CRomnibus 2007 Amendments

1) Remove prohibition on “Baby AIDS” program funding (amendment #234)

2) Increase AIDS drugs assistance funding with offset from corporate welfare (amendment #235)

3) Temporary C.R. extension (amendment #236)

4) Require public disclosure of government reports delivered to the Appropriations Committees (amendment #250)

5) Increase emergency farm aid with offset (amendment #251)

6) Require Global AIDS Fund to publicly disclose audits and program reviews (amendment #252)
Amendment 234 – Removes prohibition on funding for the HIV Early Intervention Grant program.

Section 20613(b)(1) of H.J. Res. 20, the 2007 Revised Continuing Appropriations Resolution, prohibits funding to implement section 2625 of the Public Health Service Act relating to the Ryan White Early Diagnosis grant program. This is also known as the “baby AIDS” program because it is the only federal funding specifically intended to prevent and treat baby AIDS.

Early Diagnosis Grants Provide HIV Testing and Care to Pregnant Women, Children, and At Risk Populations

The Early Diagnosis grant program was established by the Ryan White HIV/AIDS Treatment Modernization Act of 2006, which became Public Law 109-415 on December 19, 2006.

The program provides $30 million annually for grants that may be utilized by eligible states to provide HIV/AIDS testing, prevention counseling, treatment of newborns exposed to HIV/AIDS, treatment of mothers infected with HIV/AIDS, and costs associated with linking those diagnosed with HIV/AIDS to care and treatment for HIV/AIDS.

To be eligible for these funds, states must have policies in effect providing:

- Voluntary opt-out HIV testing of pregnant women; and
- Universal HIV testing of newborns when the HIV status of the mother is unknown; or
- Voluntary opt-out HIV testing of clients at sexually transmitted disease clinics; and
- Voluntary opt-out HIV testing of clients at substance abuse treatment centers.

Funding for this grant program would be provided out of existing HIV prevention funds appropriated to the Centers for Disease Control and Prevention (CDC) and would not require new appropriations.
These funds are targeted at those most at risk for infection as well as those who are most likely to benefit from treatment.

President George W. Bush's 2008 budget proposal specifically requested $30 million for this initiative.

**Early Diagnosis Can Prevent “Baby AIDS” and Save Lives**

“Baby AIDS” can be virtually eliminated if expectant mothers with HIV are identified and treated with AIDS drugs during pregnancy.

When treatment is provided during pregnancy, labor and delivery, and to infants after birth, the risk of transmission from mother to child can be reduced to less than one percent. Without treatment, 25 percent of children born to mothers with HIV will become infected, according to CDC.¹

Infants whose mothers’ HIV status is unknown may also be protected from infection if HIV antibodies are detected soon after birth and treatment is promptly administered.

Babies who escape infection during pregnancy and childbirth are still at risk and further precautions can be taken if a mother is aware that she is infected. HIV transmission through breast feeding, for example, accounts for approximately one third of perinatal HIV transmission in populations in which this practice is common.²

For those children who become infected despite these interventions, proper treatment and care still offers great hope that would otherwise be denied.

New York passed a law requiring HIV testing of all newborns in 1996 and the results of this law have been dramatic.

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¹ [http://www.cdc.gov/hiv/topics/perinatal/index.htm](http://www.cdc.gov/hiv/topics/perinatal/index.htm)
² [http://www.cdc.gov/hiv/topics/perinatal/index.htm](http://www.cdc.gov/hiv/topics/perinatal/index.htm)
• The proportion of all pregnant women aware of their HIV status at delivery has increased from 64 percent in 1997 to 95 percent in 2004.
• The number of HIV infected infants in New York dropped from more than 500 a year in the early 1990s to 8 in 2003.
• More mothers and infants with HIV are receiving treatment.

Connecticut passed a similar law in 1999 requiring that newborns be tested for HIV antibodies if their mothers’ HIV status was unknown.

• Prior to the law, only 28 percent of pregnant women were documented as being tested for HIV. Prenatal testing rates for other diseases were over 90 percent which demonstrates how the overly extensive counseling regulations for HIV testing discouraged testing. After the law was enacted this number of pregnant women being tested for HIV jumped to 90 percent.
• In the year that the law was passed, 70 HIV-exposed newborns were born with five infants infected with the virus. Since that time, over 300 HIV-exposed infants have been born with only five infants becoming infected with HIV. The last baby infected with HIV to be recorded in the state was in 2001 meaning Connecticut’s law has essentially eliminated baby AIDS.

Because only a few other states have similar laws, CDC estimates that hundreds of babies still become infected with HIV every year in the U.S. despite the fact that it is 99 percent preventable.

Early diagnosis is critical for others living with HIV to ensure they are provided life-extending therapy and empowered to reduce risk of transmission to others.

As many as 300,000 Americans living with HIV are unaware of their infection.

Nearly 40 percent of individuals with HIV are diagnosed within one year of developing full-blown AIDS, when it may be too late for them to benefit fully from treatment. With an average of 10 years between
HIV infection and an AIDS diagnosis, this suggests that people are living with HIV for many years before they are aware of their infection and may be unknowingly spreading the virus to others.

While those unaware of their HIV status account for about a quarter of all people living with HIV, they are responsible for transmitting up to 70 percent of all new infections. When they become aware of their status, they are less likely to engage in high-risk sexual behavior and less likely to infect others.

The successes of the laws in New York and Connecticut represent rare victories in our battle against HIV/AIDS. Other states, including Florida and Illinois, have more recently enacted laws that promote early diagnosis of pregnant women and newborns. Cities, such as Washington, D.C. and New York City have also initiated early diagnosis programs.

Washington, D.C. began a routine testing policy last June that has already paid off. "Since June we have screened more than 16,000 individuals," Dr. Marsha Martin of the D.C. HIV/AIDS Administration noted in November. Of these, 580 have been positive, giving an infection rate of 3.5 percent—far above the estimated U.S. national rate of between 0.8 percent and 1.2 percent.

In New York City, more than twice as many patients at the city's public hospitals and clinics were diagnosed with HIV after the city dramatically increased routine testing, officials announced in October 2006. Health and Hospital Corp. facilities tested 92,000 patients in 2006 - a 63 percent rise - and that led to 1,514 patients identified as HIV positive - up from 720 in 2005. Officials don't believe more people contracted the disease - only that more were identified due to the widespread testing.

Health Commissioner Thomas Frieden is pushing to change state law to make testing more convenient for patients and health care providers.

“We are aggressively offering testing to patients who come to us for routine physicals, heart disease, a sprained ankle,” said HHC President Alan Aviles. “We are lessening the stigma sometimes
associated with HIV and helping connect many more HIV-positive individuals with early treatment."³

**Early Diagnosis Saves Money**

Scientific studies have repeatedly concluded that early diagnosis and routine testing saves both money and lives.

All children born to infected mothers have antibodies to HIV, made by the mother's immune system. These maternal antibodies reflect the mother's but not the infant's infection status. The newborn, however, could have been exposed to HIV during pregnancy or childbirth and, therefore, is at risk for infection. Infection can be prevented if the mother’s status or the baby’s antibody status is known and treatment is administered soon after birth.

The rapid HIV test costs $10 to administer and the treatment to prevent HIV infection in a baby delivered by a mother with HIV costs $75. In comparison, it costs at least $10,000 per year to treat a newborn with HIV with a lifetime expectancy new exceeding 25 years and costing $250,000 in lifetime care.⁴

The $85 to test and treat a newborn is minimal compared to the quarter of a million dollars in lifetime care that would be required to treat a baby allowed to be infected with HIV.

Early diagnosis can also reduce costs for those who are already infected by facilitating access to appropriate care which will prevent more costly progression of the disease.

According to Dr. Michael Saag of the University of Alabama at Birmingham Center for AIDS Research, people who begin receiving treatment after their immune systems are already damaged -- as measured by a count of immune cells called CD4 T-cells -- die

sooner. Just 35 percent to 50 percent live eight years, as opposed to 75 percent of people who seek testing and treatment while their CD4 counts are above 350, a level considered fairly healthy. Saag said to care for a person whose CD4 count is more than 350, it costs $12,000 a year but it costs $40,000 a year to treat someone whose CD4 count has fallen below 50.5

When it comes to fighting the AIDS virus, the sooner patients start taking powerful drug cocktails, the better. Deaths, the rate of opportunistic infections and side effects all were the lowest in patients who started treatment early--while their immune systems were still relatively intact, according to a recent study conducted at the University of Colorado Health Sciences Center and the CDC.6

“Earlier was better in almost everything we looked at,” said Dr. Kenneth Lichtenstein of the University of Colorado. “If you stayed on treatment and started earlier, you had the best outcomes,” according to Dr. Lichtenstein.

He said current guidelines that recommend delaying therapy are based on incorrect assumptions that starting drugs early worsens toxicity, because his study found that early treatment reduces toxic side-effects.

This suggests there is no reason to delay HAART treatment, and no reason to delay getting tested for HIV, according to Dr. Lichtenstein.

Treatment, however, is entirely dependent upon diagnosis.

**Women, Children and African-Americans Will Be the Most Affected By Termination of this Program**

Since the beginning of the epidemic, African Americans have accounted for 399,637 (42 percent) of the estimated 956,666 AIDS cases diagnosed in the U.S. According to the 2000 census, African Americans make up approximately 13 percent of the U.S. population. However, in 2005, African Americans accounted for 18,510 (49

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percent) of the estimated 38,096 new HIV/AIDS diagnoses in the United States. The rate of AIDS diagnoses for African American women is nearly 24 times the rate for white women.\(^7\)

Between 120,000 to 160,000 women in the United States are infected with HIV. Nearly one out of four of these women don’t know they have HIV. This puts them at high risk of passing the virus to their babies.

Women can pass HIV to their babies during pregnancy, while the baby is being delivered, or through breast-feeding. Mother-to-child transmission is the most common way children become infected with HIV. Nearly all AIDS cases in U.S. children result from mother-to-child transmission.\(^8\)

In the United States at the end of 2004, 27 percent of adults and adolescents living with HIV or AIDS were women. About 6,000-7,000 of those women with HIV give birth each year.

Of those children living with HIV/AIDS infected perinatally, two-thirds are African American. In 2005, CDC estimates that 141 infants were infected perinatally, 91 (65 percent) of which were African American.\(^9\)

In 2001, the National Congress of Black Women issued a report entitled the "African-American Women and HIV/AIDS Initiative," a document that outlines the group's strategies to combat HIV/AIDS among black women. Among the group’s recommendations: Every state should be required to screen all pregnant women for HIV and test all newborns for the virus and Congress should appropriate funds to support such initiatives.\(^10\)

Every year that passes results in hundreds of more cases of baby AIDS that could have been prevented if the policies funded by Early Diagnosis grant program were enacted.

\(^7\) http://www.cdc.gov/hiv/topics/aa/resources/factsheets/aa.htm
\(^8\) http://www.cdc.gov/hiv/topics/perinatal/affecting.htm
\(^10\) http://www.kaisernetwork.org/daily_reports/rep_index.cfm?DR_ID=7271
Early Diagnosis and Routine HIV Testing Supported By Leading Health Authorities

The American Medical Association, the Centers for Disease Control and Prevention, the U.S. Preventive Services Task Force, the AIDS Healthcare Foundation, the Children’s AIDS Fund and other medical and HIV/AIDS experts support early diagnosis.

In a 2003 “Dear Colleague” letter, CDC Director Dr. Julie Gerberding stated “Considering the potential for preventing transmission, no child should be born in this country whose HIV status, or whose mother’s status, is unknown.” Dr. Gerberding outlined the benefits of routine HIV testing, particularly for pregnant women and newborns:

“Prenatal HIV Screening

“Based on information presented in the MMWR, the available data indicate that both “opt-out” prenatal maternal screening and mandatory newborn screening achieve higher maternal screening rates than “opt-in” prenatal screening. Accordingly, CDC recommends that clinicians routinely screen all pregnant women for HIV infection, using an “opt-out” approach, and that jurisdictions with statutory barriers to such routine prenatal screening consider revising them.

“Newborn HIV Screening

“In addition, CDC encourages clinicians to test for HIV any newborn whose mother’s HIV status is unknown. … CDC recommends rapid testing of the infant immediately postpartum, so that antiretroviral prophylaxis can be offered to HIV-exposed infants.”11

In 2006, the CDC issued additional recommendations advising routine, opt-out HIV screening in all health care settings for those aged 13 to 64.

A review of HIV diagnoses made prior to 2006 revealed the magnitude of "missed opportunities" to diagnose HIV-positive individuals during the early stages of the disease. In the CDC's December 1, 2006 edition of the *Morbidity and Mortality Weekly Report* reports the details of a study linking two databases in South Carolina for the period January 2001 and December 2005, during which 4,315 cases of HIV infection reported. Of these, 41 percent were in persons in whom AIDS was diagnosed within one year of their initial HIV diagnosis, despite the fact that 73 percent had visited a health-care facility at least once between 1997 and 2005, prior to their HIV diagnosis.  

**Defunding the HIV Early Intervention Grant Program Removes Incentives for States to Prioritize Preventing Baby AIDS**

The HIV Early Intervention grant program was signed into law in December 2006 as a component of the Ryan White CARE Act reauthorization. This program would provide $30 million annually for HIV testing, care and treatment and allows each eligible state to receive up to $10 million.

A month later, the House of Representatives approved H. J. Res. 20 which would prohibit funding for this initiative.

Eliminating funding for the Early Intervention grant program will remove the federal incentive for states to implement CDC’s HIV testing recommendations and hinder efforts to eliminate baby AIDS in the United States.

Policies in states, including Connecticut, Florida, Illinois, New York, New Mexico, Tennessee and Arkansas, closely mirror the CDC recommendations and may only need minor revisions to qualify for

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federal funding. Legislation is pending in several of these states to do just that.

Other states without adequate resources will no longer have the federal financial incentive to implement similar lifesaving early diagnosis initiatives.

State Routine HIV Testing Laws Intended to Prevent Baby AIDS

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No one knows whether 11-month-old Keith will escape a life with HIV, but early diagnosis and treatment has given him a fighting chance.
The Program Funding Nullified by H.J. Res. 20

Section 2625 of the Public Health Service Act (42 U.S.C. 300ff-33) as amended by Public Law 109-415:

`SEC. 2625. EARLY DIAGNOSIS GRANT PROGRAM.

`(a) In General- In the case of States whose laws or regulations are in accordance with subsection (b), the Secretary, acting through the Centers for Disease Control and Prevention, shall make grants to such States for the purposes described in subsection (c).

`(b) Description of Compliant States- For purposes of subsection (a), the laws or regulations of a State are in accordance with this subsection if, under such laws or regulations (including programs carried out pursuant to the discretion of State officials), both of the policies described in paragraph (1) are in effect, or both of the policies described in paragraph (2) are in effect, as follows:

` `(1)(A) Voluntary opt-out testing of pregnant women.
` `(B) Universal testing of newborns.

` `(2)(A) Voluntary opt-out testing of clients at sexually transmitted disease clinics.
` `(B) Voluntary opt-out testing of clients at substance abuse treatment centers.

The Secretary shall periodically ensure that the applicable policies are being carried out and recertify compliance.

`(c) Use of Funds- A State may use funds provided under subsection (a) for HIV/AIDS testing (including rapid testing), prevention counseling, treatment of newborns exposed to HIV/AIDS, treatment of mothers infected with HIV/AIDS, and costs associated with linking those diagnosed with HIV/AIDS to care and treatment for HIV/AIDS.

`(d) Application- A State that is eligible for the grant under subsection (a) shall submit an application to the Secretary, in such form, in such manner, and containing such information as the Secretary may require.

`(e) Limitation on Amount of Grant- A grant under subsection (a) to a State for a fiscal year may not be made in an amount exceeding $10,000,000.

`(f) Rule of Construction- Nothing in this section shall be construed to pre-empt State laws regarding HIV/AIDS counseling and testing.
(g) Definitions- In this section:

(1) The term `voluntary opt-out testing' means HIV/AIDS testing--
   (A) that is administered to an individual seeking other health care
   services; and
   (B) in which--
      (i) pre-test counseling is not required but the individual is
          informed that the individual will receive an HIV/AIDS test and the
          individual may opt out of such testing; and
      (ii) for those individuals with a positive test result, post-test
          counseling (including referrals for care) is provided and
          confidentiality is protected.

(2) The term `universal testing of newborns' means HIV/AIDS testing that
    is administered within 48 hours of delivery to--
    (A) all infants born in the State; or
    (B) all infants born in the State whose mother's HIV/AIDS status is
        unknown at the time of delivery.

(h) Authorization of Appropriations- Of the funds appropriated annually to the
    Centers for Disease Control and Prevention for HIV/AIDS prevention activities,
    $30,000,000 shall be made available for each of the fiscal years 2007 through
    2009 for grants under subsection (a), of which $20,000,000 shall be made
    available for grants to States with the policies described in subsection (b)(1), and
    $10,000,000 shall be made available for grants to States with the policies
    described in subsection (b)(2). Funds provided under this section are available
    until expended.'.
President Bush’s 2008 Budget Proposal Requests Funding for the HIV Early Intervention Grant Program

The Budget in Brief for the Department of Health and Human Services
http://www.hhs.gov/budget/08budget/2008BudgetInBrief.pdf

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**CDC HIV/AIDS Prevention:** The FY 2008 Budget provides an additional $93 million in CDC for HIV/AIDS prevention activities. These funds will be used to test more than two million additional Americans, emphasizing regions with the highest numbers of new cases as well as focusing on incarcerated persons and injection drug users. These activities will increase the number of individuals that know they are HIV positive, which will slow the growth in the number of new AIDS cases and reduce the future burden of the disease.

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**HIV/AIDS, Viral Hepatitis, STD and TB Prevention:** The FY 2008 request provides $1 billion, an increase of $93 million, to develop, implement, and evaluate effective domestic prevention programs for HIV/AIDS, Viral Hepatitis, STD, and TB.

Each year, approximately 40,000 Americans are infected with HIV/AIDS. The FY 2008 Budget request provides $745 million, an increase of $93 million, for domestic HIV/AIDS prevention. Within this total, $63 million is for expanded rapid testing in communities and populations hardest hit with HIV/AIDS to identify individuals who are infected with the HIV virus, but do not know it. With this increased funding, CDC will test up to two million Americans with an emphasis on at-risk populations, including low income and minority communities. **In addition, $30 million is included for States with specific opt-out testing laws for targeted populations.**
CLAIMS AND FACTS

CLAIM: Even without funding for this particular HIV testing grant program, federal funds will still be available for HIV testing.

FACT: While it is true that other federal funds can provide HIV testing, as written, section 20613(b)(1) of this bill, specifies that none of the funds appropriated for fiscal year 2007 may be used for early diagnosis grants. This would specifically forbid federal funding for HIV testing of pregnant women, newborns, patients receiving treatment for substance abuse and those accessing services at STD clinics. These populations include those most at risk for HIV as well as those who can most benefit from early intervention and treatment.

The activities supported by the $30 million provided by the early diagnosis grant program—and prohibited by this bill-- include HIV/AIDS testing (including rapid testing), prevention counseling, treatment of newborns exposed to HIV/AIDS, treatment of mothers infected with HIV/AIDS, and costs associated with linking those diagnosed with HIV/AIDS to care and treatment for HIV/AIDS.

The $30 million will instead revert to other CDC HIV/AIDS prevention activities, which in recent years have included beachside conferences, flirting classes, erotic writing seminars, zoo trips and other dubious initiatives that do not have the same lifesaving impact as early diagnosis and treatment.

The $30 million will either be spent on the most cost effective policies that prevent baby AIDS and assist those most in need and most at risk or the policies that have failed to reduce HIV incidence for well over a decade.

CLAIM: Few, if any, states would benefit from the funding provided by this program.
**FACT:** The point of this program is to encourage states to update their policies to reflect the CDC’s recommendations for HIV testing and baby AIDS prevention.

While few states would immediately qualify for the Early Diagnosis Grants, the availability of these funds is intended to provide the financial encouragement to states to enact laws prioritizing early diagnosis, AIDS treatment, and prevention of baby AIDS.

Many states, including Illinois, are already moving in this direction while states like New York and Connecticut have had such policies in place for a decade and have demonstrated dramatic success.

**CLAIM:** This money will be “wasted” because there is not enough time left in the fiscal year to distribute the grants.

**FACT:** The Secretary of the Department of Health and Human Services has made assurances that the Early Diagnosis grant funds will not be “wasted” and that HHS and CDC will work to assist states meet compliance and to distribute funds to those states that become eligible.

**CLAIM:** This bill defunds all earmarks. The early diagnosis grant program is an earmark and therefore has not been singled out, but rather it has been removed along with the other special funding projects.

**FACT:** The early diagnosis grant program is **not** an earmark. All states with routine testing policies are eligible for the funding provided by this grant program. Those which are not currently eligible can become eligible simply by passing a law or implementing state regulations to meet funding eligibility.

This program does not match the definition or criteria of an earmark approved by the Senate in January or used by the Congressional Research Service (CRS).
On January 16, 2007, the Senate approved an amendment by a vote of 98 to zero defining the term earmark as “a provision or report language included primarily at the request of a Member, Delegate, Resident Commissioner, or Senator providing, authorizing or recommending a specific amount of discretionary budget authority, credit authority, or other spending authority for a contract, loan, loan guarantee, grant, loan authority, or other expenditure with or to an entity, or targeted to a specific State, locality or Congressional district, other than through a statutory or administrative formula-driven or competitive award process.”

The early diagnosis grant program does not meet any of the criteria for the Senate’s earmark definition because it is not targeted to a specific State, entity or location and does not bypass the statutory award process.

CRS defines and earmark as “funds set aside within an account for a specific organization or location, either in the appropriations act or the joint explanatory statement of the conference committee.” CRS notes that “Such designations generally bypass the usual competitive distribution of awards by a federal agency.”

The early diagnosis grant program does not meet any of the criteria of CRS’ earmark definition because it does not set aside funding for a specific organization or location and does not bypass the usual competitive grant process.

CLAIM: This program would violate the privacy rights of women by requiring mandatory HIV testing.

FACT: This program would not require mandatory testing of pregnant women. It would make HIV screening a routine component of pre-natal care and women would have the right to refuse, or “opt out” of such testing.

Current laws, mandating extensive pre- and post-test counseling make HIV testing the most over regulated diagnostic and thereby discourage health care providers from offering and patients from receiving HIV screening.
The Government Accountability Office (GAO) published a report in May 2003 entitled “NEWBORN SCREENING; Characteristics of State Programs” which examined states’ newborn testing practices. According to GAO, “each year state newborn screening programs test 4 million newborns for disorders that require early detection and treatment to prevent serious illness or death.” GAO found that “all states require newborn screening” for a number of diseases.

Unfortunately in most states, due to the excessive regulations restricting HIV testing, babies are not tested for HIV antibodies, even though HIV infection is preventable and far more common than many of the other diseases that are tested.

Standardizing HIV testing would make the test like other medical examines, reduce the stigma surrounding the test, increase the number of individuals with HIV diagnosed, and reduce health care costs.

No State is even required to enact these policies. The $30 million is available for those states that have made preventing baby AIDS and promoting early HIV diagnosis public health priorities.

CLAIM: Testing newborns for HIV is too little, too late.

FACT: Studies have demonstrated that if a baby with anti-bodies is identified and put on treatment within 48 hours of birth, HIV infection can be prevented. HIV can also be prevented by counseling the mothers of these children to avoid breastfeeding. Furthermore, for those children who are infected at birth, treatment that can improve and extend their lives can begin immediately rather than waiting until they are diagnosed with an AIDS-defining illness when treatment is less effective.
National Congress Of Black Women Releases Outline for HIV/AIDS Initiative Aimed at Black Women


Although African Americans make up only 12% of the United States' population, they account for 37% of all AIDS cases in the country, with African-American women accounting for 63% of all women with AIDS, according to data from a 1999 National Center for HIV, STD and TB Prevention report.

The NCBW report, prepared by Dr. Patricia Funderburk Ware, president and CEO of PFW Consultants, and Dr. Jacquelyn Jordan, assistant dean of the undergraduate program in Pharmacy, Nursing and Allied Health Sciences at Howard University, describes current and past efforts to fight HIV/AIDS in the African-American community and analyzes why those efforts have not been successful by the NCBW's standards. Outlining new strategies, the report states that HIV/AIDS education is "imperative" and calls for "early, routine, and in some cases mandatory" HIV testing. Some of the report's other recommendations are outlined below:

- All states should be required by federal law to report all cases of HIV as well as AIDS;
- Federal funding and other resources should be allocated based on reported HIV and AIDS cases rather than on AIDS data alone;
- All states should have mandatory partner notification programs;
- Every state should be required to screen all pregnant women for HIV and test all newborns for the virus and Congress should appropriate funds to support such initiatives;
- Women must be "proportionally represented" in clinical trials and "[f]emale-specific" HIV/AIDS drugs need to be "expeditiously developed, tested and made available to women";
- Community-based groups run by African Americans should receive "[e]quitable funding" for HIV prevention and care, in addition to funds for sex
education and the promotion of abstinence among youth.

To support these recommendations, the NCBW will establish an HIV/AIDS task force that will develop training materials for NCBW members and publish and/or distribute information about the disease in the African-American community. The group also will include HIV/AIDS initiatives in its other efforts, such as economic empowerment for women, and will develop a "Speakers Bureau" of NCBW members to provide HIV/AIDS training and presentations on the local, state and national levels. If these steps are taken, "NCBW declares that 20 years from now we will celebrate victory over" HIV/AIDS, the report says (Ware/Jordan, "African-American Women and HIV/AIDS Initiative," 9/30/2001)
Los Angeles;  
HIV Cases on Rise Among Children;  
The county health department finds 18 young people with the infection this year.

BY Charles Ornstein, Times Staff Writer

Los Angeles County health officials have received 18 new reports of HIV infections among children this year, exceeding the annual total for each of the last three years.

Although the number represents a setback, none of the new cases is among babies born this year. Eight of the children were born in 2000 and 2001. Two of them are siblings and their mother declined HIV testing during her pregnancies because she thought she was not at risk.

Largely because of aggressive treatment -- including use of the drug AZT -- 55 virus-free babies were born this year to HIV-positive mothers, said Dr. Toni Frederick, chief epidemiologist with the county's pediatric HIV project.

Still, health experts reiterated an urgent plea issued in February -- after receiving seven reports of HIV in children -- that pregnant women be tested and treated for the virus that causes AIDS.

By comparison, county officials received seven case reports in all of last year, 14 in 2000 and 11 in 1999. Thirty-two HIV cases among children were reported in 1998.

A new finger-prick HIV test, approved by the federal government Thursday, could help. It provides results within 20 minutes, unlike current products that sometimes take days to process.

By taking anti-AIDS drugs during pregnancy and delivery, giving medication to their babies and avoiding breast-feeding after birth, HIV-positive women can cut the chances of passing the virus to newborns to less than 1%.

If untreated, a woman has a 20% to 25% chance of transmitting HIV to her unborn child.

The newly reported cases in Los Angeles County have renewed a debate over whether California ought to make HIV testing of pregnant women a regular part of prenatal care, unless women refuse.

"We committed those 18 children in Los Angeles County this year to death because nobody was prepared to step up and say, "We're interested in protecting
"the children,'" said outgoing Assemblyman Rod Wright (D-Los Angeles), who sponsored a bill that would have mandated such testing.

Davis vetoed the bill this fall, saying the "current universal voluntary system seems to be working well."

"I support the goal of more testing, but I believe this bill represents a fundamental shift from voluntary testing toward a mandatory system, which may reduce an at-risk woman's willingness to receive prenatal care," the governor wrote.

Health officials noted some peculiarities among the newly reported cases in Los Angeles County. Three children were born outside the United States, and three more moved to Los Angeles from other cities where they had been diagnosed.

The mothers of two children tested negative for HIV during their pregnancies, meaning they had been infected too recently for the virus to show up or were infected after being tested.

The oldest pediatric case reported this year was a boy in his late teens who may have contracted the disease from a blood transfusion. Also, officials learned of a preteen girl's infection only after the child's mother began showing symptoms of AIDS.

"The child went 10 years without having anything that a physician picked up" as being indicative of HIV, Frederick said. "We see that they can live asymptptomatically for a number of years without coming to medical attention."

Frederick said the new cases show that doctors must not become complacent about pediatric HIV cases. "The medical world needs to be aware that it's still something that needs to be on their radar screen for both children and mothers, and really for fathers," she said.

The county's Office of AIDS Programs and Policy has created an initiative, called promotoras, in which Latino and black women volunteer to discuss HIV with friends and neighbors at the grocery store, self-service laundry, beauty salon and other gathering spots.

"It's a model based on peer education, from a woman to another woman," said Armida Ayala, a researcher in charge of the program. "Our main theme is to get women into prenatal care so they get tested for HIV."

In 2001, 83 HIV-positive women were treated with the medication AZT during labor and delivery, and none of their babies was infected. All of the six infected babies born in 2001 had mothers who did not receive treatment.
Dear Colleague Letter from CDC and NCHSTP Directors

April 22, 2003

Dear Colleague:

The prevention of perinatal HIV transmission requires routine HIV screening of all pregnant women and the use of appropriate antiretroviral and obstetrical interventions that begin during pregnancy. Together, these actions can reduce the rate of mother-to-child HIV transmission to 2 percent or lower. Recently, new data have emerged indicating that higher testing rates are associated with testing strategies that routinely incorporate HIV tests in the standard battery of tests for all pregnant women. In light of this information, the Centers for Disease Control and Prevention (CDC) recommends that HIV testing be a routine screening procedure. CDC also recommends implementing rapid HIV testing in postnatal settings for infants of women not tested prenatally. Considering the potential for preventing transmission, no child should be born in this country whose HIV status, or whose mother’s status, is unknown.

CDC published data on recent prenatal HIV testing rates in the United States and Canada in the Morbidity and Mortality Weekly Report (MMWR,) of November 15, 2002. This study examined HIV prenatal testing rates associated with three different prenatal testing approaches from data gathered from 16 states and 5 Canadian provinces. A brief description of the testing approaches and data findings follows:

1. “Opt-in”: Pregnant women receive pre-HIV test counseling and must specifically consent to an HIV antibody test, usually in writing. This is the most common prenatal HIV testing approach in the United States. Among eight states using the “opt-in” approach where data were collected from medical records for 1998—1999, testing rates ranged from 25 percent to 69 percent. Canadian testing rates in three “opt-in” provinces ranged from 54 percent to 83 percent.

2. “Opt-out”: Pregnant women are notified that an HIV test will be routinely included in the standard battery of prenatal tests for all pregnant women, but they can decline HIV testing. Currently, Arkansas, Michigan, Tennessee, and
Texas have adopted some version of this approach in Tennessee, where this approach was used, a testing rate of 85 percent was reported. Two Canadian provinces using this approach showed a testing rate of 98 percent and 94 percent.

3. **Mandatory newborn screening**: If the mother’s HIV status is unknown at delivery, newborns are tested for maternal HIV-antibody, with or without the mother’s consent. Results must be available within 48 hours of testing. Connecticut and New York have implemented these approaches (in combination with an opt-in approach for pregnant women). In these two states, data indicate that prenatal testing rates rose from 52 percent to 83 percent in a seven-county area of New York, and from 31 percent to 81 percent in Connecticut, during the periods just before and just after implementation of mandatory newborn testing. In 2001, New York reported a statewide prenatal HIV testing rate of 93 percent based on newborn metabolic screening of all live births.

**Prenatal HIV Screening**

Based on information presented in the *MMWR*, the available data indicate that both “opt-out” prenatal maternal screening and mandatory newborn screening achieve higher maternal screening rates than “opt-in” prenatal screening. Accordingly, CDC recommends that clinicians routinely screen all pregnant women for HIV infection, using an “opt-out” approach, and that jurisdictions with statutory barriers to such routine prenatal screening consider revising them.

**Newborn HIV Screening**

In addition, CDC encourages clinicians to test for HIV any newborn whose mother’s HIV status is unknown. Jurisdictions should consider whether a mandatory screening policy for these infants is the best way to achieve such routine screening. Data demonstrate that detection of HIV infection during pregnancy through HIV testing of all pregnant women affords the best opportunity to deliver interventions when they are most efficacious. When intervention does not begin until the intrapartum or neonatal periods, 9 percent to 13 percent transmission rates are achievable based on clinical trial and observational data. Recent experience from the CDC funded Mother-Infant Rapid Intervention at Delivery (MIRIAD) study indicates that HIV rapid testing of women can be done during labor, and that antiretroviral interventions can be quickly delivered to HIV-infected mothers and their infants. Therefore, for those women whose HIV status is unknown at labor, CDC recommends routine, rapid testing. When the mother’s HIV status is unknown prior to the onset of labor and rapid HIV testing is not done during labor, CDC recommends rapid testing of the infant immediately post-partum, so that antiretroviral prophylaxis can be offered to HIV-exposed infants.

The federal Food and Drug Administration has approved three rapid HIV test kits (SUDSTM OraquickTM and Reveal which can be used at delivery. When rapid test
results are positive, antiretroviral interventions can be offered to the mother intrapartum and to her infant based on the preliminary results. Confirmatory testing should occur as soon as possible after delivery.

Sincerely,

Julie Louise Gerberding, M.D., M.P.H.  
Director  
National Center for HIV, STD, and TB Prevention

Harold W. Jaffe, M.D.  
Director

References

1 CDC. Revised recommendations for HIV screening of pregnant women. MMWR 2001; 50(RR-19):59-86.
6 CDC. Notice to readers: Approval of new rapid test for HIV antibodies. MMWR 2002; 51:1051-2.
Estimated numbers of children (<13) living with HIV/AIDS at the end of 2005, by residency

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Amendment 236 – Extends the current C.R. until March 1, 2007 to provide Congress extended time to debate and amend the omnibus appropriations bill.

H.J. Res. 20, the 2007 Revised Continuing Appropriations Resolution, appropriates $463.5 billion to fund nine appropriations bills for the remainder of fiscal year 2007.

The Majority Leader has “filled the tree” and effectively blocked all other Senators the opportunity to offer amendments to what may be the largest single appropriations bill ever debated by Congress.

Senators should not be denied the opportunity to debate and amend such a far reaching bill that funds nearly all aspects of the federal government’s domestic and foreign aid programs.

The Majority has argued that there is no time to debate this bill because they inherited an appropriations process that was incomplete and months over due.

Yet this isn’t the first time in recent history that this has occurred.

In January 2003, Republicans took over the Senate when 11 appropriations bills remained to completed. Rather than forgoing debate or limiting amendments, Republicans brought to the floor a consolidated appropriations bill (fiscal year 2003) and allowed six days of debate. Moreover, Republicans allowed for the bill (the FY03 Consolidated Appropriations Act) to be heavily amended with 97 amendments agreed to by unanimous consent and voice vote, of which 55 were offered by Democrats, and 24 roll call votes, of which 16 were offered by Democrats

The American people do not want a government shutdown, but they do deserve a fair and open debate about our nation’s spending priorities.

There are 25 other amendments filed to this bill by 15 other Senators, and many others might have offered amendments if they were not blocked from doing so.
Yet only a handful of Senators and a few members of the House had input into how $463.5 billion should be spent and what the priorities of the federal government should be this year.

This is not democracy. This is how we would expect Cuba or the former Soviet Union to operate.

There is plenty in this bill that should be debated and there have been claims made about this omnibus spending bill, such as it eliminates earmarks, that need to be set straight.

It is inaccurate and misleading to say that earmarks have been eliminated. The bill before the Senate permits hundreds of ongoing earmarks to continue to be funded and to do so without any transparency. These earmarks are not listed in the bill, but they are continued from previous fiscal years.

The argument against not debating the omnibus appropriations bill is that time is running out on the current continuing resolution and that without passing this bill the government will shut down.

This amendment provides a solution to both problems. By extending the CR deadline to March 1, 2007, Congress will have an opportunity to have a fair and open debate the about our nation’s spending priorities without the fear of a government shut down.
Amendment 235 – Increases funding for the AIDS Drug Assistance Program by $75 million while reducing corporate welfare

The federal Ryan White CARE Act is the largest HIV/AIDS-specific federal program. The cornerstone of the CARE Act is the AIDS Drug Assistance Program (ADAP) which provides life saving medications to patients to treat HIV disease.

Approximately 142,653 people received medications through ADAP in 2004. None of these patients had adequate health insurance or the financial resources necessary to cover the cost of medications.13

Due to budget shortfalls, over 400 individuals are currently on waiting lists for ADAP. In addition, a number of states have or are expected to cap enrollment or reduce formularies for their ADAPs.

A recent Government Accountability Office (GAO) found that “ADAPs with waiting lists may not represent all eligible individuals who are not being served.” In all, up to 59 percent of the more than one million people living with HIV/AIDS in the U.S. are not in regular care.

H.J. Res. 20 freezes ADAP funding at $789 million.

While ADAP is funded at the same amount received 2006, the National ADAP Working Group calculated that the program would need an increase of $197 million to provide access to optimal treatment for all eligible Americans living with HIV.

This amendment would provide a more modest but needed increased $75 million.

Current medical bills for U.S. HIV patients from the beginning of care until death average $2,100 per month, according to a study published in the November 2006 journal Medical Care.

13 http://hab.hrsa.gov/programs/adap/
The $75 million increase would be sufficient to provide treatment to nearly 3,000 patients with HIV this year, and effectively eliminate waiting lists and allowing states to expand AIDS drug medication formularies.

In Alaska, Montana, South Carolina, and in Puerto Rico there are currently 558 people on ADAP waiting lists. In the State of South Carolina alone, the number stands at 394. Other states have capped enrollment, such as Alabama, Indiana and in Puerto Rico.

There is a six months to a year wait for ADAP assistance in South Carolina and four patients on the waiting list have died in recent months.

Other states, including Kentucky and West Virginia, have also reported deaths of patients on ADAP waiting lists.

H.J. Res. 20, the 2007 Revised Continuing Appropriations Resolution allocates $463,456,000,000 to fund the federal government for the remainder of this fiscal year.

Clearly funding programs that save lives should be a priority of this bill but ADAP is flat funded even though there are sufficient funds for less urgent programs provided within the bill.

This amendment would increase ADAP funding by reducing funding for corporate welfare appropriated for the Advanced Technology Program, or ATP.

Last year the Senate, the House of Representatives, and the President all agreed to terminate funding for ATP.

Page 87 of the Senate report to the Fiscal Year 2007 Commerce Appropriations bill, H.R. 5672, states:

“The Committee will allow for the phase out of activities for ATP. No funds are provided in fiscal year 2007 for ATP, and the Committee believes that sufficient funds were provided as
part of fiscal year 2006 under this title to cover all necessary close out costs associated with ATP.”

Page 234 of the President’s Budget Request for Fiscal Year 2007 similarly states:

“The 2007 Budget proposes to terminate ATP, a grant program for businesses that was intended to develop new technologies for commercial use. Given the growth of venture capital and other financing sources for high-tech projects, there is little evidence of the need for this Federal program. Recent Congressional treatment of ATP is also consistent with this proposal—providing $136 million in 2005 with no funding for new grants, and $79 million in 2006 to cover existing grants and enable close-out.”

According to the Office of Management and Budget (OMB), “ATP was founded in 1988 with the purpose of funding the development and commercialization of high-risk technologies through cost-shared grants to companies.”

However, OMB has determined that there is little need for the ATP as “there are other available funding sources for the development of high-risk technologies, including venture capital and other private-sector sources[, and] it is not evident that the program has a unique or significant impact on its intended purpose.”

Congress has been aware of these deficiencies and attempted to terminate the program on numerous occasions.

The House of Representatives has recommended funding for ATP to be cut since Fiscal Year 2000 and President Bush has requested terminating this program since 2004.

In 2005 and 2006 Congress only appropriated funds to cover existing grants and to enable close-out of the program, assuring that the 2007 Department of Commerce appropriations did not need to include any additional funding for ATP.

ATP is essentially a “corporate welfare” program that has rewarded subpar research initiatives, and, consequently, wasted taxpayer money trying to do perform a job the free market naturally does better.

Between 1990 and 2004, 35 percent of the more than $2 billion appropriated for ATP went to 39 Fortune 500 companies, including hundreds of millions to the wealthiest and most famous companies in the world.\(^{15}\)

Five companies received 21 percent of ATP grants from 1990 to 2004 – a total of $376 million.\(^{16}\) These five companies are IBM, General Electric, General Motors, 3M, and Motorola, and boast annual revenues ranging from $20 to almost $150 billion.

In 2004, IBM spent more than $5 billion and Motorola more than $3 billion on research and development alone.\(^ {17}\)

Why is the federal government subsidizing commercial research and development for these companies – companies that already have thriving research and development programs and billions in revenue?

Other problems with this program have also surfaced.

Instead of becoming a financier of last resort, ATP has become the first and easiest investor option for many research projects. According to a Government Accountability Office (GAO) report, 65 percent of companies that receive ATP funding, did not even seek


private funding before applying for grant money. Brien Riedl of the Heritage Foundation also reports that 50 percent of projects that almost were awarded ATP money found private funding after having their grant application rejected.

Another GAO report concluded that is, “unlikely that ATP can avoid funding research already being pursued by the private sector in the same time period.” Since ATP could and can not avoid funding research already being conducted without federal assistance, much of ATP-funded research is duplicative and irrelevant.

This lack of accountability encourages questionable research initiatives and has contributed to the fact that only one third of all ATP projects even make it to market.

Among projects subsidized by the federal government through ATP, several exist that highlight the inefficiency of this program:

- A group called Hampshire Instruments received $900,000 in 1991 for a project to improve the miniaturization of computer chips. Two years later the company declared bankruptcy however, not one company has offered to purchase this research for further development.

- A group led by Boeing and consisting of four corporations received $5.2 million in 1992 to develop a common framework for automating different types of circuit board. Despite achieving some progress, this project could not be completed.

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20 “ADVANCED TECHNOLOGY PROGRAM Inherent Factors in Selection Process Are Likely to Limit Identification of Similar Research, GAO Report, 05/26/2005


because of other company concerns that were prioritized over the completion of this project.

- Agridyne Technologies received a $1.2 million grant to develop a product that would reduce the human side effects of certain pesticides in 1992. Because it lacked the resources to commercialize the product, Agridyne declared bankruptcy in 1995. Biosys purchased Agridyne but did not continue the research and also declared bankruptcy a year later. Thermo Trilogy then took ownership of all assets and patents, but determined that the ATP project was obsolete and unprofitable.

- ETOM technologies received $1.4 million in 1993 to increase the storage capacity of compact disks, but after having developed the technology ETOM was unable to acquire certain lasers needed for this product. It wouldn’t have mattered anyway, however, because the market for this product (video-on-demand service) never developed. ETOM declared bankruptcy in 1998.

- Communications Intelligence Corporation (CIC) received a $1.2 million grant for initial research into computer recognition of cursive handwriting, even though similar technology already existed on the market. Market-driven research produced 450 new patents, but CIC’s research results were negligible.

- Accuwave received a $2 million grant for increasing data transmission capacity of fiber optic cables, despite the fact that millions of private dollars were being invested in this type of technology, and despite the fact that Accuwave’s proposed method of research was discredited by the rest of the industry pursuing this technology. Private research produced more than 2,000 patents and a $40 billion industry in 2003 – ATP and Accuwave proved industry concerns correct with their failed research technique and Accuwave declared bankruptcy in 1996.

Furthermore, the bulk of ATP funding has been awarded to only a handful of states. According to ATP’s website, between 1990 and 2004 more than half of all ATP funds have been provided to
companies in five states (California, Michigan, Massachusetts, New York, and New Jersey).

This program is not necessary, as the private sector already funds commercial research and development through investors and businesses to a tune of $150 billion every year\textsuperscript{23} – a sum that dwarfs the $130 million ATP has awarded each year on average in grants.

In addition to the ATP, the government funded basic scientific research through the National Science Foundation the Department of Energy’s Office of Science at a cost of $9.25 billion in FY06.

ATP has proven to be both ineffective and inefficient, while ADAP is literally the difference between life and death for thousands of Americans living with HIV/AIDS.

It would be unconscionable for Congress to resurrect a corporate welfare program slated for termination just months ago while failing to provide access to life saving treatment for hundreds of patients on ADAP waiting lists.

\textsuperscript{23} Ibid
This amendment has been endorsed by a broad coalition of organizations including:

- African American Health Alliance
- AIDS Action Baltimore
- AIDS Foundation of Chicago
- AIDS Institute
- AIDS Project Los Angeles
- amfAr
- Children’s AIDS Fund
- Log Cabin Republicans
- National AIDS Treatment Advocacy Project
- New York AIDS Coalition
- New York State Black Gay Network
- Positive Opportunities, Inc.
- Save ADAP
- Title II Community AIDS National Network
- The Women’s Collective
Corporate Welfare at It's Worst: Advanced Technology Program

By Brian Riedl

Capitalism Magazine

August 12, 2005

Corporate Welfare at It's Worst: Advanced Technology Program
by Brian Riedl (August 12, 2005)
Capitalism Magazine

About the Author: Brian M. Riedl is the Grover M. Hermann fellow in federal budgetary issues at The Heritage Foundation (www.heritage.org), a Washington-based public policy research institute.

Members of Congress will soon return home for August recess. While there, many will express outrage over the 33 percent increase in government spending since 2001, and the $400 billion budget deficit. They will offer vague pledges to rein in government.

Taxpayers have heard it all before.

Those who want to see how serious lawmakers are about restraining spending would be wise to follow the fate of the Advanced Technology Program (ATP) in this year's budget. Corporate welfare at its worst, ATP may be the most offensively unnecessary program in Washington. If lawmakers cannot even close down ATP, then they clearly are not ready to make the larger and more complicated decisions necessary to bring the budget under control.

Congress created ATP in 1988 when Japanese-style industrial policy was en vogue. ATP would “bridge the gap between research and the marketplace” by providing grants to businesses engaged in commercial scientific research. Unlike the National Science Foundation, which funds basic academic-style research, ATP funds projects with a “significant commercial payoff,” meaning those that would create substantial profits for businesses.

Between 1990 and 2004, ATP spent more than $2 billion, 35 percent of which was distributed to 39 Fortune 500 companies. For example, $127 million has gone to IBM, $91 million to General Electric, $79 million to General Motors, and $44 million apiece to Motorola and 3M. Overall, these 39 companies reported revenues of $1.4 trillion in 2003. This is how Congress spends tax dollars extracted from Americans.

Taxpayers aren’t the only ones questioning Washington’s priorities. Economists wonder why government should subsidize commercial research at all. Basic economics clearly states that, if these projects will be as profitable as promised, businesses have every incentive to invest their own funds in their development. Surely the investors and businesses spending $150 billion each year on commercial research and development should welcome these profitable investment opportunities. Yet Congress maintains that no company would invest its own money in, say, profitable HDTV or flat-panel televisions unless taxpayers were footing most of the bill.

ATP officials respond by claiming to serve only as a “financier of last resort” for promising projects that
have repeatedly failed to secure private investors. Hogwash. Surveys reveal that the majority of ATP applicants never bother to seek private funding before applying for a grant (and some even reject private investors, possibly because it would mean sharing the profits).

Most near-winners, after being rejected by this so-called “financier of last resort,” suddenly and miraculously find private investors. Among remaining near-winners, most still refuse to invest their own money or even seek private investors. Instead, they continue playing the ATP lottery by submitting the same application year after year.

Not surprisingly, it turns out that Uncle Sam is a poor investor. Only one-third of ATP projects ever make it to the market. In hopes of minimizing conflicts of interest, ATP purposely seeks grant reviewers without any knowledge of the markets. Even if they wanted market knowledge, businesses are typically tight-lipped about their research plans. The predictable results are taxpayer-financed boondoggles: Grants for technologies that had been patented decades earlier; millions for discredited technologies that no private investor would waste a dime on; companies filing for bankruptcy shortly after receiving their grant. Perhaps investors who avoided these projects knew what they were doing after all.

During a recent Senate committee hearing, several senators argued that eliminating ATP would devastate America’s scientific progress. Yet ATP represents just 0.1 percent of federal research-and-development spending.

President Bush has repeatedly called for ATP’s elimination, and the House of Representatives has voted to eliminate the program for six consecutive years, including this year. Yet every year, the president and the House have allowed a group of senators -- representing states that disproportionately include recipient companies -- to guarantee the continuation of this Fortune 500 gravy train.

Lawmakers offer platitudes about smaller government and deficit reduction and then vote to lavish the tax dollars of waitresses and welders on Fortune 500 companies. Whether or not they end this abhorrent program will reveal more about lawmakers’ values and priorities than any speech back home.

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With government spending surpassing $21,000 per household for the first time since World War II and the budget deficit approaching $450 billion, Congress is under pressure to reduce wasteful spending. Lawmakers will find it politically difficult to achieve savings in expensive programs such as Social Security, Medicare, Medicaid, and national defense. Consequently, finding savings elsewhere in the budget is of primary importance.

The $90 billion corporate welfare budget provides an obvious starting point for identifying and reducing wasteful spending. An encouraging first step would be to defund the Advanced Technology Program (ATP) in the upcoming Commerce-Justice-State appropriations bill.

The ATP has long been considered corporate welfare at its worst. In 1988, America was briefly fixated on the Japanese economic "miracle." Some in Congress believed that Japan's system of bypassing the free market in favor of government subsidies and protections to preferred businesses was the new path to prosperity. Based on this belief, they created the ATP to "bridge the gap between the research and the market place" by providing matching grants to businesses engaged in commercial research in such areas as information technology, electronics, and biotechnology. Congress did not design the ATP to support basic scientific research; instead, taxpayers would fund projects with a "significant commercial payoff" that could make substantial profits for businesses.

The Japanese economy has since drifted into stagnation, and so has the ATP. Since its inception, the program has cost taxpayers $2 billion, with more than 40 percent going to Fortune 500 companies. Most ATP-funded projects could have been funded by the private sector, and only one-third of ATP projects successfully bring new products to the market. Taxpayers fund these investments, but businesses receive all the profits.

Budget reformers from both parties have made several attempts to defund the ATP. Congress passed legislation eliminating the program in 1995, but President Bill Clinton vetoed the bill. President Clinton again blocked the elimination of the ATP the following year, inducing Congress to try to reform the troubled program. After those reforms failed to fix the program, the House of Representatives voted in 2000, 2001, and 2002 to terminate the ATP, only to have the Senate restore funding each time in conference committee.

President George W. Bush recently joined the movement to close down the ATP after his own reform
attempts proved futile. Only the Senate stands in the way of saving taxpayers $150 million per year.

Welfare for Fortune 500 Companies
The Advanced Technology Program's status as a corporate welfare program is beyond dispute:

Five companies--IBM, General Electric, General Motors, 3M, and Motorola--have received a combined total of $376 million in ATP grants, or 21 percent of the program's total expenditures, since 1990; More than 40 percent of ATP funding has been distributed to a group of 40 Fortune 500 companies;3 and Those 40 Fortune 500 companies had combined revenues of $1 trillion and profits of $11 billion in 2002.4

(See Table 1.)

These corporate giveaways are unjustifiable. For example, IBM, with revenues that topped $83 billion in 2002, did not really need the $126 million in taxpayer funding it has received since 1990. These companies can certainly afford to finance their own profitable research projects.

Although most Americans strongly oppose corporate welfare, programs like the ATP are kept alive by Members of Congress who seek to "bring home the bacon" by helping constituents and donors apply for grants. Yet the ATP does not bring home a significant amount of government spending for most lawmakers.

While taxpayers in every state are forced to pay for the program, more than half of all ATP funding is distributed to companies in five states: California, Michigan, Massachusetts, New York, and New Jersey. (See Table 2.) Meanwhile, 29 states average less than $1 million in annual grants.5

In short, legislators wishing to "bring home the bacon" should not assume that their constituents receive sufficient benefits to justify their cost in taxes.

Subsidizing Existing Research

Many people confuse the ATP's mission with that of the National Science Foundation (NSF). The NSF spends over $5 billion per year supporting basic scientific research, such as astronomy and pure mathematics. The NSF is intended to remedy the market failure that basic research, despite its importance, is "so far removed from commercial application that private firms have little incentive to undertake it on their own."6

The ATP does not fund basic research. It commercializes research so that businesses can profit from it. The market failures that make the NSF necessary do not apply to the ATP, as companies have every incentive to fund this profitable research on their own. Not surprisingly, businesses and investors already spend $150 billion annually on commercial research and development. Since these businesses and stockholders profit from the research, they should be the ones to fund it.

Instead, the ATP shifts those business expenses to the taxpayers. For example, the promise of huge profits is motivating several private companies to invest millions of dollars in high-definition television (HDTV) technology. Yet Congress has used $28 million of the taxpayers' money to subsidize HDTV research by a group led by the Sarnoff Corporation and another $7.3 million for research on flat panel television by another group of manufacturers.

If these technologies will be as successful as ATP advocates claim, businesses should have no problem funding the research internally or recruiting outside investors. These grants also give the recipient companies an unfair advantage over their unsubsidized competitors.

ATP officials claim the program leads to economic growth by funding those innovative and profitable projects that fail to secure private funding. This is unlikely. Investors vote with their dollars, and a
business's inability to secure funding from investors signals the market's lack of confidence that the project will succeed and earn a profit.

Far from functioning as a "financier of last resort," the ATP is the first place many businesses go to shift their own research costs to the taxpayers. A mid-1990s survey revealed that 65 percent of ATP recipients did not seek any private funding before applying for a federal grant.7 Program administrators responded by tightening the requirements mandating that firms first seek private funding.

Nevertheless, the application questions remain vague, and applicants have every incentive to overstate their efforts to obtain private funding. The Commerce Department admits that "project proponents have better information than the ATP about the prospects for private funding, and also have an incentive to conceal this information."8 Applicants, in fact, have little reason to be honest. Even under the tightened requirements, the ATP has approved grants to firms that refused to answer whether or not they attempted to obtain outside funding.9

Of the rejected research projects, 50 percent of the "near winners"--which supposedly had already exhausted all options for private funding--found private funding after the ATP rejected their grant application. Of the other 50 percent, most of the companies had never sought private funding before applying to the ATP, and it is unlikely that they diligently sought private funding after rejection. Instead, many simply continued reapplying for ATP grants.10

**Taxpayer-Financed Failures**

While businesses profit from the ATP's successes, taxpayers fund both its failures and its successes. Only one in three ATP projects successfully brings a new product to the market. The rest either fail completely or result in research that has not made it to the market.11 It is difficult to assess whether ATP officials simply approve the wrong applications, because program officials do not keep records of which projects are rejected and why.

One reason that so many projects fail is that many ATP officials lack sufficient knowledge of the relevant markets. This inevitably occurs because officials seek outside reviewers without any conflicts of interest with the project. Such conflicts are reduced by assuring that grant reviewers have knowledge of the relevant science and technology, but not of the market. Accordingly, their lack of market knowledge frequently causes grants to be awarded to projects the market does not demand.12

Another reason that projects fail is that ATP grant reviewers do not know whether a certain project would duplicate research performed by other companies. Most businesses conceal their research agendas, not wanting to tip off their competitors. Consequently, ATP officials often have to guess whether a grant application represents new or duplicative research. This duplicative research adds little value to the relevant industry, and it also provides an unfair advantage to the government-subsidized firm.

These and other factors explain the following examples of taxpayer-financed ATP boondoggles:13

In the early 1990s, several private companies were investing tens of millions of dollars in efforts to increase the data transmission capacity of fiber optic cables. In 1993, Accuwave applied for an ATP grant so it too could enter this market. Accuwave's approach of using "volume holography" had been so discredited by the rest of the industry that no other private company even considered it. Yet, despite an already-competitive market, a discredited scientific approach, and a rejection recommendation from the ATP's own business reviewers, ATP managers still approved the $2 million grant. Predictably, the other companies' research led to more than 2,000 new patents, full market commercialization, and a $40 billion industry in 2003. Accuwave's technique failed, and the firm declared bankruptcy in 1996.

In 1991, ATP officials gave the Communications Intelligence Corporation (CIC) $1.2 million for initial research into computer recognition of cursive handwriting, despite the fact that similar technology had already been developed, patented, and marketed. Furthermore, ATP grantmakers needed only to open an issue of PC Week to see how many other companies were concurrently improving that technology. The
other companies' research resulted in 450 new patents, while the taxpayer-financed CIC project provided negligible benefits to the industry.

Agridyne Technologies received $1.2 million in 1992 for a project intended to reduce the human side effects of certain pesticides. Agridyne lacked the resources to commercialize the product and declared bankruptcy in 1995. Biosys then purchased Agridyne, declined to continue the project, and declared bankruptcy itself a year later. Finally, Thermo Trilogy acquired Biosys's assets and patents and determined that the pesticide project was both obsolete and unprofitable.

A group led by Boeing received $5.2 million in 1992 to develop a common framework for automating different types of circuit boards. Although much of the technology was completed, company upheavals have prevented it from being fully commercialized. A project review explained that participating companies had prioritized their own mergers and acquisitions over completing this project and that reductions in other government contracts created "turmoil" for three of the four participating corporations.

ETOM Technologies received $1.4 million in 1993 to increase the storage capacity of compact disks. The technology was developed, yet ETOM was unable to acquire the green lasers needed for the product. Additionally, the market for video-on-demand service, which would have used this technology, never developed. ETOM declared bankruptcy in 1998.

Hampshire Instruments received $900,000 in 1991 to improve the miniaturization of computer chips. Within two years, Hampshire Instruments fell into financial distress, declared bankruptcy, and was liquidated. No other firms have offered to purchase this research for further development.

**Conclusion**

Many lawmakers agree that the ATP is just another shameless corporate welfare program. Before every important vote, however, many lawmakers ask themselves whether a future opponent could use their vote against them. In the ATP’s case, a vote to continue the status quo is always safe, while a vote to terminate could be misconstrued as a vote against business and technology.

Legislating by worst-case political scenarios is neither a formula for effective public policy nor a reliable reflection of political reality. Among current Members of Congress, 355 Representatives and 47 Senators have voted to defund or significantly reduce the ATP at some point between 1995 and 2002. Lawmakers could easily win public support by explaining the importance of eliminating such unnecessary and wasteful spending.

Eliminating the ATP is both smart public policy and smart politics. By eliminating the ATP, lawmakers can show taxpayers that Congress can responsibly confront unnecessary and wasteful government spending.

_Brian M. Riedl is Grover M. Hermann Fellow in Federal Budgetary Affairs in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation._

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1. The author thanks Heritage Foundation intern James Sherk for his contributions to this paper.


5. Advanced Technology Program, "ATP Active and Completed Projects by State" and "ATP Awards by State."


9. Ibid.

10. Near-winners who sought private funding before applying for an ATP grant were nine times as likely to continue a project after being rejected than those who had not sought out private funding. See General Accounting Office, Measuring Performance.


Program
View Assessment Details

Advanced Technology Program

The purpose of the Advanced Technology Program is to fund the development and commercialization of high-risk technologies through co-funding R&D partnerships with the private sector.

PERFORMING

Adequate

- **There is little need for the program.** There are other available funding sources for the development of high-risk technologies, including venture capital and other private-sector sources. It is not evident that the program has a unique or significant impact on its intended purpose.

- **The program has adequate performance measures.** Regular reviews are conducted to assess the performance of projects.

We are taking the following actions to improve the performance of the program:

- Ending this program. No funds were requested for this program for FY 2007.

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- How all Federal programs are assessed.
- Learn more about Advanced Technology Program.

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Advanced Technology Program [ATP].—The Committee will allow for the phase out of activities for ATP. No funds are provided in fiscal year 2007 for ATP, and the Committee believes that sufficient funds were provided as part of fiscal year 2006 under this title to cover all necessary close out costs associated with ATP.

The Committee recommendation includes $92,000,000, which is $91,624,000 below the current year and $45,668,000 above the request, and is provided solely for the Hollings Manufacturing Extension Partnerships (MEP) Program. The Committee adopts the President’s request to terminate funding for the Advanced Technology Program.

The 2007 Budget proposes to terminate ATP, a grant program for businesses that was intended to develop new technologies for commercial use. Given the growth of venture capital and other financing sources for high-tech projects, there is little evidence of the need for this Federal program. Recent Congressional treatment of ATP is also consistent with this proposal—providing $136 million in 2005 with no funding for new grants, and $79 million in 2006 to cover existing grants and enable close-out.

ATP, a grant program for businesses that was intended to develop new technologies for commercial use, continues to be proposed for elimination due to the growth of venture capital and other financing sources for high-tech projects. The Administration seeks no new funding for ATP and proposes to terminate the program, using prior year appropriations, in an orderly manner that completes funding of all qualified projects.
Chairman’s Statement
Sen. Tom Coburn, M.D. (R-OK)

Advanced Technology Program

An Assessment of Federal Funding for Private Research and Development

May 26, 2005

Last year, venture capitalists invested over $20 billion into various projects in the U.S. economy. Industries including biotechnology, telecommunications, and health care services received hundreds of millions, if not billions, of dollars in funding from private investors. All of that venture capital funding also doesn’t even take into account the massive amount of money spent each year on research and development, or R&D, by publicly-traded American companies. Just to give a few examples, IBM in 2004 spent more than $5 billion on R&D, while Motorola spent more than $3 billion on R&D. In short, the private sector of the U.S. economy is researching new technologies and products at a feverish pace.

This hearing today has been convened to provide an assessment of federal funding for private research and development, with a focus on the Advanced Technology Program, or ATP. Created in 1988 by the Omnibus Trade and Competitiveness Act, ATP is a federal program charged to support research that accelerates the development of high-risk technologies in order to increase the global competitiveness of American industry. On its web site, ATP states that its goal is to help companies meet challenges that “they could not or would not do alone.” Many of the program’s most vocal supporters believe that without the federal funding provided by ATP, countless research projects would receive no money at all, and that ATP exists to remedy the failure of the market to fund research and development.

Evidence to support those claims, however, is quite limited. Time after time, ATP is shown to fund initiatives that have already been undertaken by the private sector. Year after year, multi-billion dollar corporations receive millions of dollars from ATP. For example, General Electric, or GE, one of the most widely known corporate brands in the world, has received more than $100 million in grants from ATP. Last year alone, GE reported revenues of $152 billion. IBM, with revenues of nearly $100 billion in 2004, has received $91 million in federal funds from ATP. In total since 1990, Fortune 500 corporations have received more than $730 million from ATP. If this does not constitute corporate welfare, then corporate welfare does not exist.

Regarding the claim that ATP primarily funds research that does not already exist in the private sector, the U.S. Government Accountability Office, or GAO, found in a 2000 report that ATP had funded research on handwriting recognition that began in the private sector in the late-1950s. GAO found that inherent factors within ATP made it “unlikely that ATP can avoid funding research already being pursued by the private sector in the same time period.” Furthermore, according to the Program Assessment and Rating Tool used by the Office of Management and Budget, ATP does not address a specific need and is not designed to make a unique contribution. While many supporters of ATP point to the broad societal benefits of scientific research as justification for ATP, the merits of scientific research are not at issue here today. As a physician, I know first-hand the benefits that have been realized due to breakthroughs in the field of medical research. The main issues before us today are the federal financing of research that may very well be duplicative and the federal subsidization of multi-billion dollar global corporations.

We are pleased to have with us here today distinguished scholars from the Government Accountability Office, the Heritage Foundation, and the National Academies. On our first and only panel, Robin Nazzaro, Brian Reidl, and Dr. Charles Wessner will give us their assessments of federal funding of private research and development.
Historical Statistics on Applications and Awards
Forty-Four Competitions (1990 -September 2004)

**Number of Proposals Received 6,924**
Number of Participants in Submitted Proposals 10,227
Total ATP Funding Requested $14,708 M
Total Industry Cost Share $14,142 M

**Number of Awards 768**
Single Applicants 550
Joint Ventures 218
Number of Participants in Awarded Projects 1,511
Total ATP Funds Committed $2,269 M
Total Industry Cost Sharing $2,102 M
Award Size for Projects – Range $434 K - $31 M

**Participants:** Includes Single Applicants (SA), Joint Venture Leads (JVL), and Joint Venture Participants (JVP). Excludes subcontractors, informal collaborators with joint ventures, and collaborators and strategic partners of single applicants.

Factsheet 3.A1 (September 2004)
New U.S. HIV cases to cost $12 bln a year: study

NEW YORK (Reuters) - Future treatment for the 40,000 people infected with HIV in the United States every year will cost $12.1 billion annually, a new study showed on Wednesday.

U.S. patients infected with HIV can expect medical bills for current care related to the disease of $618,900 during their lifetimes, according to the study, which will appear in the November issue of Medical Care.

Current medical bills for U.S. HIV patients from the beginning of care until death average $2,100 per month. The projected lifetime HIV-related medical costs were based on life expectancies of 24.2 years for patients in optimal HIV care.

The study is intended to provide guidance for policy makers and ensure appropriate funds are allocated for HIV care and prevention, according to its authors.

"If they rely on outdated cost information, treatment programs will be underfunded and the economic value of HIV prevention will be understated," lead author Dr. Bruce Schackman, the head of the health policy at Weill Medical College of Cornell University's department of public health, said.

The Centers for Disease Control and Prevention estimates that 250,000 people with HIV in the United States -- a quarter of the total with the disease -- do not know they are infected.

Since combination therapy became available to U.S. HIV patients in 1996, life expectancies have risen, but so have medical bills. Medications now make up more than 70 percent of the expense of HIV treatment, according to the study.

The $618,000 lifetime HIV medical bill is comparable to the estimated lifetime medical cost for U.S. women under age 65 with cardiovascular disease, who can also have long life expectancies with appropriate medical management, the study found.
Experts: U.S. should help buy HIV drugs for poor

By Maggie Fox

WASHINGTON (Reuters) - The U.S. government should pay to treat all low-income Americans infected with the AIDS virus, at a cost of an extra $5.6 billion over the next 10 years, a committee of experts recommended on Thursday.

The committee at the Institute of Medicine, which advises the federal government on health issues, said the program would pay for itself in reduced health costs down the road.

All U.S. citizens with the HIV infection who make less than $22,500 a year should be eligible for the new program, the report said. It should pay for HIV drugs and the supportive care that can keep patients healthy.

"Failing to provide these cost-effective, life-saving drugs to all Americans who need them, including individuals who lack insurance or cannot afford them, is indefensible," said committee chair, Lauren LeRoy, president of Grantmakers In Health, a nonprofit health educational organization.

"Current programs are characterized by limited state budgets, limited services and a confusing array of eligibility requirements--all of which undermine the nation's goals for preventing and treating HIV/AIDS," LeRoy added in a statement.

After assessing options for improving care delivery, the committee concluded that a greater federal role is required to ensure an effective response to the HIV epidemic.

It estimated the program would cost $7 billion over 10 years--$5.6 billion more than what the federal government is now spending.

The AIDS virus infects an estimated 43 million people worldwide and has killed more than 25 million since it first began spreading in the early 1980s. HIV has infected about 950,000 people in the United States and 40,000 more become infected each year.

HIV infection cannot be cured, but a combination of drugs can keep it from progressing to AIDS.

NO SYSTEMATIC PLAN

The United States does not have a systematic plan for treating HIV. Some private insurers will pay for the drugs, the state-federal health insurance plan
pays for some under Medicaid and the U.S. Congress has mandated some state and local treatment under the Ryan White CARE Act.

"Although these programs provide antiretroviral drug therapy and other services to thousands of needy HIV-infected people, thousands more go without necessary treatment because of eligibility requirements and limitations in covered benefits," the Institute said.

"The committee estimated that almost 58,700 more people would receive antiretroviral treatment if the proposed federal program were implemented."

The Kaiser Family Foundation, a nonprofit health research group, describes HIV health coverage in the United States as "a quilt with many holes." It says it is difficult to navigate through the different programs that are available.

"An estimated 42 percent to 59 percent of the almost one million people living with HIV/AIDS in the U.S. are not in regular care," Kaiser said in its most recent report.

"The fact that about 40,000 new AIDS diagnoses and 16,000 deaths occur each year further indicates that our current system is failing to ensure adequate health care for persons living with HIV infection," the Institute added.
Waiting List for AIDS Drugs Causes Dismay in South Carolina

Kelly Jepson, 43, is among 350 poor people infected with H.I.V. in South Carolina who are on a waiting list for free drugs.

By SHAILA DEWAN

COLUMBIA, S.C. — More than 350 poor people infected with H.I.V. are on a waiting list for free life-saving drugs in South Carolina, by far the longest such list in the country.

Four people waiting for drugs supplied by the state have died, said Lynda Kettinger, the director of the state health department’s H.I.V. division, and the wait is six months to a year.

The list is so long largely because the Legislature’s contribution to the drug program is relatively tiny — less than one-twentieth of North Carolina’s, for example — even though South Carolina has the ninth-highest AIDS rate and the fifth-highest H.I.V. infection rate among states that record such data.

“There’s only two ways to get off of the wait list right now,” said Karen Bates, one of a group of South Carolina H.I.V. patients who have demanded that the state take
emergency action. “One of them is if somebody else dies and you get their slot. The other is if you die."

The program serves about 1,300 people a month, and patients are eligible for it if they are uninsured and cannot afford the drugs, which cost an average of $885 a month. State officials say it would cost South Carolina $3 million to clear the waiting list. The only other state with such a list right now, Alaska, has 13 people waiting. The number of states with waiting lists fluctuates.

Kelly Jepson, 43, who is on the South Carolina waiting list, said the uncertainty had only added to the stress of being homeless, unemployed and a recovering drug user.

“I was trying to keep a job, pay for methadone, pay for a place to live, and I just couldn’t swing it all,” Ms. Jepson said, adding that she had recently been hospitalized for 10 days. “Dementia has set in, my short-term memory is really bad, and because of neuropathy I’ve had a couple of bad falls.”

Another AIDS patient on the waiting list who had agreed to be interviewed from his hospital bed, could not be reached because he had gone into intensive care.

Most of the money for the medication programs, known as the AIDS Drug Assistance Programs, comes from the federal government, supplemented by the states. In the South, the only region of the country where the number of AIDS deaths continues to rise, some state contributions have increased greatly.

North Carolina, which once had a waiting list of more than 800 people, now pays for 40 percent of its drug program, contributing $11 million a year. Georgia pays for 26 percent of the program, or $12 million. South Carolina’s contribution, by contrast, has stayed at 3 percent, or $500,000 a year, even as demand has increased and federal financing has stayed flat.

Clair Boatwright, a spokeswoman for the South Carolina health department, said the department would request $3 million in supplemental money for the remainder of this fiscal year and a $4.5 million increase in annual financing when the Legislature convened on Jan. 9. Right now, Ms. Boatwright said, the department has no emergency money available to reduce the waiting list and no uncommitted cash to shift to the drug program.
State lawmakers said the paltry contribution to AIDS financing was less because of conscious opposition on the part of Republicans, who controlled the Legislature, and more because there had been no strong push for an increase.

“I don’t think it was an issue where these guys were opposed to it,” said Representative Leon Howard, a Columbia Democrat who has served on the health committee for 12 years and recently became its chairman.

Mr. Howard said he could not recall a debate over AIDS money.

Because of the budget shortfall, state health officials, doctors and AIDS workers have begun preparing what they said was the first organized campaign to push AIDS financing onto the legislative agenda. Leading the effort is Representative Joseph H. Neal, a Democrat whose district includes Columbia. State financing has lagged, Mr. Neal said, not because of strong political opposition, but because the issue has remained low profile, and legislators do not understand that a lack of treatment translates into higher costs in hospitalization and lost productivity.

“To be honest with you, I think it’s seen as a black disease, it’s a poor people’s disease, and it’s easy to put these kinds of issues that are seen in that light out of mind,” said Mr. Neal, who is black. “These are people that are politically impotent and are not seen as part of the mainstream.”

Carmen Julious, director of Palmetto AIDS Life Support Services in Columbia, agreed that ignorance played a crucial role.

“You would be surprised at state and federal legislators who understand AIDS in Africa,” Ms. Julious said, “but they don’t know anything about AIDS in South Carolina.”

AIDS activism has long been surrounded by a debate over how confrontational advocates should be, and the South Carolina situation is no exception. The four deaths threw a wrench into the carefully laid lobbying plan, drawing protesters from outside the state and, in a place where the disease still carries a stigma so heavy that patients often do not tell their own family that they are infected, prodding H.I.V. and AIDS patients to speak out even after some groups advised them to wait.
“I’m tired of being quiet about it,” said Kiah Graham, 24, who said he was on the waiting list. “All it’s going to take is one cold, or pneumonia, and it’s over with.”

Bambi Gaddist, director of the South Carolina H.I.V./AIDS Council, and others in the coalition were quick to point out that there was no way of knowing whether the four deaths were caused by lack of drugs. Because of poverty, scarce money for testing and prevention, and the secrecy surrounding the disease, many H.I.V. infections in South Carolina are not discovered until they are already in the late stages, they said, making them more difficult to treat.

State health officials said that all but 10 of the people on the waiting list were now on so-called patient assistance programs, a stop-gap measure in which drug companies provide free medications for a limited time. If a patient needs drugs from more than one manufacturer, an application must be submitted to each, and experts say many do not get all the drugs they need, reducing the effectiveness of those they do get.

The state began training caseworkers to complete the paperwork for the programs last summer when the waiting list started, Ms. Kettinger said, but she could not say how long it took until people began receiving drugs. She also declined to say if the four who died were receiving drugs through such a program.

The waiting list is only the most visible symptom of the lack of financing for AIDS prevention and treatment in South Carolina, where poor rural counties are among those with the highest rates of transmission and the biggest stigma.

“That’s just the focus right now,” said Stephanie Williams, who is H.I.V. positive and a founder of the South Carolina Campaign to End AIDS. “You have housing issues, you have transportation issues, you have clinics where the doctors don’t want to touch people. We have all kinds of problems.”
AIDS Patients, Program Unable to Afford Meds

(Columbia) - After living with HIV for eight years, Brian Morgan is used to taking pills while trying to pay the bills.

"We're living longer, we're living healthier--if you can get the medicines," Morgan said.

One prescription alone would normally cost him $1,500 a month; but, through the AIDS Drug Assistance Program (ADAP), Morgan gets it for free.

"I don't know what I would do," he said. "I wouldn't have these medications and I wouldn't be sitting here looking healthy and with these fat cheeks."

Currently, though, that is the reality for more than 200 South Carolinians on the ADAP waiting list. According to the National Alliance of State and Territorial AIDS Directors, the longest waiting list in any other state is Indiana's with 33 people.

"It's very telling that we didn't have a waiting list at this time last year," said Carmen Julious, Director of Palmetto AIDS Life Support Services. "Because of cuts in funding and because of budget decisions we had to make, we all of a sudden have one of the largest waiting lists in the country."

The ADAP program is primarily funded by the federal government, but Julious says she's going to lobby lawmakers for additional state funds.

"This is a crisis. People are dying. We have medications available that can help people sustain health and increase their life expectancy but these folks who need this medication have no access," Julious said.

She said the program needs three million dollars just to clear the wait list by June of 2007 and another eight million would be needed by 2008.

News 19 contacted a variety of lawmakers and while most said they weren't aware of the problem they believed it was an issue to consider.

Governor Mark Sanford's office said it wouldn't make any budget recommendations until January.
Albuquerque Journal (New Mexico)
June 24, 2004 Thursday
SECTION: FINAL; Pg. A1

N.M. AIDS Services Faces Funding Cuts
14 Will Lose Jobs; Disease Could Spread

BYLINE: Jackie Jadrnak Journal Staff Writer

Kathleen Kelley is trying to figure out how to tell hundreds of HIV-positive people they won't have services and 14 staffers they won't have jobs after the end of the month.

The bad news is coming from proposed cuts in state funding for New Mexico AIDS Services, according to its executive director.

"We're devastated," she said.

Any barriers to people getting services and treatment could make it more likely the disease will spread, said Dr. Bruce Williams, who treats AIDS patients.

In a contract negotiated last week, funding for services at NMAS will be cut by more than a third, from $1.3 million to $800,000. Home health care, transportation, counseling and perhaps the food bank are being eliminated, she said.

NMAS will be left providing case management, in which staffers help clients find solutions to problems, such as getting housing or medical care. It will cover only 236 people, Kelley said, compared to the 604 served last year in the region that includes Albuquerque and extends through the northwest quadrant of the state.

Other contractors around the state are seeing similar cuts, from one third to more than half, in state funding for services to HIV-positive patients. About 1,000 clients are enrolled in HIV/AIDS programs statewide.

The state's HIV/AIDS program has a $2.8 million shortfall for the next fiscal year, which begins July 1. Faced with that, the state is shifting money from support services to health insurance and drugs, which are keeping people alive longer.

State Department of Health spokesmen say a reprieve is still possible, even though the contracts with funding cuts are winding their way through the state bureaucracy for signatures. Most important, they say, is that the state is planning to keep full funding for medications and health insurance for HIV-positive people.

"We're trying to see if there's any other sources of funding we can tap into in the
department," said Don Torres, chief of the state's HIV/AIDS/STD prevention bureau. The contracts aren't final yet, he added, although they take effect July 1.

Dave Barrett, executive director of Southwest CARE Center in Santa Fe, said he did get word that state officials are scrambling for some last-minute money.

"I'm unclear if that's their final offer," he said. "They (DOH officials) are really struggling with the impact on the community."

Under the proposed contracts, Barrett said his state funding would be cut by about one-third and some employees would be laid off. "The fate of my Taos office is very much up in the air," he added.

Kelley said she may have to close her Farmington office.

New Mexico had become nationally known for its model of delivering a range of services to HIV-positive people through a central agency, such as NMAS and Southwest CARE.

That one-stop-shopping model could be gutted with the cuts in the recent contracts. "We don't seem to have the finances to support it any more," Torres said.

As caseloads have increased and drug costs have skyrocketed, state funding and federal funding have stayed flat for the last three years, according to Williams, medical director for the University of New Mexico's Truman Street Services Health Clinic, which partners with NMAS in serving people with HIV/AIDS.

That trend will continue, he warned, and any stopgap attempted now won't address the long-range funding issues.

"This is a problem facing public health in New Mexico," Williams said. "It's recognized by all parties. No one is the bad guy in this."

Williams said he anticipates a 59 percent cut in his clinic's services budget. The clinic expects to continue full medical care, he said, but it will lose a psychiatrist and psychologist.

"The thing most troubling to me is the loss of mental health services," he said. "Up to 70 percent of AIDS patients have mental health or substance abuse issues, based on our caseload."

Michael Graham, an NMAS substance abuse counselor who is HIV-positive, said he is losing his job. That means he'll lose his health insurance unless he comes up with about $300 a month to continue it.

With insurance, he still pays $100 to $130 for his medications each month, he said.
Still, Graham said, he's educated and knows the system. He might be able to find help. Many clients, he said, will have a harder time.

In focusing funding on case management, Department of Health officials have argued that the other services are available elsewhere.

But Graham said, "Our clients are going to lose. The systems they are going to be dumped in are already overburdened and overworked."

"The mental health system is overwhelmed in New Mexico," Williams said.
Hundreds waiting for AIDS drug assistance in Colorado

DATELINE: DENVER

Nearly 300 Colorado AIDS victims depend on a makeshift system of charity, pharmaceutical company help and clandestine drug exchanges to get the lifesaving medicines they need.

Experts say none of this group has died or had to go long without drugs while they wait to get into the AIDS Drug Assistance Program, which provides medicines to people who otherwise couldn't afford them.

Still, some fear the crisis in Colorado and elsewhere could get worse.

"We're seeing a lot of increased need, particularly in Denver, not just new infections but more poverty. More people are meeting the eligibility requirements (for ADAP) because they are out of work and financially strapped," said Deirdre Maloney, executive director of the Colorado AIDS Project.

Colorado has 280 people waiting to get into its AIDS drug assistance program. That amounts to about one-third of the total number on waiting lists nationwide, even though Colorado has less than 1 percent of the nation's 385,000 people afflicted with AIDS. Nationwide, some 800 people were on waiting lists in January, according to estimates by the National Alliance of State & Territorial AIDS Directors.

No one is sure why the state has such a disproportionately long waiting list. AIDS advocates and health officials suspect the causes may include layoffs, longer life expectancy for people with AIDS and a slowly increasing HIV infection rate.

Hospitals and clinics provide AIDS drugs free to some patients, but they can't keep doing that indefinitely, Maloney said. "We're going to see that money run out, and the more the waiting list grows and the more different facilities lose their funding - we're going to see that opportunity go away. And that's going to lead to more death and more need," she said.

Others get help from drug companies' patient-assistance programs, said Scott Barnette, who heads the ADAP program at the state health department.

Still others rely on illegal exchanges of leftover AIDS drugs, donated by the families and loved ones of patients who have died and left them behind, or by patients who have changed prescriptions. The law requires unused prescriptions to be discarded.
AIDS program lacks money for victims on waiting list

DATELINE: LOUISVILLE, Ky.

A statewide program that provides free medication to people who can't afford drugs to treat HIV or AIDS doesn't have enough money to treat those on a lengthy waiting list, officials say.

The number of people with HIV or AIDS in Kentucky is growing, and more of them have low incomes that make them eligible for the Kentucky AIDS Drug Assistance Program, said Michael Logsdon of Louisville.

Logsdon, 42, a member of the state's HIV/AIDS Advisory Council, was diagnosed with AIDS in 1997.

"There's going to be more people die if they don't come up with more money," said Logsdon who used to receive drugs through the program before he became eligible for federal disability aid.

The state program gets 98 percent of its funding from the federal government. It serves about 700 people but has a waiting list of about 140.

The 25-member advisory council, which includes AIDS victims, physicians, public health officials, citizens and others, recommended in September that the state raise its level of funding.

The state has not increased the $90,000 a year it puts into the program since 1996.

The recommendation from the council doesn't specify an amount, but it would take about $1.2 million a year to pay for the additional 140 people at the average per-patient cost of $8,760 per year.

Lawmakers concede that other fiscal problems make it unlikely any more will be allocated for the AIDS program when the next legislative session begins in January.

"This session gives me the most concern of any session I've had to approach," said state Sen. Gerald Neal, D-Louisville, who sponsored legislation creating the AIDS advisory council. "There's not going to be enough money."
The medicine that the program pays for can cost more than $1,000 per month at the drug store. Though some AIDS patients are able to get drugs temporarily through clinics or drug companies that help low-income patients, advocates worry the system won’t be able to keep helping the growing number of people in need.

Kentucky began its waiting list for AIDS medications in June 2002 after demand exceeded funds in the program.

The average wait is six to nine months, said Lisa Daniel, who oversees the program for the Health Services Cabinet. Five people on the waiting list have died since it was started, but all five had been able to get medicine temporarily through other sources and three died of causes other than AIDS, such as cancer, Daniel said.

Patients are eligible for the program if they are at or below 300 percent of the federal poverty level - about $27,000 a year for a single person - and have no other way to pay for drugs, such as insurance or Medicaid.

A national survey in August showed Kentucky is one of 15 states that have begun placing people on a waiting list or have restricted enrollment.

In Kentucky, 2,113 people are living with AIDS, according to a Health Services report in June. Far more are believed to have HIV, the precursor to AIDS, but the state isn’t releasing numbers on the HIV rate because it hasn’t been able to verify the accuracy of reporting, said Melissa McCracken, the state’s epidemiologist for AIDS and HIV.

Meanwhile, public health officials are alarmed to note the number of AIDS cases diagnosed in Kentucky edged upward after a decline between 1996 and 2000.

The number of newly diagnosed AIDS cases grew from 211 in 2000 to 228 in 2001, according to the Health Services report, then dropped slightly last year to 222.

Nationally, AIDS increased 2.2 percent and HIV went up 7.1 percent, from 2001 to 2002, according to preliminary data from the federal Centers for Disease Control and Prevention, McCracken said.
AIDS Medication Out Of Reach For Many

By Eric Flack

(Louisville, September 24th, 2003, 7 p.m.) -- Advocates for AIDS patients in Kentucky say people are dying because they can't afford their medication. And they say the state hasn't set aside enough money to help. The state admits the number of people who need medication but can't get it is getting longer.

The House of Ruth in Louisville helps people below the poverty line fight an expensive illness. AIDS treatment costs more than $9,000 a year. It's expensive for Kim Smith, and she has "insurance and a job. And a doctor would take care to make sure I had the best there was available. And when you don't have any means to start with, it seems like quite a big hill to climb."

Al was diagnosed with full-blown AIDS eight months ago. At the time, he thought his diagnosis was a death sentence. "I was thinking there was no hope for me."

But now Al has hope. For now, his medication is working -- drugs paid for in part by the University of Louisville. Still, with $700 a year in co-pays and no job, Al simply says he simply doesn't "have the money."

A program called the Kentucky AIDS Drug Assistance Program, or KADAP, pays for AIDS medication for the uninsured.

Rhianon was one of the first people participate in the KADAP Program. Rhianon is one of the lucky ones, and knows it. "There's too many people out there with HIV and AIDS who need the medications," he said. "They need them now. They don't need to wait."

But Al is waiting. And he isn't alone. Right now, 169 people in Kentuckiana are on the KADAP waiting list. By December, that number is expected to grow to 200. Already this year, five people have died waiting for medication.

KADAP gets more than $4 million a year from the federal government. The state only puts in $90,000 -- that's enough to pay for medication for nine people a year. But not enough for Al.
"It's hard for me to go to sleep at night," Al says, "because I'm so scared I might close my eyes and not open 'em back. That's the hardest part."

KADAP already stretches its dollars as far as it can. The amount it spends on each patient is one of the lowest in the nation. The coordinator of the KADAP says they plan to ask for more money when budget negotiations start later this year. Whether they get it remains to be seen in these tight budget times. And Kentucky isn't the only state with a problem. Fifteen other states have waiting lists, too.

*Online Reporter:* Eric Flack

*Online Producer:* Michael Dever
Amendment 250 – Provides public disclosure of all reports required to be delivered to the Appropriations Committee

This amendment requires all reports, reviews, evaluations, and operating plans directed to be provided to the Appropriations Committees by all federal agencies and departments funded by H.J. Res. 20 to be posted on the corresponding agencies’ websites within 48 hours of being delivered to the Appropriations Committees. An exception is made if such information compromises national security.

The Senate has already approved this amendment twice— to the Fiscal Year 2007 Homeland Security appropriations bill (S. AMDT. 4561 to H.R. 5441) by unanimous consent on July 12, and to the 2007 Defense appropriations bill (S. AMDT. 4784 to H.R. 5631) by voice vote on August 3.

40 reports are required by the 2007 Revised Continuing Appropriations Resolution

The Revised Continuing Appropriations Resolution for Fiscal Year 2007 requires 40 unique reports, reviews, evaluations, and operating plans to be prepared and delivered to the Appropriations Committees.

These reports are not readily available to other members of Congress or the public.

Few of these reports contain sensitive information involving national security but do contain information that may be of interest to the public, the media or lawmakers who are not members of the Appropriations Committee.

Reports often contain information that may be valuable to ALL members of Congress and the public about federal initiatives

The 40 reports required of various government agencies and Departments by H. J. Res. 20 are to be delivered to the Appropriations Committees and not to other members of Congress or the public.
The policy of providing information only to the appropriators reinforces the culture that has led to the earmark “favor” factory reputation of the Appropriations Committees, unaccountable decision making, spending on dubious projects, authorizing on appropriations bills, and other headline-grabbing misuses of federal funds.

Many members of Congress are not even aware that these reports exist and few are likely to have actually read them despite the fact that they contain detailed explanations of the operations, priorities, performance, and goals of various government agencies. The taxpayer, of course, has no ability to readily access any of these documents.

Included in this bill are directives for the operating plans of 28 federal departments and agencies, an audit for and a review and report of the administration of federal incentives for innovative energy technologies, several reports on World Bank efficacy, and a report on financial assistance to foreign countries and organizations.

The fact is that other members of Congress and the public should also be able to utilize these reports to make the same evaluations and informed decisions. All Senators, after all, must vote on the appropriations bills that are developed, in part, with the information contained within these reports.

**This amendment ensures greater transparency and accountability of taxpayer funds**

This amendment will lift the veil of secrecy in the communications between federal departments or agencies and the Appropriations Committee.

These reports should be available to all members of Congress, who are responsible for approving funding for every federal department and agency, and to the taxpayer. This will enhance transparency and accountability and ensure that the taxpayers and media, not just Washington insiders and bureaucrats, are privy to government funding decisions.
Reports required to be submitted to the Appropriations Committee by the Revised Continuing Appropriations Resolution FY07

The following is a list of 40 reports, reviews, evaluations, and operating plans directed to be prepared by the 2007 Revised Continuing Appropriations Resolution and delivered to the Appropriations Committees:

Reports – 10 Total

Pages 11-12
SEC. 114. Within 15 days after the enactment of this section, the Director of the Office of Management and Budget shall submit to the Committees on Appropriations of the House of Representatives and the Senate—

“(1) a report specifying, by account, the amounts provided by this division for executive branch departments and agencies; and 
and “(2) a report specifying, by account, the amounts provided by section 111 for executive branch departments and agencies.

Page 38
(e) Not later than 120 days after the date of enactment of this division, and annually thereafter, the Secretary of Energy shall transmit to the Committees on Appropriations of the House of Representatives and the Senate a report containing a summary of all activities under title XVII of the Energy Policy Act of 2005, beginning in fiscal year 2007, with a listing of responses to loan guarantee solicitations under such title, describing the technologies, amount of loan guarantee sought, and the applicants’ assessment of risk.

Page 44-45
SEC. 20407. Section 599D of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006 (Public Law 109–102) is amended by striking ‘certifies’ and all that follows and inserting the following: ‘reports to the appropriate congressional committees on the extent to which the World Bank has completed the following:'
“(1) World Bank procurement guidelines have been applied to all procurement financed in whole or in part by a loan from the World Bank or a credit agreement or grant from the International Development Association (IDA).

“(2) The World Bank proposal “Increasing the Use of Country Systems in Procurement” dated March 2005 has been withdrawn.

“(3) The World Bank maintains a strong central procurement office staffed with senior experts who are designated to address commercial concerns, questions, and complaints regarding procurement procedures and payments under IDA and World Bank projects.

“(4) Thresholds for international competitive bidding have been established to maximize international competitive bidding in accordance with sound procurement practices, including transparency, competition, and cost-effective results for the Borrowers.

“(5) All tenders under the World Bank’s national competitive bidding provisions are subject to the same advertisement requirements as tenders under international competitive bidding.

“(6) Loan agreements between the World Bank and the Borrowers have been made public.”.

Page 48
SEC. 20413. Notwithstanding section 653(b) of the Foreign Assistance Act of 1961 (22 U.S.C. 2413), the President shall transmit to Congress the report required under section 653(a) of that Act with respect to the provision of funds appropriated by this division: Provided, That such report shall include a comparison of amounts, by category of assistance, provided or intended to be provided from funds appropriated for fiscal years 2006 and 2007, for each country and international organization.

Reviews – 1 Total

Page 37
(c) The Secretary of Energy shall enter into an arrangement with an independent auditor for annual evaluations of the program under title XVII of the Energy Policy Act of 2005. In addition to the independent
audit, the Comptroller General shall conduct an annual review of the Department’s execution of the program under title XVII of the Energy Policy Act of 2005. The results of the independent audit and the Comptroller General’s review shall be provided directly to the Committees on Appropriations of the House of Representatives and the Senate.

**Evaluation – 1 Total**

**Page 37**

(c) The Secretary of Energy shall enter into an arrangement with an independent auditor for annual evaluations of the program under title XVII of the Energy Policy Act of 2005. In addition to the independent audit, the Comptroller General shall conduct an annual review of the Department’s execution of the program under title XVII of the Energy Policy Act of 2005. The results of the independent audit and the Comptroller General’s review shall be provided directly to the Committees on Appropriations of the House of Representatives and the Senate.

**Operating Plans – 28 Total**

**Page 10-11**

“SEC. 113. Within 30 days of the enactment of this section, each of the following departments and agencies shall submit to the Committees on Appropriations of the House of Representatives and the Senate a spending, expenditure, or operating plan for fiscal year 2007 at a level of detail below the account level:

“(1) Department of Agriculture.
“(2) Department of Commerce, including the United States Patent and Trademark Office.
“(3) Department of Defense, with respect to military construction, family housing, the Department of Defense Base Closure accounts, and ‘Defense Health Program’.
“(4) Department of Education.
“(5) Department of Energy.
“(6) Department of Health and Human Services.
“(7) Department of Housing and Urban Development.
“(8) Department of the Interior.
“(9) Department of Justice.”
“(10) Department of Labor.
“(11) Department of State and United States Agency for International Development.
“(12) Department of Transportation.
“(13) Department of the Treasury.
“(14) Department of Veterans Affairs, including ‘Construction, Major Projects’.
“(15) National Aeronautics and Space Administration.
“(16) National Science Foundation.
“(17) The Judiciary.
“(18) Office of National Drug Control Policy.
“(19) General Services Administration.
“(20) Office of Personnel Management.
“(21) National Archives and Records Administration.
“(22) Environmental Protection Agency.
“(23) Indian Health Service.
“(24) Smithsonian Institution.
“(25) Social Security Administration.
“(26) Corporation for National and Community Service.
“(27) Corporation for Public Broadcasting.
“(28) Food and Drug Administration.
Amendment 251 – Provide an additional $1 billion to the Commodity Credit Corporation for agricultural emergency relief, paid for with offset from the Community Development Block Grant program.

This amendment would provide an increase of $1 billion for emergency assistance for farmers. The increase would be offset with a reduction in funding for the Community Development Block Grant (CDBG) program.

This amendment is offered to assist farmers stricken by severe drought and winter storms in America’s heartland.

Farmers throughout the Midwest and Plains states have been hit by record droughts and in recent weeks, severe and damaging winter storms.

Faced with drifts as high as 7 feet in parts of western Oklahoma, many herds were stranded many miles from food and water. Thanks to the efforts of the Oklahoma National Guard and the Oklahoma Office of Emergency Management, hay drops were organized and successfully launched.

The same region has been plagued by a drought for at least the past three years, resulting in devastating wildfires and complete loss of crops.

This is particularly difficult in my part of the country where we regularly run cattle on our wheat pastures for parts of the year. This one-two punch has left many barely hanging on.

Despite much of the rhetoric late last year, Congress can find a way to help, and still pay for it. Let me share a few statistics with you:

- The Office of Management and Budget (OMB) estimates that USDA has a total of $7.48 Billion in unobligated
balances (unspent money) in 2007. The actual number for 2006 was $10.58 Billion.  

- This includes: $394 Million for procurement and construction; $3 Billion for the Food Stamp program; $304 Million for “Salaries and Expenses;” $59 Million for “Rural Economic Development Grants;” and $26 Million for “Ocean Freight Differential Grants.”  

- According to the Office of Personnel Management (OPM), USDA has 95,289 employees; 11,367 in the Washington, DC Metropolitan Statistical Area.  

- According to the Chief Financial Officer of the USDA, if the agency were a private enterprise, it would rank as the sixth largest company in the United States.  

- USDA programs are responsible for high improper payment rates: 1) The Food Stamp program reports a 5.84 percent error rate, resulting $1.65 Billion in improper payments; The Loan Deficiency Payment program reports an improper payment rate of 9.25 percent, resulting in $443 Million in improper payments; and the FSA Disaster Program reports a 12 percent improper payment rate resulting in $291 Million in improper payments.  

- Consider this small sample of multi-year earmarks in recent appropriations bills (and nothing in this CR prevents these from continuing to receive funds in FY 07):
  
  - $350,000 for the “World Food Prize” for outstanding work in food assistance;  
  - $1.5 million for construction of an entrance to the U.S. National Arboretum;  
  - More than $1 million for alternative salmon products, including $450,000 for development of baby food containing salmon;  
  - $591,000 for the Montana Sheep Institute;

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25 Ibid


- $295,000 for wool research;
- $232,000 for the National Wild Turkey Federation;
- $100,000 to establish a farm-raised catfish grading system; and

- The list of waste and inefficiencies with the USDA, and most agencies for that matter, could go on for days.
- The point is that if this Congress decides that disaster relief is important—and I do—we have more than enough resources to pay for it.
- The amendment offered today is meant to signal that we can pay for relief and we should.
- It does not provide for all the emergency needs in farm country.
- I challenge my colleagues today. It is becoming clear that this Congress will attempt to attach farm relief to the Iraq supplemental. Let’s find a way to pay for it. If this Congress is serious, we have more than enough to pay for a complete farm emergency package.
Statements of Senator Conrad and Dorgan in favor of farm emergency package and in response to TAC’s concerns (December 2006):

Mr. CONRAD

I am very much in sympathy with the Senator on the notion of paying for this.

I appreciate very much that the Senator knows I wish to pay for this as well. We have a way to do a pay-for, but I am precluded by the rules from offering it.

On the question of paying for it, I have complete agreement with the Senator from Oklahoma. I wish the rules permitted us to offer an amendment to pay for it.

Mr. DORGAN

I don't have disagreements about the issue of the pay-for here…

I suggest perhaps we do a unanimous consent on the pay-for. If he doesn't, I know a politician who will easily pay for it. I will do a unanimous consent to pay for it.

These things ought to be paid for.

We have had hundreds of billions of dollars come through here with hardly a blink, none of it paid for. That ought to change. I am with the Senator from Oklahoma. Let's try to change that.

The fact is, this does not have a pay-for, not because Senator Conrad doesn't want it there or I don't want it there; it ought to be there.
Background on Offset: Community Development Block Grant (CDBG) Program

1) **Ineffective:** The program has been given the lowest rating possible, “ineffective,” by the Office of Management and Budget (OMB). According to OMB, the CDBG program lacks a clear purpose, lacks short-term and long-term outcome measures and transparent information on results, and funds are not targeted to places with the greatest needs. According to OMB, “Programs receiving this rating are not using your tax dollars effectively.”

For instance, during the 109th Congress, the Federal Financial Management Subcommittee reported that:

- During the past 2.5 years, the Inspector General has audited a small number of grantees (only 35 audits for 1,180 grantees) and yet found more than $100 million in waste, fraud and abuse of CDBG funds.

- Grantee and sub-grantee level spending information is not available to Congress, the Administration, or the public, making it difficult to accurately gauge the effectiveness of the Community Development Block Grant (CDBG) program.

2) **Inequitable Funding Formula: Poorest Communities Lose:** The 30-year old funding formula for the program is outdated, does not distribute money to the neediest communities (rich communities often get as large a share as extremely poor communities) Without changing the funding formula, CDBG is not serving the needs of low- and moderate-income persons.

- FFM Oversight during the 109th Congress reveals that: The CDBG formulas have not been updated since the late 1970’s. As a result, many wealthy communities receive 3-4 times more CDBG funds per capita than many poor communities.

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- As one example of unfair targeting, Temple, TX has an average $20,000 per capita income and receives $15 per capita in CDBG funds. Meanwhile, wealthy Oak Park, IL averages $36,000 per capita income and receives $39 per capita from the program.

- Once a community becomes a CDBG “entitlement community,” no matter how wealthy the community becomes over time, it is guaranteed CDBG funding every year. There is no mechanism for graduating out of the program, resulting in real per capita CDBG funding to all communities declining from $48 in 1978 to $13 in 2006.

- An official from GAO states that a recent HUD report observes this formula provides widely different payments to recipients with similar needs and that funds going to the neediest communities have decreased over time on a per capita basis.29

3) **Corruption and Mismanagement:** There are widespread accounts of corruption and mismanagement within the CDBG program (examples: Buffalo, NY and Wash, DC)

- Following a six-month investigation of Washington, D.C.’s use of CDBG funds to support local Community Development Corporations (CDCs), *The Washington Post* ran a 2002 editorial headline titled, “$100 Million Down the Drain.”30 The article stated, “A two-part series in The Post this week, based on a six-month investigation of D.C. community development corporations (CDCs), revealed how these nonprofits took in more than $100 million in taxpayer dollars over the past decade for revitalization projects -- and now have little to show for it. The stories tell a sorry tale of overspending, self-dealing, cronyism and conflicts of interest involving CDC leaders.”

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29 GAO Testimony of Paul L. Posner, Managing Director for Federal Budget Analysis and Intergovernmental Relations, before the Subcommittee on Federalism and the Census, Committee on Government Reform, U.S. House of Representatives. “Community Development Block Grants, Targeting Assistance to High-Need Communities Could Be Enhanced.” 2005

- In a prior article, it was revealed that the eight city-designated community development organizations completed only 70 of the 200 projects that have received public funds over the last 10 years. And of those 70, more than half have been delayed for years or have triggered lawsuits from buyers and contractors.  

- A three-part investigative series in 2004 by The Buffalo News, “The Half-Billion-Dollar-Bust,” reported that more than $500 million of CDBG funds were squandered by the city government of Buffalo, NY. The Buffalo News reported that CDBG funds were used to pay salaries and benefits of City hall employees, and to repay loans to defaulted developers. The articles states, “The problems have been compounded by lax oversight from the U.S. Department of Housing and Urban Development, which long identified problems but only recently pressed for change, The News found.”

4) **Priorities already threatened by earmarks:** Examples of earmarks in recent VA, HUD, and Independent Agencies Appropriations:

- $223 million for the “Bridge to Nowhere”— a bridge that would connect Ketchikan, Alaska (a town with less than 8,900 residents) to Gravina Island (population of 50)

- $200,000 to build an animal facility in Westerly, Rhode Island called “Stand Up for Animals”

- $500,000 to the Missouri Soybean Association for test plots for the Life Sciences Research Development and Commercialization Project in Boone County, Missouri

- $500,000 of HUD funds for the Seattle Art Museum in Seattle, Washington for the construction of the Olympic Sculpture Park

- $1 million appropriated to the Mississippi Film Enterprise Zone

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31 Ask Trey  
• $950,000 for a parking facility for the Joslyn Art Museum Master Plan, in Omaha, Nebraska

The FY 2005 HUD appropriations bill included 1,032 location-specific earmarks for the Community Development Block Grant program (CDBG), up from the 606 in the FY 2004 bill.33

These earmarks included projects such as the Mark Twain House and Museum, the Lost River Cave Improvement project, the Salvador Dali Museum, the Helen Keller Birthplace Foundation, the Finger Lakes Open Lands Conservation project, and the B.B. King Museum. Also included in the list is funding for dozens of university construction projects—dormitories, libraries, and classrooms—and several Audubon nature centers.34

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33 http://www.heritage.org/Research/Budget/wm656.cfm
34 http://www.heritage.org/Research/Budget/wm656.cfm
Emergency farm relief is offset with funds from the Community Development Block Grant (CDBG) program

Administered by the Department of Housing and Urban Development (HUD), the CDBG program is a direct federal-to-local grant program that is intended to provide local officials broad discretion on the use of the funds for housing, economic development activities, social services, and infrastructure. The multi-billion dollar CDBG program has exceptional flexibility, compared to most other grant programs.

The authorizing legislation requires that the activity meet one of the following goals: to principally benefit low- and moderate-income individuals, eliminate or prevent slums, or remedy urgent threats to the health or safety of the community. A grantee must develop and follow a detailed plan that provides for and encourages citizen participation.

Critics of the CDBG program argue that while flexibility abounds, the program has no standardized outcome indicators, insufficient accountability, ambiguous goals, and is a funding source for politicians’ pet pork projects that often do not meet the stated goals of the CDBG program.

CDBG rated “ineffective”

A recent Program Assessment by the Office of Management and Budget (OMB) gave the CDBG program its lowest rating of “ineffective.”

According to OMB, “Programs receiving this rating are not using your tax dollars effectively. Ineffective programs have been unable to achieve results due to a lack of clarity regarding the program’s purpose or goals, poor management, or some other significant weakness.”

The OMB Program Assessment (Appendix 1) found the following problems with CDBG:

• The program lacks a clear purpose. While the program provides a flexible source of funding for localities, the multiple purposes and broad program scope create ambiguity.

• The program lacks short-term and long-term outcome measures. It also lacks transparent information on results. Currently, communities report some output measures. There are no established community or national outcome indicators.

• Funds are not targeted to places with the greatest needs. Based on Census data, the allocation formula must be updated to better target the poorest communities. Further, the requirements allow grantees to spread resources thinly, thereby decreasing the impact on economies of distressed communities.

CDBG funding formula is outdated

The CDBG program was originally designed to address the pressing urban problems the nation faced in the mid-1970s.

According to the Government Accountability Office (GAO), the formula for allocating CDBG funds is today no longer as good a measure as it once was of communities' needs, as HUD has noted.36

HUD is required to use a complex dual formula system to allocate CDBG funding. Under this dual formula approach, grants are calculated under two different formulas and grantees receive the larger of the two amounts. The formulas take into account poverty, older housing, population, housing overcrowding, and other factors. However, it provides widely differing payments to recipients with similar needs and funds going to the neediest communities have decreased over time on a per capita basis.

36 GAO Testimony of Paul L. Posner, Managing Director for Federal Budget Analysis and Intergovernmental Relations, before the Subcommittee on Federalism and the Census, Committee on Government Reform, U.S. House of Representatives. “Community Development Block Grants, Targeting Assistance to High-Need Communities Could Be Enhanced.” 2005
According to GAO, much has transpired over the past three decades and it is time to carefully consider whether the program’s funds are directed towards those communities with the most compelling needs and the least capacity to address them from their own resources.\textsuperscript{37}

An official from GAO states that a recent HUD report observes this formula provides widely different payments to recipients with similar needs and that funds going to the neediest communities have decreased over time on a per capita basis.\textsuperscript{38}

**CDBG labeled a “wasteful… product of the Great Society”**

The quarterly magazine, *City Journal*, recently pointed out flaws in the CDBG program—both with the inequity of the program’s funding formula and the recent inclusion of earmarks. The 2006 article entitled, “Fixing the CDBG; President Bush moves to reform a bad domestic welfare program,” noted:

“A product of Great Society urban aid efforts, the Community Development Block Grant was supposed to fight poverty and revive blighted neighborhoods. The program soon proved a wasteful mess, however. The money it has lavished on poor neighborhoods has had little impact, because nothing in the funding formula requires grantees to show that they’re actually improving things. Few ever “graduate” from the program, having achieved their mission. Instead, the funding spigot stays open, year after year.

“Buffalo officials, for instance, have squandered over $550 million in block-grant money over the last three decades on programs run by local politicians’ relatives, friends, and supporters, or on unrealistic schemes, like a downtown cultural

\textsuperscript{37} GAO Testimony of Stanley J. Czerwinski before the Subcommittee on Federalism and the Census, Committee on Government Reform, U.S. House of Representatives. “Community Development Block Grants, Options for Improving the Targeting of Funds.” 2006

\textsuperscript{38} GAO Testimony of Paul L. Pos ner, Managing Director for Federal Budget Analysis and Intergovernmental Relations, before the Subcommittee on Federalism and the Census, Committee on Government Reform, U.S. House of Representatives. “Community Development Block Grants, Targeting Assistance to High-Need Communities Could Be Enhanced.” 2005
center unlikely to flourish in America’s poorest city. The effect on poverty: nil.

“Worse, after politicians representing wealthy communities grumbled in the late 1970s that they weren’t getting any of the CDBG pie, Congress cynically expanded eligibility so that almost every community now qualifies for the dough. CDBG dollars—often allocated through “earmarks,” the pork that Congress inserts into spending bills outside of the traditional funding process—have poured into some of America’s plushest communities, bankrolling everything from tennis courts to historical renovations. Such projects, needless to say, have zilch to do with eliminating urban poverty. The program has become fraud-plagued: since 2004, HUD has indicted 159 people on charges of false claims, bribery, fraudulent contracts, theft or embezzlement, and corruption in association with CDBG.”

“Now, however, the Bush administration wants to put an end to all this with the 2006 CDBG Reform Act, sent to Congress in May by HUD secretary Alphonso Jackson. By setting a minimum grant of $518,000, the bill would end thousands of smaller grants to tiny, mostly suburban communities with no need for the money, thus ensuring that program funds go to poor neighborhoods. Further, the act would require recipients to submit plans with practical antipoverty objectives that they must meet to keep getting funded.

“As sensible as these reforms sound, the bill’s passage is a long shot, precisely because Congress has so corrupted the CDBG program. Republicans and Democrats alike—from rich, poor, and middle-income districts—protect it because it lets them bring home the bacon. The pols take the bow when hometown newspapers herald the latest CDBG-funded senior-citizen center or Main Street restoration project.
And, of course, initiatives to overhaul the CDBG program often prompt hostile stories (fed by congressional delegations) about how much money a community stands to lose. A Baltimore Sun headline on the Bush administration’s new reform is typical: community block grant change means less for city.

“But with public anger growing about Washington spending, the CDBG reform bill is timely. Republicans could lose Congress in November, partly because GOP leaders have liberally lavished federal pork, undercutting the notion that they’re the party of small, effective government. A good first step to restoring the faith of GOP voters would be for Republican lawmakers to support the president’s reform”.39

Examples of Waste and Mismanagement

A three-part investigative series in 2004 by The Buffalo News, “The Half-Billion-Dollar-Bust,” reported that more than $500 million of CDBG funds were squandered by the city government of Buffalo, New York.40 The Buffalo News reported that CDBG funds were used to pay salaries and benefits of City hall employees, and to repay loans to defaulted developers. The articles reports, “The problems have been compounded by lax oversight from the U.S. Department of Housing and Urban Development, which long identified problems but only recently pressed for change, The News found.”

The report further stated:

“City Hall squandered much of the half-billion dollars in federal aid it received over the past 30 years to revitalize its downtown and neighborhoods and recharge its ailing economy, a Buffalo News investigation has found.

Buffalo gets more federal Community Development Block Grant aid per resident than all but one city in the country because of its pervasive poverty. But three decades and $556 million later, there is scant evidence of the federal government's largesse.

"When you consider the millions and millions of dollars that have flowed into this city over the years and you look at the conditions in the neighborhoods, it's a disgrace. It's the shame of this city,' said Henry L. Taylor, director of the Center for Urban Studies at the University at Buffalo.

City Hall frittered away much of the money through parochial politics and bureaucratic ineptitude, the News found.

More than half went to "soft costs" that include covering bad loans, paying City Hall salaries and subsidizing an overblown network of neighborhood agencies, the News found.

Relatively little has gone to brick-and-mortar projects. What has been spent to revitalize downtown and neighborhoods, The News found, has been haphazard, with money sometimes going to risky and futile projects.

"We receive the money because we have all these poor people," said Masten District Council Member Antoine M. Thompson, "but where are the hard projects for housing and economic development in the neighborhoods in the heart of Buffalo? We're way off the mark."

City Hall politicians don't dispute that politics has undermined the program, although they note reforms are under way...

To assess the city's management of the block grant program, The News interviewed more than 40 people,
ranging from regulators to elected officials to employees of community-based organizations; compared Buffalo's spending practices with programs across the nation; analyzed some 760 business loans the city made; and reviewed more than 2,000 pages of documents related to the program obtained under state and federal Freedom of Information Act laws.

Here are The News' key findings:

Block grant money has been used to pay some or all of the salaries and benefits of a sprawling City Hall bureaucracy -- more than 230 employees as recently as a year ago and an estimated 115 today -- at about $100 million over the life of the program.

Another approximately $75 million has gone to sustain an inefficient patchwork of community-based organizations. At its peak, some 70 housing and human service agencies received money, with little regard to their effectiveness.

Nearly 20 percent of block grant funds, totaling $38.5 million, have been spent over the past decade repaying risky loans to developers who defaulted, as well as money the city lent itself through the Section 108 loan program backed by block grants.

Buffalo's block grant spending is out of line with practices in other cities. Buffalo spends more on "soft costs," primarily repaying the federal government for bad business loans and the salaries of City Hall and neighborhood agency employees, and less on housing and public improvements."

Another example of CDBG mismanagement comes from the city of Washington, D.C. Following a six-month investigation of Washington, D.C.'s use of CDBG funds to support local Community Development
Corporations (CDCs), *The Washington Post* ran a 2002 editorial headline titled, “$100 Million Down the Drain.”

The article stated, “A two-part series in *The Post* this week, based on a six-month investigation of D.C. community development corporations (CDCs), revealed how these nonprofits took in more than $100 million in taxpayer dollars over the past decade for revitalization projects -- and now have little to show for it. The stories tell a sorry tale of overspending, self-dealing, cronyism and conflicts of interest involving CDC leaders.”

The article concluded that more than $100 million in tax payer dollars had been spent over the past decade for revitalization projects – with little or no measurable outcome.

In a prior article, it was revealed that the eight city-designated community development organizations completed only 70 of the 200 projects that have received public funds over the last 10 years. And of those 70, more than half have been delayed for years or have triggered lawsuits from buyers and contractors.

A HUD audit showed that the City of Washington, DC failed to monitor their community development organizations. City officials could not even locate contracts for nearly 2/3 of these organization’s projects.

**Congressional hearing revealed CDBG shortcomings**

The Federal Financial Management Subcommittee of the Senate Homeland Security and Governmental Affairs Committee held a hearing on the CDBG program on June 29, 2006.

The subcommittee found:

- Grantee and sub-grantee level spending information is not available to Congress, the Administration, or the public, making

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41 The Washington Post, “$100 Million Down the Drain.” Feb. 8, 2002
it difficult to accurately gauge the effectiveness of the Community Development Block Grant (CDBG) program.

- In 2006, HUD has started to collect new performance measurements for the CDBG program, but according to the Inspector General’s office, performance measures will likely be undermined by vague criteria and a failure to improve deficient enforcement tools.

- The CDBG formulas have not been updated since the late 1970’s. As a result, many wealthy communities receive 3-4 times more CDBG funds per capita than many poor communities.

- As one example of unfair targeting, Temple, TX has an average $20,000 per capita income and receives $15 per capita in CDBG funds. Meanwhile, wealthy Oak Park, IL averages $36,000 per capita income and receives $39 per capita from the program.

- Once a community becomes a CDBG “entitlement community,” no matter how wealthy the community becomes over time, it is guaranteed CDBG funding every year. There is no mechanism for graduating out of the program, resulting in real per capita CDBG funding to all communities declining from $48 in 1978 to $13 in 2006.

**IG audits find excessive CDBG waste**

During the past 2 and a half years, the Inspector General has audited a small number of grantees (only 35 audits for 1,180 grantees) but yet found more than $100 million in waste, fraud and abuse of CDBG funds. If the Inspector General had the resources to comprehensively audit the program, the total waste and abuse of funds would be many times greater. The public has no access to community’s plan for how it will use CDBG funds missing a valuable opportunity to provide local oversight.
Communities that don’t need the help are raiding funds from the neediest communities.

**Earmarks Are Consuming a Growing Proportion of HUD Funds**

The Congressional Research Service (CRS) recently released a report on earmarks inserted into the appropriations bills for every federal department from 1994-2005.

For the purpose of the VA-HUD-Independent Agencies appropriations, an earmark is defined as funds set aside within an account for a specific recipient, organization, or location, either in the appropriation act or in its conference report.

One difficulty in precisely defining earmarks as they are used in VA-HUD appropriations concerns various ways the term earmark is referenced in conference reports accompanying the bill. In different years, and in some years in different parts of the same bill, for example, the conference report refers to earmarks related to allocations of existing object and sub-object classifications within larger established and enduring accounts. Although they are characterized as earmarks, they do not fit the definition cited above and are therefore excluded from this analysis. For the most part, the purpose of each earmark used in this summary is identified solely by its designation, and its authorization is similarly contained in the line providing the funds for the designee. Such earmark designations usually bypass standard administrative procedures for an agency’s competitive distribution of funds.

Another difficulty in estimating the volume of earmarks is the large number of earmarks involving small amounts of money. The difference in individual amounts earmarked in the bill ranges from a few thousand dollars to many millions, out of a total bill of $128.6 billion in FY2005. Given the frequent specificity of funds for water related projects in EPA, research projects in NASA, construction projects in VA, and the array of community projects within the Community Development Block Grant programs of HUD, these results should not be regarded as definitive.
### VA, HUD, and Independent Agencies Appropriations
#### Summary of Estimated Earmarks
(millions of current dollars)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Total appropriation</th>
<th>Total $ value of earmarks</th>
<th>Earmarks as % of total appropriation</th>
<th>Number of earmarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$128,638</td>
<td>$999.5</td>
<td>0.8%</td>
<td>2,080</td>
</tr>
<tr>
<td>2004</td>
<td>$128,244</td>
<td>$1,219.7</td>
<td>1.0%</td>
<td>1,776</td>
</tr>
<tr>
<td>2002</td>
<td>$112,800</td>
<td>$1,800.0</td>
<td>1.6%</td>
<td>1,500</td>
</tr>
<tr>
<td>2000</td>
<td>$99,100</td>
<td>$607.0</td>
<td>0.6%</td>
<td>469</td>
</tr>
<tr>
<td>1998</td>
<td>$90,700</td>
<td>$600.0</td>
<td>0.7%</td>
<td>140</td>
</tr>
<tr>
<td>1996</td>
<td>$82,400</td>
<td>$133.0</td>
<td>0.2%</td>
<td>48</td>
</tr>
<tr>
<td>1994</td>
<td>$88,400</td>
<td>$10.0</td>
<td>0.0%</td>
<td>30</td>
</tr>
</tbody>
</table>


For the FY 2006 appropriations process, HUD appropriations were combined with the Departments of Treasury, Transportation, and related agencies (or TTHUD.) According to Citizens Against Government Waste, earmarks in this bill increased by 8 percent, from 1,029 in FY 2005 to 1,119 in FY 2006. The total amount of pork in the TTHUD bill was $3.63 billion.\(^{42}\)

**FY 2006 TTHUD Earmarks:**

- $223 million for the “Bridge to Nowhere”— a bridge that would connect Ketchikan, Alaska (a town with less than 8,900 residents) to Gravina Island (population of 50)

- $200,000 to build an animal facility in Westerly, Rhode Island called “Stand Up for Animals”

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\(^{42}\) [http://www.cagw.org/site/PageServer?pagename=reports_pigbook2006#transportation](http://www.cagw.org/site/PageServer?pagename=reports_pigbook2006#transportation)
• $500,000 to the Missouri Soybean Association for test plots for the Life Sciences Research Development and Commercialization Project in Boone County, Missouri

• $500,000 of HUD funds for the Seattle Art Museum in Seattle, Washington for the construction of the Olympic Sculpture Park

• $1 million appropriated to the Mississippi Film Enterprise Zone

• $950,000 for a parking facility for the Joslyn Art Museum Master Plan, in Omaha, Nebraska

The FY 2005 HUD appropriations bill included 1,032 location-specific earmarks for the Community Development Block Grant program (CDBG), up from the 606 in the FY 2004 bill.43

These earmarks included projects such as the Mark Twain House and Museum, the Lost River Cave Improvement project, the Salvador Dali Museum, the Helen Keller Birthplace Foundation, the Finger Lakes Open Lands Conservation project, and the B.B. King Museum. Also included in the list is funding for dozens of university construction projects—dormitories, libraries, and classrooms—and several Audubon nature centers.44

**Earmarks are siphoning funds away from HUD’s priorities**

The President annually proposes a budget for HUD based upon the needs of the department and it’s essential operations. Earmarks inserted into bills tend to support the parochial political interests of members of Congress and their supporters. The billions spent on earmarks every year are, essentially, siphoned away from important priorities for the purpose of political gain, and HUD’s ability to fulfill its mission.

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43 [http://www.heritage.org/Research/Budget/wm656.cfm](http://www.heritage.org/Research/Budget/wm656.cfm)

44 [http://www.heritage.org/Research/Budget/wm656.cfm](http://www.heritage.org/Research/Budget/wm656.cfm)
Appendix 1


DETAILED INFORMATION ON THE
COMMUNITY DEVELOPMENT BLOCK GRANT (FORMULA)
ASSESSMENT

View this program’s assessment summary.
Visit ExpectMore.gov to learn more about how Federal Government programs are
assessed and their plans for improvement.
Learn more about detailed assessments.

<table>
<thead>
<tr>
<th>Program Code</th>
<th>10001161</th>
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</thead>
<tbody>
<tr>
<td>Program Title</td>
<td>Community Development Block Grant (Formula)</td>
</tr>
<tr>
<td>Department Name</td>
<td>Dept of Housing &amp; Urban Develp</td>
</tr>
<tr>
<td>Agency/Bureau Name</td>
<td>Community Planning and Development</td>
</tr>
<tr>
<td>Program Type(s)</td>
<td>Block/Formula Grant</td>
</tr>
<tr>
<td>Assessment Year</td>
<td>2003</td>
</tr>
<tr>
<td>Assessment Rating</td>
<td>Ineffective</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Assessment Action Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section</td>
</tr>
<tr>
<td>Program Purpose &amp; Design</td>
</tr>
<tr>
<td>Strategic Planning</td>
</tr>
<tr>
<td>Program Management</td>
</tr>
<tr>
<td>Program Results/Accountability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program Funding Level (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2005</td>
</tr>
<tr>
<td>FY2006</td>
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<tr>
<td>FY2007</td>
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</tbody>
</table>

Questions/Answers

Section 1 - Program Purpose & Design

<table>
<thead>
<tr>
<th>Number</th>
<th>Question</th>
<th>Answer</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td><strong>Is the program purpose clear?</strong></td>
<td><strong>NO</strong></td>
<td>0%</td>
</tr>
</tbody>
</table>

*Explanation*: The program does not have a clear and unambiguous mission. Both the definition of "community development" and the role CDBG plays in that field are not well defined.

*Evidence*: Throughout CDBG's legislative history there has
been ambiguity between flexible, steady funding given to localities and the requirements to benefit low- and moderate-income individuals and neighborhoods. The program's statute cites multiple purposes, but the primary objective of the program is stated as "the development of viable urban communities." In describing the means to achieve this end, the statute includes, "providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income." Another purpose was "consolidating a number of complex and overlapping programs of financial assistance to communities of varying sizes and needs." HUD will attempt to operationalize a definition or definitions for what represents a "viable urban community."

<table>
<thead>
<tr>
<th>1.2</th>
<th><strong>Does the program address a specific and existing problem, interest, or need?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Explanation:</td>
<td>The need to revitalize distressed urban communities certainly exists; however, the CDBG is unable to demonstrate its effectiveness in addressing this problem.</td>
</tr>
<tr>
<td>Evidence:</td>
<td>CDBG is not well designed to achieve its stated purpose. The program's targeting requirements allow grantees to spread resources thinly, thereby minimizing the ability of the funds to have an impact on its mission of developing communities.</td>
</tr>
<tr>
<td><strong>NO</strong></td>
<td><strong>0%</strong></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>1.3</th>
<th><strong>Is the program designed so that it is not redundant or duplicative of any Federal, state, local or private effort?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Explanation:</td>
<td>Federal, state, and local programs as well as other for-profit and non-profits address similar objectives. Although CDBG pulls together several funding sources into one program, the funding mechanisms or beneficiaries of CDBG are often served by other programs.</td>
</tr>
<tr>
<td>Evidence:</td>
<td>CDBG funds are rarely the only resource for the community development activities of public agencies or nonprofits. CDBG is the only place-based community and economic development program in the Federal government that provides a steady stream of funding to local governments; however, several activities duplicate other local and Federal activities. Funds are typically delegated to local agencies or nonprofits to supplement projects. Other Federal agencies also fund similar activities while targeting funds to low- and moderate-income persons or areas include (HOME; Economic Development Administration; Community Services Block Grant).</td>
</tr>
<tr>
<td><strong>NO</strong></td>
<td><strong>0%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.4</th>
<th><strong>Is the program design free of major flaws that would limit the program's effectiveness or efficiency?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NO</strong></td>
<td><strong>0%</strong></td>
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</tbody>
</table>
Explanation: The model of providing flexible annual block grants to State and local governments is a strength of the program. However, the lack of standards and evidence of targeting funds limits the program's effectiveness and efficiency.

Evidence: Concentrating CDBG dollars in specific areas represents a more effective use of these resources compared with communities that spread funds more thinly; however, the program provides few incentives (and no measures) for communities to target most funding to a specific neighborhood. The CDBG formula does not effectively target funds to the most needy communities and insufficient information exists regarding leveraging of private funds or cost effectiveness of the program's activities.

Is the program effectively targeted, so program resources reach intended beneficiaries and/or otherwise address the program's purpose directly?

Explanation: CDBG funds can be targeted in two ways -- 1) by the CDBG formula to States and localities and 2) by grantees to benefit neighborhoods or households. The CDBG formula has become less targeted to community need over time. Further, the two main types of activities -- direct benefit and area benefit -- do not require maximum benefits for low-and moderate-income persons or areas.

Evidence: Formula Targeting -- As new Census data was included in 1980, 1990, and 2000, the effect each time has been a weakening of the formula's targeting to needy communities. The formula does give more funding per capita to communities with greater need; however, the share going to the two hundred communities with the highest poverty rates has decreased from 50 to 40 percent of the total since their first year of funding (this represents a decrease of about $300 million each year). The 200 communities with the highest poverty rates receive 35 percent less CDBG funds for each poor resident than 200 communities with the lowest poverty rates. Grantee Targeting -- Requirements allow grantees to thinly spread resources across different specific neighborhoods. CDBG does not commit to a performance measure that encourage or track the extent to which grantees target funds (current measure tracks amount of funds spent on low- and moderate-income activities, not the targeting of funds to benefit low-income neighborhoods). For an activity that benefits individuals directly, only 51 percent of the beneficiaries must be low- or moderate-income. For a single family housing rehabilitation activity, however, this standard can only be meet if each dwelling unit is occupied by a low-
or moderate-income household. Also, CDBG law allows nearly 40 percent of their grantees to fund activities that serve areas below the standard of 51 percent low and moderate income required of most grantees (however, only 13 percent of entitlement grantees used this exception for activities that amount to less than 2 percent of all CDBG expenditures).

<table>
<thead>
<tr>
<th>Section 1 - Program Purpose &amp; Design</th>
<th>Score</th>
<th>0%</th>
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</thead>
<tbody>
<tr>
<td>Section 2 - Strategic Planning</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Question</th>
<th>Answer</th>
<th>Score</th>
</tr>
</thead>
</table>
| 2.1    | **Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?**  
*Explanation:* The measurable long-term goals CDBG identifies in their strategic plan and annual performance plan/report have a weak connection to the program purpose and do not focus on outcomes. CDBG has not developed a quantifiable measure that corresponds to its primary objective -- the development of viable urban communities -- or corresponding to the nine specific statutory program objectives.  
*Evidence:* CDBG, one of the Department's largest programs, is one of the only HUD programs unable to identify itself with any of the approximately 20 quantifiable long-term outcome goals included in HUD's strategic plan. The HUD Strategic Plan objective to "Strengthen Communities," includes: 1) provide capital and resources to improve economic conditions in distressed communities; and 2) help organizations access resources they need to make communities more livable. The outcome measure, "neighborhoods in which significant CDBG investments have been made will demonstrate increases in measures of neighborhood health" represents an start; however, the indicator has not yet been quantified. | NO     | 0%    |
| 2.2    | **Does the program have ambitious targets and timeframes for its long-term measures?**  
*Explanation:* The long-term outcome goal of increasing neighborhood quality has not yet been quantified. Therefore, it can have no targets or timeframes.  
*Evidence:* Measures in strategic plan and annual performance plans do not focus on long-term outcomes or have not yet been quantified. | NO     | 0%    |
| 2.3    | **Does the program have a limited number of specific annual performance measures that demonstrate progress toward achieving the program's long-term measures?**  
*Explanation:* CDBG's GPRA measures fall short of | NO     | 0%    |
demonstrating progress toward achievement of the program purpose or strategic goals. CDBG is a flexible program that allows grantees to set their own program priorities, however, the program has not established a procedure to measure the extent to which grantees meet their own goals or the degree to which they meet the objectives of the program.

*Evidence:* HUD reports CDBG accomplishments as two measures: number of households receiving housing assistance and number of jobs created. The number of households assisted with housing assistance does not contribute to our understanding of the program's contribution to the community or the person assisted (e.g., number assisted versus increase in home value or amount of annual energy savings). Likewise, the Annual Performance Plan measure, "the share of funds for activities that principally benefit low- and moderate-income persons" does not reflect grantee performance. Instead, the measure represents the percentage of funds spent on that national objective. The CDBG program does not have a targeting, leveraging, or efficiency measure.

<table>
<thead>
<tr>
<th>2.4</th>
<th><strong>Does the program have baselines and ambitious targets and timeframes for its annual measures?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Explanation:</strong> Annual measures fail to inform about program's purpose (see 2.3).</td>
</tr>
<tr>
<td></td>
<td><strong>Evidence:</strong> See 2.3, but of the measures HUD reports, the goals for both jobs created and households assisted with housing assistance in 2003 are below 2002 actual. Furthermore, goals for 2004 are below the 2003 goal.</td>
</tr>
<tr>
<td></td>
<td><strong>YES</strong> 12%</td>
</tr>
</tbody>
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<thead>
<tr>
<th>2.5</th>
<th><strong>Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, etc.) commit to and work toward the annual and/or long-term goals of the program?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Explanation:</strong> Grantees do not currently commit to national program goals.</td>
</tr>
<tr>
<td></td>
<td><strong>Evidence:</strong> The program does not take steps to influence grantee funding decisions according to program goals. HUD will begin to work with stakeholders and grantees to identify common objectives and goals of local CDBG programs.</td>
</tr>
<tr>
<td></td>
<td><strong>NO</strong> 0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.6</th>
<th><strong>Are independent and quality evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Explanation:</strong> There have been several independent evaluations of the CDBG program.</td>
</tr>
<tr>
<td></td>
<td><strong>Evidence:</strong> The most comprehensive was the 1995 study by the</td>
</tr>
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<td></td>
<td></td>
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</tbody>
</table>

96
Urban Institute, "Federal Funds, Local choices: An Evaluation of the Community Development Block Grant Program." As a result of this study, the Department created a concept for the CDBG program called "neighborhood revitalization strategy areas" (NRSAs) in to provide regulatory benefits to CDBG grantees who concentrated their CDBG expenditures in neighborhoods. In 2002 "The Impact of CDBG Spending on Urban Neighborhoods," conducted by the Urban Institute for HUD, provides some empirical evidence larger CDBG investments are linked to improvements in neighborhood quality. HUD is working to operationalize this study into measures of performance.

2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?

*Explanation:* HUD budget submissions link performance information and budget requests.

*Evidence:* The program will develop better performance measures to document how the budget request directly supports achieving the performance goals of the Department. See the Department's FY 2005 Congressional Justifications regarding the link between budget requests and accomplishments of performance goals.

2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?

*Explanation:* HUD has taken several meaningful steps to address their lack performance measures and improving timeliness among grantees.

*Evidence:* HUD has taken the following steps to develop new performance indicators: 1) issued CPD notice 03-09 on performance measurement on September 3, 2003 to encourage and survey the extent of State and local performance measurement systems; 2) contracted with National Academy for Public Administration (NAPA) to recommend a performance measurement framework and potential indicators; 3) operationalize results of recent Urban Institute Study; 4) work with Council for State Community Development Agencies (COSCDA) to develop a outcome-oriented framework for measuring State's accomplishments; 5) improve IDIS; and 6) testing pilots that make the Consolidated Planning process more results oriented and useful to communities.

<table>
<thead>
<tr>
<th>Section 2 - Strategic Planning</th>
<th>Score 38%</th>
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<tbody>
<tr>
<td>Section 3 - Program Management</td>
<td></td>
</tr>
</tbody>
</table>
3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?

_Explanation:_ CDBG collects a considerable amount of information from grantees; however, very little is organized and disseminated in a way that is useful for HUD and grantees to manage the program and improve performance.

_Evidence:_ According to a 1999 GAO report, "IDIS does not produce the complete, accurate, and timely information that the Department should obtain from a computerized database to effectively manage and monitor almost $6 billion in block grants. IDIS has major design flaws that make it difficult for grantees to enter information accurately and for field office officials and grantees to use the information to monitor performance." Grantees report to HUD over 800 data fields (300 unique to CDBG program); however, this program data is not organized and made publicly available in a way that encourages grantees to use CDBG funds in the most effective and efficient way. HUD has also begun to take steps to define the data system needs of CPD.

3.2 Are Federal managers and program partners (grantees, subgrantees, contractors, cost-sharing partners, etc.) held accountable for cost, schedule and performance results?

_Explanation:_ HUD managers are rated for performance based upon the Performance Accountability and Communication System (PACS) and the Leadership Development and Recognition System (LDRS) and have been for the last several years.

_Evidence:_ Under this system, the elements used to rate a manager's performance are linked to the Department's GPRA goals. Ratings, promotions and monetary awards are appropriate to the manager's accomplishments, or lack thereof. HUD has anecdotal evidence that suggest its aggressive policy regarding timely expenditure of CDBG funds resulted in the loss of some local Department heads jobs.

3.3 Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?

_Explanation:_ CDBG's unobligated balances are significant, but largely result from conflicts between the fiscal and program year of grantees. CDBG is not able to compare actual expenditures with intended use of funds, as required by the CDBG statute. HUD plans to develop a more rigorous mechanism for comparing actual expenditures against their intended use.

_Evidence:_ FY 2003 unobligated balances for CDBG were $1,104
million. From 1998 through May of 2003, HUD's IG issues 61 CDBG grantee audits and identified $28 million in findings or questioned costs and raised 638 concerns. There were approximately $5.2 million in sanctions in which grantees repaid their program accounts from non-Federal sources. Grantees submit annual action (spending) plans and at the end of the year HUD generates Consolidated Annual Performance and Evaluation Reports for each grantee, which details expenditures and accomplishment data.

<table>
<thead>
<tr>
<th>3.4</th>
<th>Does the program have procedures (e.g., competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Explanation:</strong> The program does not have procedures in place to encourage the most efficient use of each dollar; however, staff are beginning to take some steps to improve program execution. <strong>Evidence:</strong> The program does not have efficiency measures and targets. According to a 1999 GAO report, &quot;CPD has not established standard criteria for determining the level of performance grantees achieve, which means that CPD has no assurance that the grantees most at risk of failing to meet program requirements are consistently being identified for more intensive review.&quot; CPD will work to demonstrate how IDIS improvements will improve the productivity and efficiency of the program. HUD efforts have been successful at decreasing the number of grantees with more than 1.5 times their CDBG funds unspent. CPD has reduced the number of grantees failing to meet this standard from a high of 330 to fewer than 40. Current policy requires any grantee that fails to meet the standard to do so within 12 months or risk losing funds. HUD dropped this performance goal because it no longer serves management purpose.</td>
</tr>
<tr>
<td></td>
<td><strong>NO 0%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3.5</th>
<th>Does the program collaborate and coordinate effectively with related programs?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Explanation:</strong> Because of CDBG's broad flexibility, localities often use CDBG to fill programmatic gaps not covered by other Federal, State, or local programs. For example, homeless programs may provide funds for operation, but CDBG can provide funds for the facility. <strong>Evidence:</strong> In a sample survey of CDBG communities, about 39 percent of funds were channeled through nonprofits. Another recent study showed that 43 percent of all economic development spending was allocated to so-called &quot;sub-recipient&quot; agencies. Seventy-five percent of CDBG public service spending is carried out by non-governmental organizations. CDBG will work with other Federal community and economic development programs to improve coordination and focus on results.</td>
</tr>
<tr>
<td></td>
<td><strong>YES 11%</strong></td>
</tr>
</tbody>
</table>
3.6 Does the program use strong financial management practices?

Explanation: All participating units of general local government are required to have adequate financial accounting systems. Grantees, subgrantees and subrecipients are covered by OMB Circular A-133 governing periodic audits. HUD OIG staff audits selected grantees and HUD Field Office staff monitors approximately 400 grantees annually - such reviews include examination of appropriate source documentation.

Evidence: HUD's OIG audits grantees and the program as a whole for existence of proper financial management systems, financial information that is timely and accurate, and whether grantees have financial statements and no material internal control weaknesses. From 1998 through May of 2003, HUD's IG issued 61 CDBG grantee audits and identified approximately $28 million in findings or questioned costs. In addition, HUD's Grants Management Program tracks all monitoring findings and corrective actions and resolutions to such findings. During FY 2002, HUD Field Office staff conducted 448 program monitoring visits of CDBG grantees and reviewed over 607 areas of financial program requirements with 294 findings, 234 areas of concern, 45 areas that have resulted in sanctions on over $3 million in funds returned to the program. Grantees, subgrantees and subrecipients are also required to have A-133 audits conducted.

3.7 Has the program taken meaningful steps to address its management deficiencies?

Explanation: HUD has identified deficiencies in program management and performance and taken several steps to improve the planning and reporting processes.

Evidence: The CPD Grants Management Program resulted from a series of deficiencies GAO identified. The system supports annual grantee reviews, risk analysis, monitoring workload identification, monitoring trips, results, and tracking of findings, concerns, corrective actions, sanctions, and dollars recovered. CDBG program took a series of management actions to significantly reduce the number of "untimely" grantees from over 300 to less than 50. The Department, as part of the President's Management Agenda, has taken steps to streamline the Consolidated Plan process and make it more results oriented. CDBG has procured funds to give the public an easily understood summary of grantee performance and use of funds. Program staff attempted to undertake extensive data clean-up to address the problems of over 100,000 incomplete and erroneous data entries; however, the effort only reduced the number to 70,000. The Department must determine the ability of IDIS, even with improvements, to continue to meet the needs of CPD to demonstrate performance accomplishments. CPD has posted individual expenditure and accomplishment data for its grantees.
Does the program have oversight practices that provide sufficient knowledge of grantee activities?

Explanation: The CDBG program has several levels of oversight that provide information about grantee activities.

Evidence: HUD's IDIS system is a real-time disbursement system that collects detailed funded activity information with each draw made. In 1998 only 38 of the 85 grantees HUD had originally designated for on-site monitoring were determined to be among the lowest performing grantees. The Inspector General and an independent study performed in 1998 of six field offices and 11 grantees also reported that CPD's monitoring is inadequate. According to representatives of an independent accounting firm that reviewed CPD's actions to correct material weaknesses in CDBG, CPD headquarters' oversight of the field offices is almost nonexistent. HUD has taken several steps since to correct these deficiencies. In response, CPD developed a Grants Management Program to determine the relative risk to the Department that each grantee and its program pose. During FY 2002 HUD Field Office program staff monitored 448 CDBG grantees (roughly a 45 percent of all grantees) and identified 772 findings, 638 concerns and have taken 130 sanctions. Voluntary repayment to CDBG program accounts totaled approximately $5.2 million.

Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner?

Explanation: HUD collects a significant amount of data from CDBG communities, but has struggled to use this information in a meaningful way. CDBG staff are in the process of taking steps to make this information more accessible and useful to grantees.

Evidence: According a 1999 GAO report, "IDIS does not require grantees to enter performance information before it releases grant funds to them. Grantees can obtain all funds for an activity without entering any performance information about it." Grantees are not currently required to report actual accomplishment data for all activities before it is listed as "completed" in IDIS. HUD staff have taken an initial step by posting on the Internet each grantee's CDBG expenditure data for over 90 different categories. The public can evaluate any grantee's use of funds expenditures at: www.hud.gov/offices/cpd/communitydevelopment/budget/disbursementreports/index.cfm HUD plans to contract the development of individual grantee performance summaries that will allow manipulation of program and performance data by the public. Results are expected during FY 2004. Some grantee accomplishment data is also available at www.hud.gov/offices/cpd/communitydevelopment/library/accomplishments/index.cfm.
### Section 4 - Program Results/Accountability

<table>
<thead>
<tr>
<th>Number</th>
<th>Question</th>
<th>Answer</th>
<th>Score</th>
</tr>
</thead>
</table>
| 4.1    | **Has the program demonstrated adequate progress in achieving its long-term outcome performance goals?**  
Explanation: Since CDBG received a No in Question 2.1, they must also receive a no for this question.  
Evidence: HUD has begun to develop measures of neighborhood revitalization and other outcomes that relate to the program's purpose. | NO     | 0%    |
| 4.2    | **Does the program (including program partners) achieve its annual performance goals?**  
Explanation: Since CDBG received a No in Question 2.1, they must also receive a no for this question.  
Evidence: While some types of activities do not easily correspond to performance indicators (e.g., public improvements), HUD will work to develop annual measures (e.g., number of units rehabilitated) as well as measures that demonstrates the targeting of CDBG funds by grantees to low-income neighborhoods. | NO     | 0%    |
| 4.3    | **Does the program demonstrate improved efficiencies or cost effectiveness in achieving program performance goals each year?**  
Explanation: CDBG is not able to compare cost per unit or other efficiency information over time in a systematic way. Most CDBG activities are subject to competitive pricing under OMB's Circulars; however, the program does not have performance or efficiency targets it attempts to achieve.  
Evidence: Analysis is difficult given lack of reliable reporting data and limited measures used. Grantees are not currently required to report actual accomplishment data for all activities before it is listed as "completed" in IDIS. Actual jobs created data became available only for 2002. | SMALL EXTENT | 7%  |
| 4.4    | **Does the performance of this program compare favorably to other programs, including government, private, etc., that have similar purpose and goals?**  
Explanation: Other programs with similar purposes compare favorably in some ways to CDBG. CDBG is one of the only HUD programs without a long-term outcome measure.  
Evidence: HHS' Community Services Block Grant (CSBG) is implementing a performance measurement system called | SMALL EXTENT | 7%  |
Results Oriented Management and Accountability (ROMA); however, the effectiveness of their approach has not yet been determined. Small Business Administration has a few outcome measures it tracks each year to assess progress (e.g., percent of start-up firms surviving three years after assistance). Although HUD's HOME program has a more defined mission, it excels at using performance information to manage its program, demonstrates annual outputs, and has adopted a long-term outcome measure in the 2005 performance plan focusing on neighborhood change and affordable housing.

4.5 Do independent and quality evaluations of this program indicate that the program is effective and achieving results? 

Explanation: CDBG has had two main evaluations to determine its effectiveness at a national level; however, CDBG still lacks an evaluation that compares areas that receive CDBG dollars with those that do not.

Evidence: The 1995 study conducted by the Urban Institute found CDBG made positive contributions to the capacity of cities - both governments and community institutions - to respond to community needs and played a vital role in neighborhood stabilization and revitalization in a number of U.S. cities. The 2002 study found that larger CDBG investments are linked to improvements in neighborhood quality in the 17 cities studied, but was not broad enough to conclusively prove CDBG investments are positively correlated with measurable results. Other studies have focused on other aspects of the CDBG program.

Section 4 - Program Results/Accountability

Program Performance Measures

<table>
<thead>
<tr>
<th>Term</th>
<th>Type</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term</td>
<td>Outcome</td>
<td>Percent of neighborhoods improving as a result of concentrated CDBG Investment. Measure not yet quantified.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Explanation:</strong> This outcome measure will track the long-term performance of the CDBG program in bringing about positive changes in distressed neighborhood quality of life indices where concentrated investments of CDBG have been made. Baseline is under development</td>
</tr>
<tr>
<td>Long-term</td>
<td>Output</td>
<td>Number of households that receive CDBG housing assistance</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Explanation:</strong></td>
</tr>
</tbody>
</table>

Year Target Actual
Long-term Output Measure: **Number of jobs created or retained through CDBG**

*Explanation:*

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>90,263</td>
<td>90,263</td>
</tr>
<tr>
<td>2004</td>
<td>78,828</td>
<td>78,828</td>
</tr>
<tr>
<td>2005</td>
<td>76,432</td>
<td>91,287</td>
</tr>
</tbody>
</table>

**Program Improvement Plans**

<table>
<thead>
<tr>
<th>Year Began</th>
<th>Improvement Plan</th>
<th>Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Initiate legislative reforms for an alternate CDBG formula to better target the neediest communities, and to establish a bonus fund to reward high performers.</td>
<td>Not enacted</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>Implementing a common set of performance goals and measures for federal community and economic development programs. This system should measure results and ensure accountability by working with stakeholders to develop local and national outcome measures.</td>
<td>Action taken, but not completed</td>
<td>A new performance measurement system agreed to by OMB now being designed and expected to be implemented in the fall of 2006.</td>
</tr>
<tr>
<td>2006</td>
<td>Encourage cities to concentrate a minimum percentage of their annual grants in a few locally defined strategic neighborhoods, to improve ability of funds to make an impact.</td>
<td>Action taken, but not completed</td>
<td>Consolidated Plan Guidance encourages jurisdictions to identify geographic areas where they will concentrate use of block grant funds in a coordinated manner to achieve local objectives and desired outcomes.</td>
</tr>
<tr>
<td>2006</td>
<td>Leverage private sector and other State and local dollars to</td>
<td>Action taken, but</td>
<td>A new performance measurement system agreed</td>
</tr>
<tr>
<td>Year</td>
<td>Action Taken</td>
<td>Action Not Completed</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>--------------</td>
<td>----------------------</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>Further define purpose of the program by identifying and tracking neighborhood improvement indicators that correspond to a &quot;viable urban community.&quot;</td>
<td>A new performance measurement system agreed to by OMB and expected to be implemented in the fall of 2006 identifies outcomes and indicators that are used to track neighborhood improvements that correspond to a &quot;viable urban community.&quot;</td>
<td></td>
</tr>
</tbody>
</table>

**2006**

*Involve Faith-Based and Community-Based Development Organizations to improve effectiveness, transparency of local grant-making process, and citizen participation.*

**Completed**

Issued CPD Notice removing barriers to participation of faith-based organizations and Consolidated Plan Final Rule includes provisions that encourage the participation of community and faith-based organizations in the process of developing and implementing the consolidated plan.

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View this program’s assessment summary.
Visit ExpectMore.gov to learn more about program assessment and improvement by the Federal Government.
Learn more about detailed assessments.
Last updated: 08032006.2006UPD
Amendment 252 – Requires public disclosure of audits of the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria

In 2003, President Bush committed the U.S. to the largest disease specific humanitarian effort in our nation’s history to combat HIV/AIDS and to care for those affected by the disease.

As a result, thousands around the world who had little or no hope have been provided access to life saving treatment. This will allow parents affected by the disease to raise their children and reduce the number of AIDS orphans. There are already more than 15 million AIDS orphans worldwide. A staggering 37.2 million adults and 2.3 million children were living with HIV at the end of 2006, according to estimates from the UNAIDS/WHO AIDS Epidemic Update (November 2006).

With so many in need of help, every cent set aside to address this pandemic must be spent wisely.

The President’s plan focused on bilateral efforts as well as support for the Geneva-based Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria.

H.J. Res. 20, the 2007 Revised Continuing Appropriations Resolution, provides an unprecedented $724 million contribution to the Global Fund.

This funding level is a full $424 million over the President’s request, and over half a billion more than the President originally pledged annually when he unveiled his Emergency Plan for AIDS Relief in 2003.

The President’s request was already inflated this year above his original commitment in 2003 ($300 million instead of the annual $200 million), in an attempt to preempt the annual raid by Congress of his successful and life-saving bilateral global AIDS program, known as PEPFAR.

Annual U.S. Contributions to the Global Fund
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount Contributed (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-2002 Founding Contribution</td>
<td>$300</td>
</tr>
<tr>
<td>2003</td>
<td>323</td>
</tr>
<tr>
<td>2004</td>
<td>459</td>
</tr>
<tr>
<td>2005</td>
<td>414</td>
</tr>
<tr>
<td>2006</td>
<td>545</td>
</tr>
<tr>
<td>2007 (H. J. Res. 20)</td>
<td>724</td>
</tr>
<tr>
<td>2008 President’s request</td>
<td>300</td>
</tr>
</tbody>
</table>

Total contributed to date: $1.898 billion

Total amount contributed if CR passes: $2.622 billion

Total amount contributed in excess of pledged amount in President’s Emergency Plan for AIDS Relief: $1.622 billion

**Global Fund IG Reports Are Kept Secret**

Unlike the bilateral U.S. AIDS efforts, the Global Fund is unaccountable. There are no consequences for waste, fraud and abuse, primarily because the Fund is allowed to hide waste, fraud and abuse.

The Global Fund claims to have an “independent” Inspector General (IG). But reports issued by the IG are not available even to the whole Board of Directors, where the U.S. has one seat. And those reports are kept secret from donors and the public at large.

**Global Fund “Slush Fund” Pays for Limousines, Champagne and Other Luxuries**

*The Boston Globe* just last week reported that the IG has issued a scathing report about inappropriate spending in a Credit Suisse slush fund, particularly by outgoing Executive Director Richard Feachem.
The Fund’s Secretariat – that is, its headquarters, run by Feachem – set up a bank account in order to pay for all kinds of expenses without having to go through the normal expense reimbursement process through the U.N.

Congress still hasn’t seen this IG report because the Fund refuses to release it to Congress, its other donors, or the public.

A leaked copy revealed that this slush fund paid for overpriced limousine trips, a boat cruise, royal wedding attire, gift bouquets of flowers, and champagne at a retreat.

As early as 2 years ago, when the Fund was assessed by the Program Assessment and Rating Tool, the U.S. health officials noted the Credit Suisse account with concern:

“The US has also expressed concerns regarding an account maintained by the Secretariat at Credit Suisse that appears to fall outside these check and balances.” 45

Conflicts of Interest and Retaliatory Investigation?

The IG report on the Credit Suisse account was initiated after a report by Deloitte (commissioned by the World Health Organization) identified the account as potentially improper. But after the IG issued his report confirming the major problems with the Credit Suisse account, Executive Director Richard Feachem actually instigated a Deloitte investigation of the IG, placing Deloitte in the position of judging the IG’s judgment of the original Deloitte work.

Although the Global Fund has kept the original IG investigation of Feachem’s spending habits secret, don’t be surprised if the retaliatory investigation of the IG is the only report made public by the Fund (either formally or through a leak).

Meanwhile, the IG in question has resigned, citing “health concerns.”

The nature of an IG is to provide accountability by providing an *independent* reporting mechanism on an agency.

An IG which is not free to report publicly on the agency is not an IG, but rather an employee of the agency.

An IG that is not independent is a sham – it brings no accountability, integrity or credibility to the management of the agency.

**Transparency and Accountability Matter Most to the Poorest of the Poor**

The American people give billions each year to help vulnerable populations throughout the world suffering and dying from AIDS, tuberculosis and malaria.

They do so through bilateral programs in addition to the multilateral Global Fund.

The difference is that the bilateral programs are subject to checks and balances of independent inspectors general (whose reports are public) at USAID, HHS and State Department, as well as intense Congressional oversight, and the Freedom of Information Act, which requires almost all program information to be made public.

With the increases to the Fund being appropriated in this joint resolution, the American people and their elected representatives deserve solid assurances that audits and evaluation reports will be made public, that the IG will be truly independent, and that the generosity of the taxpayers towards the poorest and most vulnerable of the world is not being squandered.

Every dollar that is misspent is a dollar taken away from saving lives.

In 2006, around 530,000 children aged 14 or younger became infected with HIV. Over 90 percent of newly infected children are babies born to HIV-positive women, who acquire the virus during
pregnancy, labor or delivery, or through their mother's breast milk. Almost nine-tenths of such transmissions occur in sub-Saharan Africa.\(^{46}\)

Consider that the drug Nevirapine reduces the risk of perinatal HIV infection by fifty percent. One dose of Nevirapine is given to the mother and one to the baby. The two doses cost only $5. Without medication, 25 percent of those children born to mothers with HIV would become infected.

The $376 spent a day for limousines in London, Paris, Rome, Washington, and San Francisco, by the Global Fund could have saved 75 babies each day.

The price Feachem's office paid for champagne, a $115 bottle, could have saved 23 babies per bottle.

Misspending money clearly does put lives at risk and the U.S. taxpayer deserves to know that the money we have invested in global AIDS efforts are being spent wisely and saving lives.

\(^{46}\) http://www.avert.org/worlstatinfo.htm
ARGUMENTS/REBUTTALS

ARGUMENT: Not even all IG reports from U.S. Federal agencies are made public – why should the Global Fund be held to a higher standard than U.S. Federal agencies?

REBUTTAL: The Global Fund must be held to a higher standard of transparency, because the Fund has a much lower standard of accountability to the American people than their own government agencies. U.S. agencies have the checks and balances of the legislative process, Congressional oversight, the annual budget and PART assessment process, and officials who are ALL elected by Americans and answerable to the American democratic process in charge of them.

The American people also have access to the Freedom of Information Act, the judicial branch and the courts to appeal improper acts by government, special prosecutors, and truly independent Inspectors General, whose reports are almost always made available to Congress upon request.

The only say the American people have about how their billions are spent by the Fund is to withhold those funds each year. That’s not nothing – but it is a much lower bar for checks and balances than U.S. Federal agencies have.

The U.S. only has ONE seat on the Fund’s Board of Directors, even though the American people contribute around a third of the Fund’s budget. We are told the U.S. Board Member is routinely outvoted by the European, African and Asian Members on most matters, with a few exceptions. We don’t know for sure because Board votes are SECRET. It would be interesting to see just how often the other Board members vote against the American people’s representative on the Board.

None of this is to say that U.S. agencies are perfectly transparent and accountable – there is lots of room for improvement, which is the point of Coburn amendment, SA 250, which requires all audits of our own agencies to be posted on a web site too. The American people
should always have access to all the information possible about how their money is spent.

**ARGUMENT:** The Credit Suisse account in question has been known to the Board, its statements reported to the Board, and has been audited twice a year. There’s no secret here. (yes but the IG report is secret)

**REBUTTAL:** The American people have one seat on the Board, and the U.S. government has expressed concern about the Credit Suisse account for years (http://www.whitehouse.gov/omb/expectmore/detail/10004630.2005.html), as seen on the OMB web site. Provision of information to the Board is not the same thing as provision of information to the donor community at large, particularly when the Board is staffed by the Executive Branch, but it’s the legislative branch which must decide to write the check to the Fund each year, and the legislative branch has no access to the IG report about the Credit Suisse account.

**ARGUMENT:** The Fund’s Executive Director’s limousine service and housing allowance are no different than heads of UN agencies get.

**REBUTTAL:** Mr. Feachem’s compensation package is modeled on the U.N. Secretary General’s (S.G.) package. This is not a convincing standard of fiscal responsibility. Not only is the S.G. a higher-profile position, but the U.N. compensation and personnel practices are hardly worthy of emulation, as evidenced by scandal after scandal emanating from Turtle Bay.

**ARGUMENT:** The questionable expenses, such as dinners, retreats, flowers, etc, were all one-time expenses that were legitimate thank-yous to staff and/or donors who had gone above and beyond the call of duty. What’s wrong with that?

**REBUTTAL:** If a Member of Congress wants to give a staffer a bottle of champagne as a thank you for hard work on a project, he generally
pays for it out of his own pocket. If he has to go to a wedding in his official capacity, he pays for his own clothes. He might be able to write off these expenses as business-related, for tax purposes, but they are his expenses to pay. That's just common sense.
Disease-fighting fund's expenses hit

Report asserts donations used for meals, limos

By John Donnelly, Globe Staff

WASHINGTON -- The executive director of a $7 billion fund to fight deadly diseases in the world's poorest countries has made extensive use of a little-known private bank account, spending hundreds of thousands of dollars on limousines, expensive meals, boat cruises, and other expenses, according to an internal investigation.

Dr. Richard G.A. Feachem, the leader of the Global Fund to Fight AIDS, Tuberculosis, and Malaria, also frequently dipped into the office's petty cash, once spending $225.86 to rent a suit for a wedding involving the Dutch royal family -- and then double-billed the organization for the suit, the report said.

The Global Fund, which started in 2001 when then-United Nations Secretary General Kofi Annan called for an emergency response to the AIDS pandemic, has funded programs in 136 countries.

The US government has contributed $1.9 billion so far, and the US House of Representatives approved an additional $724 million last week. The Bill & Melinda Gates Foundation is the largest private donor, pledging $650 million.

The internal report, completed in August by the Global Fund's inspector general, found that Feachem's spending habits created "potential risks," including loss of donor confidence because of "inadequate internal controls over funds."

Spending charity money on entertainment and limousine rides "could be perceived as unnecessarily lavish by donors," the report said.

Feachem, 59, was knighted last month by Queen Elizabeth II for his leadership of the Global Fund. He declined numerous requests for comment.
Global Fund spokesman Jon Liden disputed the context, tone, and several facts in the inspector general's report.

"When you read through the entire report, it becomes clear we are dealing with a report of extraordinarily poor quality in terms of accuracy, context, and fairness," Liden said in an interview last week.

But Liden did not dispute 37 specific limousine charges in cities across Europe and the United States, dozens of entertainment and meals expenses, and the suit rental, among other expenditures the inspector general deemed excessive.

"We have nothing to hide," Liden said.

A separate investigation, overseen by the World Health Organization, also raised concerns about the use of the private bank account, finding what it called "abnormal" payments that WHO probably would not have approved as part of a legal agreement to oversee Global Fund expenditures from its Geneva staff. Those items included lump-sum payments of $5,000 to seven fund managers described only as back pay and about 30 payments to help staff members find homes.

The findings of both the inspector general and WHO reports have not been previously reported.

For years, Feachem has cut a dashing and authoritative figure on the international circuit of public health summits and high-level meetings. He has been dean of the London School of Hygiene and Tropical Medicine, director of the World Bank's health programs, and founder of the Institute for Global Health at the University of California-San Francisco.

He is known for his eloquence and his relationships with rock stars and royalty, many of whom have been key supporters of the Global Fund. Colleagues describe him as a proud and an exacting figure, and note that he paid close attention to the terms of his compensation. His first contract with the Global Fund took months to negotiate, as did his terms of departure, which is expected next month.

He has earned roughly $320,000 a year tax-free, including a housing subsidy of more than $70,000 -- modest for a corporate CEO package, but unprecedented in public health. UNAIDS director Peter Piot, by contrast, earns $230,000 and receives no housing subsidy; US global AIDS Ambassador Mark Dybul earns roughly $145,000 in taxable income and also receives no housing subsidy.

The inspector general's report suggested that Feachem's heavy spending was shared by other managers. "Senior management failed to convey and reinforce the need for careful and prudent use of donor funds," the report said.

Global Fund leaders went to great lengths to keep both reports secret. The full board was
not given copies of the inspector general's report, according to members. They said they were allowed to read WHO's report for just a few hours in a room and could not keep copies.

Lieve Fransen, deputy chairwoman of the board, said the secrecy was necessary to protect the Global Fund and its employees.

"I strongly believe we need to fully respect people's prerogative to defend themselves and explain what has happened," she said. "Making these reports public would undermine people's dignity, credibility, right to defense, and would undermine the credibility of the Global Fund."

The other 19 board members declined to comment on the reports.

Feachem is due to vacate his post next month. The board has been unable to agree on a successor, failing at a divisive meeting last November in Guatemala to settle on a candidate. It is scheduled to make a second attempt later this week in Geneva.

The future of the inspector general's office also is in limbo. Ibrahim Zeekeh, who took over the post a year ago, resigned effective last week, citing health reasons. Zeekeh, a veteran auditor who has worked in several UN organizations, declined to comment. The office now is left with just two auditors.

Meanwhile, some donors have expressed concern about oversight of the billions of dollars in programs from Latin America to Asia. Two years ago, Congress made 25 percent of the US contribution conditional on the hiring of an inspector general.

Pam Pearson, who from 2003 to 2005 was the State Department's chief liaison with the Global Fund, said the post must be filled quickly. "Whenever you have an organization that deals with that kind of money, you need to have a watchdog authority," she said.

Several world health specialists said the board first must address the heavy spending by top executives.

Allan Rosenfield, dean of Columbia University's Mailman School of Public Health, called Feachem's spending inexcusable.

"The board has allowed this to happen," he said. "They should be held accountable as well."

An ethics specialist hired last year as a consultant to the Global Fund's ethics committee also questioned the level of spending.

"I'm familiar with cost of limousines in New York City, but this is beyond the pale," said Willem Landman, chief executive officer of Ethics Institute of South Africa, a nonprofit
Charities have long wrestled with the compensation for chief executives, with some specialists maintaining that higher pay and more perks help attract stronger candidates. But Landman said there should be limits on spending by leaders of humanitarian groups.

"If a corporation decides to spend luxuriously on its chief executive, and it does a proper accounting to shareholders, they are entitled to do so," he said. "That seems to me different than the head of an organization handling donor funds -- funds that are designed for relieving the most vulnerable people in the world."

The 40-page inspector general's report focused on a private account in a Credit Suisse bank. From 2002 to 2005, the Credit Suisse payments amounted to more than $2.1 million. While the vast majority of Global Fund money is kept in the World Bank, Global Fund leaders said they wanted a separate account to process expenses more quickly.

The inspector general found that Feachem used the account as a private fund for business expenses, bypassing the normal channels for reimbursement through WHO.

Global Fund documents say he spent between $91 and $930 a day for limousines in London, Paris, Rome, Washington, and San Francisco, averaging $376 a day; "typically $50 to $100 per person" on his meal expenses; $1,695 for a dinner for 12 people at the US Senate dining room in Washington; and double-charged the $225.86 suit rental.

The inspector general's report cited other charges made by senior officers, including flowers for staff members; champagne at a retreat; $8,780 for a boat cruise on Lake Geneva in Switzerland; $8,436 for a dinner in Davos, Switzerland, for 63 people; and $5,150 for a meal and drinks for 74 staff members at a retreat at Montreux, Switzerland.

Liden, the fund's spokesman, said the limousine charges averaged $341 per day, not $376, which he called "standard rates" in Europe and justified "in lieu of the car and chauffeur that senior UN staff have available to them."

He said the Washington dinner cost $69 per person and additional charges were "related to room and overtime charges." Liden said only in "exceptional instances" did costs exceed WHO limits for spending on dinners -- $75 in Washington, $73 in Geneva.

Furthermore, he said, Feachem's office paid only once for champagne, a $115 bottle, and the duplicate payment for the rented suit was rectified.

"These expenses are reasonable and necessary for carrying out the business of the Global Fund," Liden said.

WHO 's investigation examined expenditures on Feachem's credit card, which "is intended for emergency use on Global Fund business."
Feachem told auditors he used the card for business expenses that WHO wouldn't cover, including limousines and meals. The report noted that the policy should be changed or the "card holders reminded of its limited purpose."

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Global Fund limits access to private expense account
Internal report had labeled some charges excessive

The account had been used to pay the expenses of Richard G.A. Feachem and other staff members.

By John Donnelly

WASHINGTON -- The board overseeing a $7 billion fund that fights deadly infectious diseases in some of the world's poorest countries yesterday sharply limited access to a private expense account following an internal investigation that revealed the executive director and his top-level staff used it to pay for limousines and lavish dinner parties.

The board of the Global Fund to Fight AIDS, Tuberculosis, and Malaria said the Credit Suisse bank account will be restricted to paying for an external audit, office rent, and the rental allowance for outgoing executive director Richard G.A. Feachem until the end of March.

The account had been used to pay the expenses of Feachem and other staff members, business-related meals, plane tickets, and staff parties. Feachem told auditors in 2005 that the account paid for expenses that may not be reimbursed through the World Health Organization, which has an arrangement with the Global Fund to oversee business spending.

Along with tightening access to the money, the board canceled credit cards linked to the fund; Feachem and a handful of other senior officials had voluntarily stopped using them in September after an investigation by the Global Fund's inspector general. The board also decided that the account would continue to be funded with donations from private sector groups or individuals who cannot directly contribute to the Global Fund's trust account in the World Bank.
The Global Fund's board took the steps after the Globe reported details of the inspector general's investigation, which the board has kept secret. Global Fund spokesman Jon Liden did not return messages requesting comment. Lieve Fransen, the board's deputy chairwoman, reached by telephone last night, declined comment, saying she was not present when the board made its decision.

The Credit Suisse account amounts to a fraction of the spending by the Geneva-based organization, accounting for roughly $3 million from 2002 to 2005, including nearly $1 million for office rent. But the inspector general found a lack of control over the account and warned that the spending could hurt the Global Fund's reputation.

The report called some of the expenses excessive and outside United Nations rules, including back pay to employees (seven $5,000 lump-sum payments), limousine rentals, and expensive meals.

The Global Fund secretariat, which is run by Feachem, had responded that the expenses were necessary to conduct business. It also said the inspector general's report was of "extraordinarily poor quality."

But yesterday, the Global Fund's board agreed with the inspector general's chief recommendation for "improvement in controls" over the Suisse Credit account and asked that the WHO inspector general oversee the private account on an interim basis.

Michael Weinstein, president of the Los Angeles-based AIDS Healthcare Foundation, which treats AIDS patients in 17 countries, praised the board for limiting the use of the bank account but said it needed to do much more.

"The bottom line is that there is a problem with the culture of the Global Fund, and this one action is not going to be enough to correct it," he said, referring to the extravagant perks.

Weinstein, whose group receives life-extending antiretroviral drugs and other supplies from the Global Fund, said that if the Global Fund was "tied to its mission completely, it would not occur to them to take money intended to save people's lives and spend it on limousines. But you can't scapegoat the management alone. The board has a fiduciary responsibility, which it has not fulfilled."

On Capitol Hill, meanwhile, Senator Tom Coburn, an Oklahoma Republican, filed an amendment yesterday to a House spending bill that would give $724 million to the Global Fund this year. The amendment said the Global Fund would get the money only if its board made public all internal and UN audits and investigations of the organization.

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