example of this than the state’s Pre-Kindergarten program. A series of studies by the state Comptroller demonstrated that educational gains by students in the program are not sustained in the long term. The Comptroller’s final study was issued in 2011 and reached the same conclusion.

While students involved in Pre-K were better prepared for kindergarten than their peers, the positive educational impact is not long lasting. In 2012, the state will spend \$88.7 million to continue funding a program that has repeatedly failed to have a significant lasting impact on the education of Tennessee's children.³⁰ Despite this continued failure, Governor Bill Haslam is considering expanding it in future years because state revenues have increased.³¹ Though closing a program of this size will be tough, lawmakers should focus the limited dollars we have for education in areas that are at least proven effective.

WORKING 9-TO-5 WON'T PAY FOR THIS

There is a saying that “nothing in life is free.” However, if you are a child under five years old, you can receive one “free” book per month through the Governor's Books from Birth program, regardless of your family's income. The program is a partnership with Dolly Parton's Imagination Library. Dolly's nonprofit is certainly a worthy endeavor to encourage early childhood reading. The problem arises when taxpayers hand out \$3.4 million a year—half the cost of the entire program—to support this private charity.³² The old saying is spot on the money, because these books are anything but “free.”

WASTEFUL SPENDING HITS A TOWN NEAR YOU



NOT A CASH COW FOR TAXPAYERS

As the pages of the *Tennessee Pork Report* often show, government likes to get into the business of doing things that really are not the role of government. The Maury County Commission may have taken this to the extreme in the summer of 2011 when it voted 15-6 to spend \$50,000 to dispose of dead cows.³³

Interestingly, it appears that yet another government action has drastically increased the cost to haul off the livestock. Because

of new Food and Drug Administration rules on those that normally accept dead cows for processing, disposal costs have doubled.³⁴ Nonetheless, spending one taxpayer's money to haul off another's dead cow is pure bovine scatology.

CARMAXED

Speaking of cars in the Chattanooga area, city officials in East Ridge were in for a surprise when they sought to determine how many cars the city government owned. After taking inventory, City Manager Tim Gobble was shocked to discover that the city owned 149 vehicles. That's quite a feat for a town that has a mere 116 employees. Many of the vehicles were not even registered, costing the city \$121 in new car titles. Gobble set out to auction off 25 of the cars as unnecessary. In addition to the value of these 25 cars, the extra insurance and maintenance has cost the city approximately \$80,000 a year.³⁵ Kudos to Gobble and his team for seeking to reduce local taxpayer waste, and here's to other cities doing a little check of their own vehicular inventory.

CARMAXED, REDUX

The city of Nashville also recently undertook an investigation into an unnecessary automobile fleet. Metro Nashville Councilwoman Megan Barry discovered that taxpayers could save more than \$600,000 a year by changing the city's vehicle policy, potentially reimbursing city employees for mileage rather than purchasing its own cars.³⁶ Two cities down, a few hundred to go.

ANOTHER CLERK BITES THE DUST?

Less than one year after Nashville's Criminal Court Clerk resigned when it was discovered that he worked just two days a week, another local elected official is in hot water. Davidson County Clerk John Arriola has been busted for pulling some rather unflattering stunts.

First, a News Channel 5 investigation found that Arriola, who is legally authorized to officiate marriages, was pocketing \$40 for each marriage ceremony he administered. When the station's chief investigative reporter Phil Williams revealed the practice, Arriola claimed that he merely received "gratuity" from the newlyweds. Undercover cameras showed otherwise. Arriola's employees admitted that he was charging a \$40 fee, cash only, to obtain his services. At 842 weddings a year, Arriola appears to have pocketed as much as \$33,000 for performing wedding ceremonies, in addition to his \$115,000 taxpayer-funded salary.³⁷

Not only was Arriola raking in some serious cash on the side, he was also using taxpayer money to enhance his image. The clerk paid \$16,826 to a public relations firm to boost his name recognition. He also shelled out \$806 for a professional portrait of himself, and another \$4,800 for a new Davidson County Clerk logo that featured his name. Finally, his office spent more than \$34,000 to replace all the county clerk signs, with the new signs featuring the updated logo complete with his name.

After the News Channel 5 investigation shed light on Arriola's practices, the local district attorney asked the Tennessee Bureau of Investigation to look into possible criminal activity,

and the Metro Nashville City Council passed a resolution requesting that Arriola resign.³⁸ Thus far, the embattled clerk continues to cling to his office.

A PROPERTY TAX YOU CAN'T CRITICIZE

While preferred companies can get relief from those pesky property taxes, average citizens are not as fortunate. Take a recent case in Fentress County for example. There, the county commission voted to raise property taxes by 50 percent to fund a new \$10 million jail. This news did not sit well with residents of the county, which is one of Tennessee's poorest with 25 percent of residents at or below the poverty level.

Now imagine going to your next county commission meeting to speak against the tax increase only to have your county executive, a man named Frank Smith, refer to you as a “dumbass” simply because you disagree. If only we were making this up.

At one point, commissioners discussed important business related to the tax with all microphones turned off, despite audience members' numerous objections that they could not hear anything. Later, commissioners passed a rule stating that they can deny any member of the public the right to comment on any particular issue—including tax increases.

Smith claimed that state officials were on the verge of condemning the original jail, thus the need for one that is newer and larger. Tennessee Corrections Institute Officials said, however, that the purported plans to condemn the facility were untrue.

Residents were so fed up that they organized a bond protest and gathered enough signatures to force commissioners to rescind earlier action to fund the jail with the tax increase. The property tax remains, however. Many residents, especially the elderly, said it is affecting their lives for the worse.³⁹

THE GESTAPO OF METRO GOVERNMENT

Nashville's Metropolitan Development and Housing Agency (MDHA) started out as an entity to house the poor. Over time, MDHA evolved into something far more powerful—an agency that directly threatens any and all property owners living in Davidson County.

Of MDHA, former Nashville Metro Council Member Michael Craddock said this: “They are the Gestapo of the Metro government...They go in, condemn people's property, take people's land and do the dirty work for the city. They have no one to hold them accountable.”



*Scan this code to read more about
MDHA's land grab.*

MDHA used eminent domain to acquire land from Tower Investments, a real estate company, to make way for the forthcoming \$500 million Music City Center, a sprawling convention center on the south side of downtown. The agency offered only \$14.8 million, a low sum for what experts say is one of Nashville's most desirable properties. Tower officials filed a lawsuit, and a jury later determined the company was entitled to twice what MDHA had offered, or \$30.3 million.

MDHA's lowballing forced Nashville officials to exceed their land budget for the new convention center, at an additional loss to taxpayers of \$12.5 million. MDHA is currently appealing the judgment, and further legal action will doubtlessly cost taxpayers even more money.⁴⁰

A MOST DISCRETE AGREEMENT

In 2011, White County Executive Herd Sullivan hired a developer to build a \$500,000 industrial building on county-owned land. He apparently did so without the consent of most county commissioners, even though state law requires that commissioners formally approve any such agreement.

According to the agreement, the developer will own the building for two years. If the developer cannot sell the building before those two years expire, the county will take it off the developer's hands. If and when that happens, county taxpayers will pay for the \$500,000 in construction costs, plus a whopping eight percent interest.

More than one year has passed since Sullivan made the deal. Thus far, no one wants to buy the building. Because of the recession, the county already owns other empty industrial buildings, prompting one to ask why Sullivan sought the deal in the first place. If the developer cannot sell by March 2013, then White County taxpayers will pay the price for their county executive's covert, and most unwise, course of action.⁴¹

THE MAYOR'S BRAND NEW ENTITLEMENT

Oakland Mayor Scott Ferguson's job is so demanding that the usual perks of elected office are just not enough. Ferguson so devotes himself to the town's 5,623 residents that he needs a new Chevrolet Tahoe to carry out his duties. According to a new rule that he said was "in the town's best interests," he may also use the SUV for personal reasons—and taxpayers are footing the bill.



Ferguson purchased another automobile with his own money, but to suggest that the mayor use his own personal vehicle is out of the question, according to town Finance Director Pam Walker. Ferguson needs the \$45,000 SUV to

carry out such typical mayoral duties as driving to and from work and transporting himself only a short distance when town emergencies arise, Walker said.

When asked about the vehicle's cost by *Tennessee Watchdog*, a publication of the Beacon Center, an angry Walker would not answer the question directly, but she did say the following: "I am not going to argue with you about the price of a vehicle. You don't know what I personally drive and how much it costs—do you? So why are you asking me this?"⁴²

Walker does not appear to understand that taxpayers, if they had a choice, would insist that the mayor drive his own vehicle to and from work just as the rest of us do.



A Full Chism, Dancing a Jig

IS A HUNGRY POLITICIAN MORE FOOLISH THAN A STUFFED ONE?

Shelby County Commissioner Sidney Chism said he would die of hunger if a proposed new rule forced him and other commissioners to pay for their own lunches at work.

According to a long-established program, taxpayers pay for the commissioners' on-the-job meals, at a sum of \$25,000 per year. Last year, Commissioner Chris Thomas proposed ending the practice altogether.

Chism, however, opposed Thomas' suggestion and actually offered up this fine gem at a commission meeting: "I don't think the public expects us to do a job and then starve us to death in the process of doing that job."⁴³

Chism makes \$2,425 a month as a commissioner, on top of his income from his day job as an engineer and businessman. Even though other county employees do not enjoy this privilege (and many make much less than Chism), a majority of commissioners voted to continue accepting what is, for them, a free meal every time they meet.

THIS SCHOOL'S ARITHMETIC IS WAY OFF

According to the state Comptroller, a great many shenanigans have taken place within the Campbell County School System, and taxpayers have lost thousands of dollars as a result.

- The previous director of schools and the school system's Title I director, who manages federally funded projects for the school system, falsified transcripts to show that the

director had a doctorate. Because of the deception, the latter received a higher salary than she otherwise would have received.

- According to state auditors, the principal of Jacksboro Elementary School personally benefitted from a school contract by selling 33 air purifiers to the school, but she delivered only 12. School officials took more than \$8,000 out of the school's budget to pay for those undelivered purifiers. The principal also bypassed the school system's sealed competitive bidding system by hiring her son and another person to paint the school. Auditors reported that the school's bank account shrank from \$44,000 to a mere \$4,000 during the first 13 months she served as the school's principal.
- Auditors reported that the LaFollette Middle School principal authorized "sometimes irresponsible spending" practices. These actions forced the school board to intervene and pay an additional \$5,608 of taxpayer funds so the school would have enough money for necessary expenses.⁴⁴

MISCELLANEOUS: A MIXED BAG OF WASTE



MONEY TREES

In the summer of 2011, the state Department of General Services signed a contract with Tropical Design of Nashville for the installation of plants in state-owned buildings throughout downtown Nashville. The cost of the live plants came out to \$24,633, plus an additional annual fee to water and keep the plants alive.⁴⁵ At least the department competitively bid the project and selected the lowest of three bids, according to public records. Although it might be necessary to spruce up drab state office buildings, it's likely that the department could have found a less expensive means to add this aesthetic appeal.

A KAMIKAZE-STYLE BOON

The *2011 Pork Report* detailed how the Chattanooga Metropolitan Airport Authority inappropriately used \$4 million of taxpayer money to hire a company to compete against TAC Air, a private Fixed Base of Operations (FBO). TAC Air and other FBOs sell fuel to private jets flying in and out of airports across the nation.

Airport officials were unsatisfied with TAC Air having



*Scan this code for a video interview with
a Chattanooga Airport official.*

no competition, seemingly unaware of the fact that no other private FBOs would compete on their own due to a sharp decrease in aviation traffic in Chattanooga.

In 2012, taxpayers learned that matters had only worsened after it came to light that the taxpayer-funded FBO, Wilson Air, will lose \$3 million during its first five years of operation.

Tennessee Watchdog recently discovered that the taxpayer-subsidized FBO had already lost \$317,000 in fewer than six months of operations. Airport officials, who now admit they will lose money over the next five years, have failed to offer any evidence that they made such a claim when they sought taxpayer money for the project. In fact, according to documents obtained by *Tennessee Watchdog*, Wilson Air originally planned on generating profits in just its second year.

Tennessee Aeronautics Commission member Jim Berry, who was instrumental in doling out taxpayer money to Wilson Air, appears to have a conflict of interest in doing so. When it opened, Wilson Air in Chattanooga proudly announced that Berry was its first tenant.

There is more bad news. This year, the Commission on which Berry sits gave an additional \$5 million to the airport for new hangar space—when it already has at least 40,000 square feet of available hangar space that no one wants to use. Hopefully, this crash and burn approach with taxpayer money will come to an appropriate end.⁴⁶

BEAM ME UP, TAXPAYER

Chattanooga's Electric Power Board (EPB) was once known for offering basic electrical service to the city's residents. Company CEO Harold DePriest, however, expanded the utility into one that also offers telephone, cable TV, and high-speed broadband Internet to compete against traditional private providers such as Comcast and AT&T. EPB is now the largest municipal utility in the nation to offer telecommunications services, and it has reached that point at enormous taxpayer expense.

DePriest carried out this plan despite the fact that 75 percent of government-run (and taxpayer-subsidized) communications systems throughout the nation have already lost money. According to one academic study, the nine that operate in Tennessee have lost a combined \$176 million.

EPB also offers something called ultra high-speed Internet. Consumers have to pay more than seven times what they would pay for the traditional service—\$350 a month. Right now, only residents of a select few cities worldwide (such as Hong Kong) even use this technology, and that is because most consumers will likely not demand it for another 10 years.

The ultra-high speed Internet cannot operate without a \$300 million Smart Grid. More than \$100 million in federal stimulus money funded the Smart Grid, while customers who only subscribe to EPB's electricity service (many of whom do not pay for EBP Internet and thus do no benefit) pay an additional \$160 million. EPB's Internet and cable TV customers foot the rest.

Fewer and fewer private companies wish to compete against EPB, which will soon have a monopoly in the Chattanooga market, according to private Internet service provider David Snyder. He told *Tennessee Watchdog*, “They have built a solution looking for a problem. It makes for great marketing, but there is no demand for this service. By the time [the ultra high-speed Internet] service is needed, the private sector will have established this for pennies on the dollar. Meanwhile, EPB spent hundreds of millions of dollars to have this before it was in demand.”⁴⁷

A PRESCRIPTION FOR WASTE

TennCare, the state’s version of Medicaid, is supposedly available only for the poorest and most needy of state residents, provided they meet certain qualifications.

As it turns out, many people who are ineligible for TennCare are still finding ways to participate. Some use their benefits to commit additional crimes, such as doctor shopping (going to multiple doctors in a short period of time to obtain the same controlled substances) and forging medical prescriptions. This fraud is bad enough, yet all the while officials who administer the program are finding their own ways to waste taxpayer money.

Among the examples of TennCare waste this past year are:

- TennCare officials failed to remove enrollees who were ineligible. Furthermore, illegal aliens managed to enroll in the program. Combine all of this with other eligibility problems and taxpayers lost almost \$24,000.⁴⁸
- Authorities arrested numerous people on charges of TennCare fraud. Many of these arrests involved people using TennCare to doctor shop and pay for forged prescriptions. Many of them never qualified for TennCare in the first place.⁴⁹
- A Department of Health and Human Services (DHS) employee helped a family member obtain TennCare benefits for which she was not eligible.⁵⁰
- TennCare officials announced they were expanding coverage of the smoking cessation product Chantix.⁵¹ Unfortunately, a Harvard University study reveals that such products rarely work.⁵² Another study confirms that Chantix only has a 22 percent success rate.⁵³

THEFT & MISMANAGEMENT OF YOUR MONEY

A STEAL OF A DEAL

Government employees stole or misused more than \$1.8 million of taxpayer money according to the state Comptroller’s 2011 and 2012 audits. Even worse, officials in some of the most important positions of public trust were among the culprits. Examples include the following:

- **Cagle-Fredonia Utility District** Office Manager Charlotte Turner admitted to misappropriating \$32,849 of utility district collections between April 2009 and January 2011. A grand jury indicted her in May 2011 on one count of theft of more than \$10,000.⁵⁴
- The former executive director of **Cannon County's** REACH After-School Program used more than \$37,000 in program funds for personal use and made more than \$26,000 in questionable expenditures, according to state auditors. Taxpayers are responsible for supporting the REACH program through various state and federal grants.⁵⁵
- **Collinwood's** former city recorder took almost \$85,000 in city utility collections throughout a 27-month period. She also destroyed payment records to cover up her activity.⁵⁶
- In **Davidson County**, \$91,754 went missing from the Metro Trustee's Office.⁵⁷
- In late April 2012, former **Knox County** Trustee Mike Lowe and four of his employees were indicted for stealing taxpayer money. Lowe and one of the employees stand accused of stealing at least \$120,000. Each action is a felony carrying a possible sentence of up to 12 years in prison.⁵⁸
- **Pickett County** officials issued a \$72,220 capital outlay note to purchase two fire trucks without approval from county commissioners and the state Comptroller.⁵⁹
- Bookkeeping and accounting problems resulted in **Pickett County** officials spending more money than they had in their budget, to the tune of almost \$150,000.⁶⁰
- **Polk County** officials gave \$50,000 to a nonprofit that was formed to raise money to build a new library—but that was six years ago, and they still lack a formal agreement to construct a library.⁶¹
- In April 2012, the former executive director of the **Ripley Housing Authority** was sentenced to two years in prison for embezzlement. Among his crimes, David Royce Ford used \$216,000 in housing authority funds for his own personal use, including payments to a motorcycle dealer and for the purchase of a \$34,000 Ford pickup truck.⁶²
- A **Shelby County** Chancery Court clerk stole \$982,548 of funds related to old property tax sales.⁶³
- A **Unicoi County** grand jury indicted Sheriff David Kent Harris on six counts of official misconduct for having inmates perform labor on his property, falsifying a memo requesting payment from the county for a vehicle that had been donated to the county, and theft for receiving \$4,500 that belonged to the county.⁶⁴
- Authorities arrested **Whitwell's** former police chief and former city recorder on charges of theft after they used city credit cards to buy personal items. City officials were also faulted for the way they mismanaged the city's Internet account, by paying for dial-up services even though they had already upgraded to a DSL account. Taxpayers lost almost \$17,000 due to this theft and mismanagement.⁶⁵



RUNNING ON EMPTY

Nearly three-dozen counties and public utilities busted their budgets in the past year, according to state Comptroller audits. The following is a round up of the overspending by these governmental entities, whose various deficits totaled a whopping \$22 million.

- **Benton County** – \$2,794,139⁶⁶
- **Bledsoe County** Highway/Public Works Fund – \$190,355⁶⁷
- **Campbell County** – \$51,659⁶⁸
- **Cheatham County** – \$1,440,811⁶⁹
- **Crockett County** School Federal Projects and School Transportation funds – \$126,630 and \$8,618, respectively⁷⁰
- **Crockett County** General Purpose School Fund – \$102,017⁷¹
- **Decatur County** – \$69,402⁷²
- **Dickson County** School Federal Projects Fund – \$95,157⁷³
- **Fayette County** School Federal Projects Fund – \$339,114⁷⁴
- **Hancock County** School Federal Projects Fund – \$55,095⁷⁵
- **Hardeman County** Solid Waste Disposal – \$1,146,899⁷⁶
- **Hardin County** Highway/Public Works Fund – \$284,794⁷⁷
- **Haywood County** Utility District – \$73,973⁷⁸
- **Henderson County** Drug Control and General Purpose School funds – \$20,265 and \$600,493, respectively⁷⁹
- **Jackson County** – \$188,873⁸⁰
- **Jefferson County** Solid Waste Disposal Fund – \$4,960,508⁸¹
- **Lauderdale County** General Purpose School Fund – \$149,528⁸²
- **Lawrence County** General Purpose School Fund – \$95,763⁸³
- **Lewis County** – \$361,430⁸⁴
- **Madison County** Education Capital Projects Fund – \$195,505⁸⁵
- **Marion County** – \$78,650⁸⁶
- **Marshall County** – \$355,034⁸⁷
- **Maury County** – \$130,944⁸⁸
- **McNairy County** – \$65,604⁸⁹
- **Obion County** School Federal Projects Fund – \$101,016⁹⁰
- **Putnam County** Central Cafeteria Fund – \$66,498⁹¹
- **Smith County** Solid Waste Disposal Fund – \$2,163,710⁹²
- **Sumner County** Self-Insurance Fund – \$933,538⁹³
- **Van Buren County** Highway/Public Works Fund – \$18,636⁹⁴
- **Wayne County** Central Cafeteria Fund – \$66,261⁹⁵
- **Williamson County** Self-Insurance Fund – \$4,986,235⁹⁶

Finally, the Bi-County Solid Waste Management System in Montgomery and Stewart Counties had several expenses exceeding budget projections by amounts ranging from \$100,000 to \$700,000. According to the audit, the Board of Directors does not review monthly financial statements or budget-to-actual results to prevent this type of overspending.⁹⁷

NO BIDDING WARS AROUND HERE

Tennessee law requires state and local officials to publicly advertise competitive bids for services exceeding \$10,000. This law exists for a very good reason: to ensure that the best and lowest price is

obtained, and to prevent officials from misusing taxpayer money by paying more than the competitive price. As the following examples show, certain public officials seem unable to obey the law.

- In **Cannon County**, competitive bids were not obtained for the hauling of waste collections to a landfill, totaling \$137,980.⁹⁸
- Competitive bids were not solicited for the purchase of fuel for the **Dickson County** Landfill Department (\$71,946).⁹⁹
- The **Haywood County** mayor entered into a five-year operating lease agreement totaling \$300,000 with Doc Imaging, LLC. This lease agreement provided for the use of equipment and employees for document scanning services with payment terms of \$5,000 per month for 60 months. This lease was not competitively bid.¹⁰⁰
- **Lauderdale County** failed to secure competitive bids for the purchase of wireless service for several schools totaling \$248,224.¹⁰¹
- In **Putnam County**, competitive bids were not sought for the purchase of \$573,244 in excess insurance coverage above self-insured amounts.¹⁰²
- Competitive bids were not solicited for food purchased for the **Sequatchie County** jail, totaling \$138,662.¹⁰³
- The **Union County** School Department did not solicit competitive bids through newspaper advertisement for the purchase of 133 computers (\$101,612) and equipment and installation of a telephone and intercom system (\$19,826) at a new elementary school.¹⁰⁴
- Competitive bids were not solicited for the purchase of liability insurance (\$233,866), boiler insurance (\$7,528), workers' compensation insurance (\$84,153), and buildings and contents insurance (\$132,146) in **Warren County**.¹⁰⁵

ONE GOVERNMENT'S SCRAP IS ANOTHER MAN'S (STOLEN) TREASURE

Many people recycle scrap metal products that they legitimately acquired to earn extra money. As the demand for scrap metal has increased, however, certain dishonest people are prone to steal it. While scrap metal thefts are now a nationwide trend, government employees in Tennessee have joined the act, sometimes with the full knowledge of their supervisors. In many instances, auditors who discovered the thefts could not say how much the missing scrap metal was worth.

- **Cannon County** – Employees of the Solid Waste Department admitted to removing scrap metal from the county's convenience center and sold the metal for personal gain. The county executive said these employees were not making much money in their day jobs, so they stole the scrap metal with his permission.¹⁰⁶
- **Hardin County** – Employees of the solid waste department sold scrap metal for personal gain. One of the employees maintains a personal scrap metal business. This practice resulted in a loss of revenue from the sale of scrap metal by the Solid Waste Department.¹⁰⁷
- **Johnson County** – The Johnson County solid waste director allowed his son to remove scrap metal from a solid waste transfer station and sell the materials for personal gain.¹⁰⁸
- **Overton County** – Overton County's Solid Waste Department had a cash shortage. A recycling company paid a department employee \$18,913 in cash and checks for the sale of department scrap metal. Proceeds from the sale were not deposited with the county trustee.¹⁰⁹

LEAKY FAUCETS

At face value, it may not seem like a big deal if local governments lose water. Water, after all, is the most abundant resource on Earth, right? When a governmental entity loses water, however, taxpayers suffer. Lake City's water department, for instance, lost 39 percent of its water in 2011. According to state auditors, this cost the city roughly \$46,000.¹¹⁰

Lake City was among 33 governments in Tennessee that lost an excessive amount of water last year (a water loss of 35 percent or more is considered excessive, according to state standards). When this happens, water districts lose money and ratepayers are charged higher rates, simply because authorities are not repairing malfunctioning meters and leaks in lines.

Among the worst offenders:

- **Alexandria** lost half its water throughout the year.¹¹¹
- The **Cookeville Boat Dock Road Utility District** lost 45.92 percent of the water it purchased in 2010.¹¹²
- **Erin** had 49.7 percent of its water go missing.¹¹³
- **Harbor Utility District of Benton County** did not account for almost 62 percent (or 12,000 gallons) of water pumped.¹¹⁴
- **McKenzie Water Department's** unaccounted for water totaled 53 percent.¹¹⁵
- **The City of Mt. Pleasant's** unaccounted for water stood at 42 percent.¹¹⁶
- The percentage of unaccounted for water in **Pikeville** was 43 percent.¹¹⁷
- The **Sale Creek Utility District** experienced a 49 percent water loss.¹¹⁸
- The percentage of unaccounted for water in the town of **Sharon** was 47.4 percent.¹¹⁹
- The **Town of Trezevant** lost 57 percent of its water, a total of 24 million gallons.¹²⁰
- **Watauga River Regional Water Authority** lost 60 percent of its water.¹²¹
- **Waverly** lost 52 percent of its water during the past year.¹²²

CONCLUSION

The *2012 Tennessee Pork Report* exposes \$468 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 2012, Tennessee's governments prove to be poor stewards of taxpayers' money.

To protect tax dollars from this waste, fraud, and abuse, state and local elected officials need to make several changes that support governance that is as fiscally responsible as Tennesseans expect.

In addition to the outright elimination of 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. 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. Under such a law, if tax revenues exceed estimates, the General Assembly would be required to return the surplus to taxpayers. Lawmakers could do this by lowering certain taxes to offset the over-collection of revenues.

2. STRENGTHEN THE COPELAND CAP

Second, if the General Assembly truly wishes to curb spending, it would complement a “kicker” law with a strengthened Copeland Cap. Enacted in 1978, the Copeland Cap is designed to prevent waste by tying state spending to 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 “busts 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 leeway for out-of-control spending. The General Assembly should instead base the calculation off 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 established by President Ronald Reagan in 1982. This panel of business executives and private sector volunteers undertook a comprehensive review of the federal government. Officially known as the report of the President's Private Sector Survey on Cost Control, the Grace Commission made 2,478 recommendations that saved taxpayers \$424.4 billion during a three-year period. A similar state-level 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 organizations like the Beacon Center to hold elected and appointed officials accountable. Until state and local officials decide to truly tackle government waste, the *Tennessee Pork Report* will continue to make government spending as transparent as possible.

GET PLUGGED IN

TURN A DONATION INTO SAVINGS!

To support the Beacon Center of Tennessee and projects like the *Tennessee Pork Report*, consider making a tax-deductible donation to our cause. For every single dollar donated to the Beacon Center for publishing the *Pork Report*, we uncover more than \$116,500 in government waste, fraud, and abuse.

Contributions can be made by visiting www.beacontn.org/support, filling out the enclosed business reply envelope, or sending a check to:

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ATTN: Pork Report
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BECOME A CITIZEN WATCHDOG!

Many of the examples found in the *Tennessee Pork Report* come directly from citizens across the state. Become one of Tennessee's citizen watchdogs by submitting your own examples. Give us a call at (615) 383-6431 or email tips@beacontn.org. All tips will remain anonymous.

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