Interested reporters:

Below is a document prepared by our office that responds to recent claims by the Vice President's office that no approved stimulus projects are wasteful. We also highlight a number of inaccuracies and inconsistent claims in the lengthy rebuttal to our report prepared by the Vice President's office.

This morning, Dr. Coburn summed up the issue in an interview with Fox News:

"They doth protest too much. They are hypersensitive because they know a lot of this money is going to be wasted."

Taxpayers Still Awaiting a Final Opinion on the Second Opinion

As many of you know, Dr. Coburn released a report last week entitled "100 Stimulus Projects: A Second Opinion" that examined 100 stimulus projects he believes reasonable taxpayers would find wasteful or low-priority. Dr. Coburn released the report to help the administration achieve its goal of directing stimulus dollars to projects that will truly stimulate the economy. Even though Dr. Coburn opposed the stimulus program, he does not want to see taxpayer dollars wasting on frivolous, low-priority projects. Dr. Coburn believes President Obama shares that goal.

Unfortunately, the response to our report from the Vice President's office did not welcome the same kind of bipartisan cooperation Dr. Coburn has enjoyed with President Obama since 2005. The rebuttal prepared by the Vice President's office the day the report was released, which responded to a draft version of our report, said Dr. Coburn's report was "riddled with falsehoods, outdated information and misleading assertions." As we describe below, many of their rebuttal points were erroneous.

More importantly, however, taxpayers should be concerned that the office in charge of overseeing a nearly \$1 trillion stimulus program is not welcoming criticism of stimulus projects. For instance, the Vice President's office is claiming that none of the 20,000 stimulus projects approved so far is wasteful because all of the wasteful projects were already rejected before they were approved. If this is true, the Vice President's office is the first office in the history of the United States that is batting 1.000 on government spending.

The Vice President's office has now had more than one week to review projects highlighted in the report. Absent any clarification from the Vice President's office, taxpayers can conclude that the administration has no intention of stopping any ongoing questionable stimulus programs such as eco-tunnels for turtles, earmarks for vulnerable Democrats and freezers for fish sperm.

Finally, while Dr. Coburn is more than happy to discuss the accuracy of his report, the question that matters to taxpayers is whether the stimulus plan is working. The administration promised taxpayers that the stimulus program would "save or create" 3.5 to 4 million jobs and that if Congress passed its program the unemployment rate would not exceed 8 percent. Yet, the

unemployment rate is now 9.4 percent and the administration acknowledges it may hit 10 percent.

Dr. Coburn does not want the stimulus plan to fail or to descend into an orgy of low-priority, wasteful or special interest spending. As the administration works to spend stimulus dollars more quickly, he is eager to help the administration meet its goal of spending stimulus dollars wisely and efficiently.

Additional Response to "A Second Look at a Second Opinion"

"A Second Look at a Second Opinion" is highly misleading and gives the impression that the Coburn report is filled with errors and inaccuracies. In reality, it was the administration's response that was poorly researched and filled with inaccuracies. Dr. Coburn stands behind the findings in his report. The following examples highlight inaccuracies or inconsistencies in the rebuttal prepared by the Vice President's office.

1. "Free" Stimulus Money Results in Higher Utility Costs for Residents of Perkins, Oklahoma

The administration did not dispute this finding, but simply stated that the city of Perkins has the opportunity to apply for a waiver from Buy American and Davis-Bacon union rules if costs increase by more than 25 percent.

The prevailing wage and buy American provisions in the American Recovery and Reinvestment Act (ARRA) helped escalate the cost to the city of Perkins of its water project by as much as 25%. As the Coburn report stipulates, "The federal restrictions have increased the total cost of the project from \$5.26 million to \$7.2 million, offsetting any financial benefit from the grant." In their response, the administration sticks to their talking points on these stimulus provisions, but fails to address the underlining concern raised in the report that as a condition to accept federal stimulus money, local communities, taxpayers and ratepayers may have to pay more for their infrastructure because of onerous federal rules. In the case of the city of Perkins, they went to the federal government for help and the fact of the matter is that they are now worse off. These federal rules remain an undue and unfair burden to ratepayers and the city of Perkins and communities around the nation.

2. FutureGen: The Stimulus Earmark that Wasn't, Becomes the Costliest Pork Project in History

For weeks, the administration and congressional leaders refused to admit that vague language in the stimulus bill directing billions to "fossil energy research" was really a backdoor earmark for the FutureGen "near zero" emissions plant in Matoon, Illinois. Yet, the rebuttal document prepared by the Vice President's office acknowledges that FutureGen is, in fact, the targeted recipient of stimulus funds directly broadly for "fossil energy research."

¹ Charles, Michelle, "Stimulus funds increase cost of wastewater plant," *Perkins Journal*, May 21, 2009, http://www.thejournalok.com/atf.php?sid=18734

Scientists at MIT oppose the project and environmental groups are now ridiculing the effort, calling it "YesterGen" instead of "FutureGen" because the amount of carbon the plant will capture has been scaled back from 90 percent to 60 percent. The administration claims FutureGen will receive money if and only if the "FutureGen Alliance" decides that the plant meets a series of performance benchmarks. However, any findings by the alliance can be trumped by a phone call among stakeholders in the project who include White House Chief of Staff Rahm Emanuel, U.S. Senator Dick Durbin, Energy Secretary Steven Chu and Transportation Secretary Ray LaHood, among others. The intense and ongoing parochial interest in FutureGen raises troubling questions in light of objective analysis critical of the project.

3. Little-Used "Shovel-Ready" Bridges in Rural Wisconsin Given Priority Over Widely Used Structurally Deficient Bridge.

The administration said, "We'd like to correct some facts in this highlighted project. The write up quoted the *Milwaukee Journal Sentinel* which cites traffic figures for the Blooming Grove, WI, bridge of 85,600 cars per day, rather than the correct figure of 8,560 cars per day. If the Blooming Grove Bridge actually had 85,600 cars per day crossing over it, the bridge would be seeing three times the amount of traffic on the most heavily traveled stretch of an interstate."

In reality, the Coburn report makes **no mention** of any bridge in Blooming Grove, Wisconsin. An internal draft of the report contained this information but was never publicly released in the final report, which can be easily seen by visiting Sen. Coburn's website. The final report can be found here:

http://coburn.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=59af3ebd-7bf9-4933-8279-8091b533464f

4. \$800,000 for little-used Johnstown, Pennsylvania airport to repave a back-up runway; the "Airport for Nobody" Has Already Received Tens of Millions in Taxpayer dollars

The administration said this project, and many other controversial projects, are still under review. The administration should stop this project immediately because 1) they have promised to not use stimulus funds for earmarks; 2) this project is widely recognized as a low-priority earmark.

6. Nevada Non-Profit Gets Weatherization Contract After Being Fired For Same Work

The administration said, "FALSE. The Community Services Agency was never fired or defunded by the State and has over 25 years of experience managing the Weatherization Program."

In reality, a December 2008 report by the Nevada Housing Division of the Nevada Department of Business and Industry said that the Community Service Agency (CSA) performed work so badly that the agency took steps to fire CSA and ultimately replaced it with another contractor.

During SFY 2007, a number of problems became evident at CSA. After first trying to work with CSA by providing temporary extra support and inspection, the Housing Division found it necessary to move toward

termination of CSA and replacement of its weatherization services by another Subgrantee agency. The Housing Division worked with CSA to correct deficiencies in work completed, and requested that management problems that developed at the agency be addressed. The Housing Division also concentrated its inspection resources on CSA, and provided opportunities to comply with state standards, and for training. However, there appeared to be a lack of executive interest at CSA in continuing to provide weatherization services. CSA was replaced in SFY 2008.^[1]

7. Non-Existent Oklahoma Lake Gets Over \$1 Million For a New Guardrail

The administration said, "FALSE. 'Work on the guardrail project is not going forward as we explore other approaches to protecting public safety.' Army Corps of Engineers."

In reality, the guardrail planned for installation at Optima Lake was never officially terminated, but only slowed down by inquiries from the Office of Sen. Tom Coburn.

- June 4, 2009: Senators Coburn and Inhofe sent a letter to the Army Corps of Engineers raising concerns about the planned guardrail at Optima Lake.
- June 9, 2009: Staff from the offices of Senators Coburn and Inhofe are escorted to Optima Lake by the Army Corps of Engineers, and are assured that the project is essential and moving forward. Staff discovers that there is already a guardrail surrounding the lake, but that it does not meet code by four inches, prompting the guardrail to be replaced.
- June 11, 2009: Army Corps of Engineers emails the staff of Sen. Coburn at 12:48 p.m. saying that as a result of the site visit the Optima project had been delayed, but not killed. Rather, the guardrail was made an option within an existing contract so that it can possibly award later, depending on the circumstances.
- June 16, 2009: Army Corps of Engineers Tulsa Office confirms at 5:00 p.m. to the Office of Sen. Coburn that the Corps is planning to release a contract in the next several days with an option to perform work on a new guardrail for Optima Lake.

Bottom line: the project is NOT dead.

10. Town of Union, New York, encouraged to spend money it did not request for a problem it does not have

The administration said, "FALSE: Although funds are allocated to towns via formula, the grantees are required to submit a plan for use of the funds, which Union did."

In reality, the administration did not refute any of the facts laid out in the Coburn report, which states clearly that the town did not request the funds. This is true. It also states that the town Supervisor, John Bernardo, claimed that the town does not have a significant homelessness

^[1] Nevada Department of Business and Industry, "State Fiscal Year 2007 Evaluation of the NRS 702: Energy Assistance Program & Weatherization Assistance Program," December 2008, http://nvhousing.state.nv.us/weatherization/2-19-09%20Rev%20%20Final%20SFY%202007%20UEC%20Evaluation%20pdf-BlueB.pdf.

problem. This is also true. According to Town of Union officials, a 2009 survey of the Broome County Homeless Coalition, it was determined that there are 244 homeless individuals in a county with nearly 200,000 residents.

Additionally, Town of Union did not agree to accept the funds under the ordinary terms of the Homeless Prevention and Rapid Re-Housing Program (HPRP), but rather asked for a waiver to use the funds for a problem unrelated to homelessness. In its May 14, 2009 letter to HUD Secretary Shaun Donovan, Mr. Bernardo stated, "The Town does not have any permanent homeless facilities within its jurisdiction," and expressed surprise that it was eligible for funding under this program. He requested a waiver from HUD to get out from program rules and use the funds for installing high-efficiency furnaces in approximately 100 homes owned by elderly residents. The waiver request is still pending.

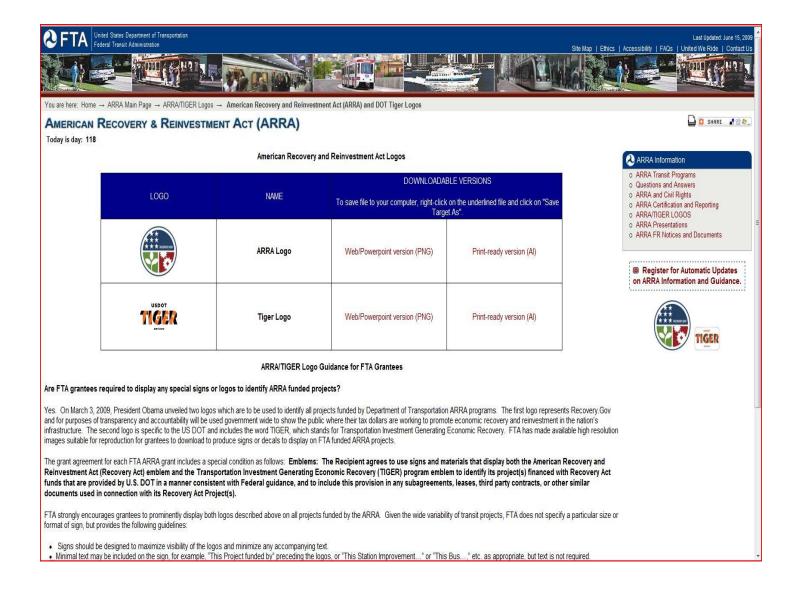
11. Illinois county to spend \$173,824 weatherization grant on eight pickup trucks.

The administration said, "FALSE. This grant is not supported by ARRA funding."

In reality, the administrator of the Madison County Community Develop office in Illinois confirmed with the Office of Sen. Tom Coburn on Tuesday June 16, 2009, that not only is the \$173,824 grant for Ford pickup trucks coming from the stimulus, but that the entire \$400,000 grant for weatherization will go toward weatherizing "zero" homes. Money for actual weatherization is slated to come later.

15. Road signs costing \$300 each are being placed at construction sites to alert motorists that the project is being paid for by stimulus money.

In Illinois alone, the signs are expected to cost \$150,000. The Vice President's office says road project signage is "both customary, and an allowable use of funds." This statement is troubling for two reasons. One, the American people elected a "change" administration not a "customary" administration. Defending this use of taxpayer funds for de facto campaign purposes because it's always been done is a weak defense. Two, the administration previously required the use of funds for this purpose, but changed their position. The attached screen capture below of the DOT site from June 17, 2009 says "Yes" in response to the question "Are FTA grantees required to display any special signs or logos to identify ARRA funded projects?" The administration changed its position and the answer to that question is now "No."



20. Ohio state legislators oppose the governor's plans to use \$57 million for "planning and preliminary studies instead of bricks and mortar construction."

The administration said, "FALSE. The Ohio Department of Transportation is directing these dollars to shorter-term projects, aimed a quickly creating and retaining construction-related iobs."

In reality, the projects were set to receive funding until late Monday afternoon, June 15, when the funding was shifted away from the studies and directed to construction projects. [3] According to the Associated Press, the last-second change was made at the request of federal officials.^[4] The announcement from the Ohio DOT was conveniently released just hours before the Coburn report, which had been obtained prior to release by the White House.

^[3] http://www.dot.state.oh.us/news/Pages/ODOTsStimulusInvestmentsspurringmoreConstruction-RelatedJobs.aspx

http://www.ohio.com/news/break news/48097772.html

Additionally, in conversations with U.S. Department of Transportation officials on Wednesday, the department did not deny this account when asked directly whether the project was changed in anticipation of the report.

46. Stimulus funds pay for a hybrid car to be used by Vermont student drivers

The administration said, "FALSE. No application has been received from the Town of Colchester for this program."

In reality, the Town of Colchester is assured of receiving a stimulus formula grant under the Department of Energy's Energy Efficiency and Conservation Block Grant by virtue of its having a top ten highest population in Vermont.^[5] Under the program, the money is assured to the town, making the application a mere formality. Town officials have been working on the formal application for several months and plan to use at least \$13,000 toward the purchase of a new Toyota Prius for drivers education at Colchester High School.

62. Despite promises that citizens would be able to track "every dime" of the \$787 billion stimulus bill, the federal website devoted to posting the spending details may not be complete until next spring.

The administration said, "FALSE. As can be read in this article at GovExec.com (http://www.govexec.com/story_page.cfm?articleid=42866&dcn=todaysnews), the Board feels they are on schedule to meet the statutory deadline."

In reality, taxpayers were promised a website where they could track where "every dime" of stimulus dollars has been spent, though such a website does not exist yet. There is still no firm date when Recovery.gov will be available – only a statement that the administration is "optimistic" that it will meet the statutory deadline in October.

Additionally, the very article cited by the administration suggests that the website is behind schedule because of missed deadline and lacks basic functionality.

Unlike some private sector Web sites that have cropped up to track recovery funds, **the government's site does not include comprehensive data** on the type of contracts or grants that are being issued, their recipients or costs.

The IT contractor the oversight board selects will be expected to create a database capable of tracking those funds and displaying it to the public in an easy-to-understand fashion, the Recovery Act states.

Despite the criticism, revamping Recovery.gov has taken longer than originally anticipated and the board already has missed a couple of self-imposed deadlines to issue a vendor contract.

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^[5] http://www.eecbg.energy.gov/downloads/WIP EECBG Fact Sheet FINAL Web.pdf

In an interview with *Government Executive* in late April, recovery board Chairman Earl Devaney suggested that he would like to have a **contract in place by June 1** so the vendor could spend the summer building the site.^[6]

The contract referenced in this article is not yet in place, raising serious questions about whether the website can legitimately be considered on schedule.

71. Steam rooms in the fitness center of Laughlin Air Force Base in Texas will undergo repairs funded by federal stimulus funds.

The administration said, "This project was not funded with Recovery Act funds."

In reality, the project was not cancelled until AFTER the Coburn report was released on June 16, 2009 at 9:36 a.m.

From: Hart, John (Coburn)

Sent: Tuesday, June 16, 2009 9:36 AM

To: Hart, John (Coburn)

Subject: RELEASE - Dr. Coburn Releases Stimulus Report: A Second Opinion

Importance: High

As seen in the screenshot below, the project was not cancelled for stimulus funding until June 16, 2009 at 9:37 a.m.^[7]

^[6] Brodsky, Robert, "Recovery.gov gears up for a makeover," *Government Executive*, June 2, 2009, http://www.govexec.com/story_page.cfm?articleid=42866&dcn=todaysnews.

https://www.fbo.gov/index?s=opportunity&mode=form&tab=core&id=624e02a8ff42de02b3c05d2aed75b5c4&_cview=0



87. Colorado counties reject stimulus money, but change minds and use to buy an industrial dishwasher

The administration said, "FALSE. Per the Colorado Recovery Act office, the four counties will use the nearly \$17,000 for meals served to low-income seniors. Recovery Act dollars will not be spent on equipment, such as a dishwasher."

In reality, the influx of stimulus money will be **directly responsible** for the purchasing of equipment in Colorado. According to Maryjo Downey, in a conversation on June 18, 2009, executive director of the East Central Council of Local Governments in Colorado, the agency responsible for using the \$17,000 stimulus grant, no equipment would have been purchased at the agency without a stimulus grant. In normal years, explained Ms. Downey, the agency would spend nearly \$17,000 on meals for the elderly, but could not use an additional amount in stimulus funds – and so rejected the grant.

After being pressured by Colorado state officials, though, the agency was informed that it could simply use stimulus funding for the present year's meal budget and use its regular budget for equipment purchases. This course of action was ultimately followed. The claim, therefore, that not stimulus money will be spent on equipment is nothing more than a rhetorical sleight of hand. According to Ms. Downey, no equipment purchases at all would be made without stimulus money.

100. Big Stimulus Windfall for Tiny Town.

This example involved the approval of funds in California for a small town called Tennant to receive funds for an upgrade to its water system.

The administration said, "FALSE. This system is not receiving ARRA funds."

In reality, the California Department of Public Health released a list of projects on June 8, 2009, that it stated were, "among the 73 "shovel-ready" water system projects that **have been granted** nearly \$150 million for infrastructure improvements with funds from the Federal American Recovery and Reinvestment Act (ARRA)." Among the listed projects is a \$3 million grant for the Tennant Community Service District Water System Upgrade – the same project reference in the report. The document notes that Tennant has a population of 82 and will receive a "New well with a large storage tank and pump station."

^[8] http://www.cdph.ca.gov/HealthInfo/news/Pages/PH09-52.aspx

^[9] http://www.cdph.ca.gov/services/funding/Documents/ARRA/ARRAFundableLiistSummarybyCounty-06-02-2009.xls