

Wasteful Spending by Colorado Government

by Ari Armstrong¹

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Ward Churchill:
\$70,000²



Dildos on Hooks:
\$5,000



Booze for CU:
\$508,000



Sex Drugs for Sex Offenders:
\$2,013

Introduction

Viagra for sex offenders? Dildos on hooks? Corporate welfare for hamburgers? Katy Atkinson, the paid spokesperson for Referendum C, called an early draft of this report “a joke.”³ While it’s hard to deny that some of the examples are bizarre and perhaps humorous from a certain perspective (though other examples are quite disturbing), the

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fact is that these are real examples of how state government spent your tax dollars during a period that some have called a “budget crisis.” Yes, the state government actually paid good money for sex drugs for registered sex offenders, an art grant based partly on ceramic dildos, a \$572 oil change, corporate welfare, and many other wasteful items and programs. In the final analysis, wasteful spending is no laughing matter.

This document contains several examples of wasteful spending by Colorado state government since 2001, the first year of the recessionary

budget crunch. The total state budget for fiscal year 2005-06 is \$14.61 billion, the largest budget in state history. Under current rules described by the Taxpayer’s Bill of Rights (TABOR), both the total budget and the general fund are expected to increase every year into the future. However, the general fund did decline during two fiscal years, in 2001-02 and 2002-03. The general fund has increased every year since 2002-03, and it is expected to keep increasing every year under TABOR.⁴

In a July 8, 2005, article for the *Rocky Mountain News*, Jim Tankersley suggested that any paper on wasteful spending should include examples that “total... enough to solve the state’s budget problems.”⁵ Such an expectation is unreasonable for at least four reasons.

First, the nature and extent of the “state’s budget problems” are the subject of considerable debate and controversy.

Second, the Independence Institute has already published “Priority Colorado: Balancing the Budget While Preserving TABOR and Colorado’s Quality of Life,” a paper that describes some broad strategies for increasing efficiency in government spending.⁶

Third, a number of other programs merit further evaluation, though they are outside the scope of this paper on wasteful spending.

Fourth, a total budget of \$14.61 billion includes hundreds of thousands of individual transactions, and this paper, a product of limited resources, could examine only a tiny fraction of those transactions. A number of leads could not be pursued because of limited resources. Thus, the examples listed herein should be considered illustrative, not comprehensive.

Of course, Colorado is generally considered to be a “good government” state, and many expenses will seem reasonable or plausible to most citizens. However, politicians and bureaucrats should make every effort to make government more efficient and to cut wasteful and low-priority spending. Obviously, that has not happened.

Next year the legislature can turn to the task of finding efficiencies, examining questionable programs, and cutting wasteful and low-priority spending. The legislature can also look for ways to make sure that certain parts of the budget do not increase disproportionately and strain other parts of the budget.

Taking money from the market sector and turning it over to the political sector comes with costs. Colorado citizens would have less money to purchase goods and services and create jobs. Investment would be dampened, leading to slower economic growth. State spending is already projected to increase during coming years. Further spending increases are unwarranted, especially when the legislature has not explored all options to increase efficiency and cut wasteful and low-priority spending.

The taxpayers of Colorado are waiting.

Art Grants: \$1,559,697

Whether state subsidies for politically-selected art is appropriate is a subject that lies outside the scope of this paper. A number of art grants from 2001-02 through 2005-06, totaling nearly \$1.6 million, are wasteful, though some of that money comes from federal funds. A number of grants to individuals were not checked, so the examples of waste recorded here may not be a complete list. (The fact that the Colorado Council on the Arts, or CCA, removed much of its internet content made additional research difficult.)⁷ Following is a summary of the budget for the Colorado Council on the Arts — funded under the Department of Higher Education — for recent years.

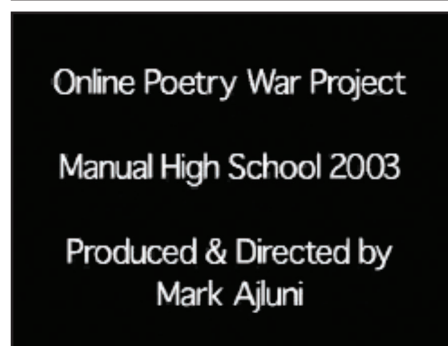
Year	Bill Number	Total Approp.	Gen. Fund Approp.
2001-02	SB01-212	\$2,516,595	\$1,904,228
2002-03	HB02-1420	\$2,558,049	\$1,907,977
2003-04	SB03-258	\$200,000	\$100,000
2004-05	HB04-1422	\$1,116,000	\$500,000
2005-06	SB05-209	\$1,416,000	\$700,000
Total		\$7,806,644	\$5,112,205

Antiwar Propaganda, Self-Mutilation, Sheep Sex, and Orgasms: \$44,100

The Colorado Council on the Arts funded the Online Poetry Project in fiscal years 2001-02, 2002-03, and 2003-04. (Years prior to that were not examined.) CCA reports, “The Online Poetry Project is a collaboration between the Colorado Council on the Arts and the University of Colorado’s New Media Center...” In FY 2002-03, eight teachers representing under served school districts (Antonito, Montrose and inner-city Denver) and three Colorado poets met during the academic year to develop and implement standards-based curriculum units and conducted online and classroom poet residencies. Over 580 students participated and benefited from the Online Poetry Project. Curriculum units and an online record of the years activities and residencies

is available on the project’s Website, <http://newmedia.colorado.edu/poets9/>.⁸

The Web page listed three participating poets and eight participating teachers, each of whom received a CCA grant from \$3,100 to \$3,500. CCA also awarded \$6,400 to the University of Colorado for the poetry project, for a total of \$44,100. One of those poets and one of the teachers were also listed on a related Web page, <http://newmedia.colorado.edu/poets5/>. These two Web pages (herein cited as “poets9” and “poets5”) revealed several wasteful (and otherwise disturbing) expenditures. Following a phone call by Lynn Bartels of the *Rocky Mountain News* for a July 28 story, CCA pulled down all the Web pages related to the Online Poetry Project.⁹



Antiwar Propaganda

On the “poets9” Web page, Mark Ajluni of Manual High School was listed as a participating teacher. He was awarded \$3,500 by CCA. Mark Greene was listed as a participating poet, and he was awarded \$3,100 by CCA.

Ajluni posted a message titled, “Mark Ajluni Lesson Plan: Imagining War.” He described a video project in which students were supposed to consider “the horror of war.” Of course there is nothing wrong with that *per se*, but the result of the project was to indoctrinate students with leftist antiwar ideology. Ajluni suggests, “You could stage a war demonstration...”

Ajluni’s link, “Imagine War in Someone Else’s Shoes video,” showed an 18-minute video created at Manual High School. Students stood in front of

a screen and recited their writing, mostly taking the perspective of someone hurt by the war, as war imagery was projected onto the student and screen.

In the video, one student read, “Damn, I’m hit... F***! I can’t move! This is the end! My life is over. Was it worth it? Was my life really worth it? Think. Was their life really worth it? You decide.” However, a rational decision is unlikely in such an emotionalized situation.

A public school teacher would never project, for example, imagery of an abortion onto a student and ask the student to recite poetry from the perspective of an aborted fetus. Such a tax-subsidized class project

would properly be recognized by all sides as political propaganda.

Teachers and instructors automatically exert a great deal of influence over students. The video was

produced and directed by Ajluni. And Jack Greene, the state-subsidized poet, read the first poem on the video, titled “Fallout Shelter.” (A link provided by teacher Kathleen Kelleher to “Jack Greene discussion” showed a video that features Greene.) Greene also read “The Death of a Ball Turret Gunner” on the video.

It comes as no surprise, then, that a student who writes from the perspective of a “Poor Man in Iraq” who is about to be killed by American bombs claims, “Nobody cares about the innocent people like me.”

At the “poets5” page, a link read, “Sample Student Writings: How I Would Feel if My City Was About to Be Bombed” from “Students in Ms. Kelleher’s Am Lit Class.” Kelleher was awarded \$3,500 by CCA. She and Greene are the teacher and poet listed on the Web page. The assignment required of students, “[D]escribe how you would feel if you knew — as Iraqi people who lived in Baghdad knew — that they would be bombed by the American Air Force within a few hours.”

Implicit in the assignment is the ideological view that civilian casualties in Iraq are the essential aspect of the war. Little discussion is evident about history, the context of the region and terrorism, the objectives or broader results of the war, or the fact that bombing was aimed at military targets rather than civilians.

Predictably, out of around 85 student poems about war, at least a couple dozen contained overtly ideologically antiwar statements, compared with a handful that found some justification for the war in Iraq. One student claims that, to President Bush, “war is just a game.” One proposes that Americans “attack them [Iraqi civilians] senselessly.” A third suggests that “Americans laugh as they [Iraqis] die.”

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Self-Mutilation and Sheep Sex

The “poets9” Web page contained a link to “Introducing Howard A. Landman,” which in turn opened to the poem “Writing on Skin.” It reads, “I am writing on my skin... / Each letter is written with just one stroke, / but the stroke must be straight as a razor, / and its color must be red... / You have no word for it. / But you’ll be getting close if you scream.”

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“Writing on Skin,” or “cutting” as the practice is known to all too-many teenagers, is already a big enough problem among teenagers without spending tax dollars to promote it under the auspices of a Colorado state agency.

In “The Problem of Lesbian Sheep,” also available through the link to Landman’s work, Landman wonders how lesbian sheep meet for sex. He uses graphic imagery about smelling certain body parts.

Landman’s work on self-mutilation and sheep sex was not actively solicited by those associated with the program. Don Bain, former head of the Council, told Bartels that the posting of Landman’s work was a mistake.¹⁰ Information available at archive.org suggests that the material about self-mutilation and sheep sex was available through the Council’s Web page for around a year and a half following the period when students were actively posting to the Web pages. However, exposure to that work remained on a tax-funded Web page that was used by Colorado students.¹¹

Orgasms

On the “poets5” page, the tax-funded poet Jack Greene linked to “cixous.” The link took the

student to a page called “Medusa’s Orgasm,” which opened next to the text, “Welcome to the Colorado Council on the Arts Online Poetry Project.” The section, “Introduction to the Myths,” discusses a self-described “radical feminist” theory of female orgasms. Yet surely facilitating such a discussion among high school students is not an appropriate use of Colorado tax dollars.

Art Grants to Rich Cities: \$1,463,179

Surely good government forbids taxing the poor to subsidize the aesthetic tastes of the wealthy. Yet the Colorado Council on the Arts gave \$1,463,179 to the wealthy areas of Vail, Telluride, Aspen, Boulder, Breckenridge, Steamboat, Trinidad, Crested Butte, and Silverton from 2001 through 2006.¹²

Aspen alone took in \$281,184 for those years, a disproportionately high figure for a town that, as of the 2000 census, had a population of 5,914 and was 95% white.¹³ Aspen’s per-capita income of \$40,680 was 69% higher than the state per-capita income of \$24,049.¹⁴

While it is true that some people of modest means enjoy the subsidized art, it is also true that many poor Coloradans who do not benefit from the art are taxed to subsidize it, and the subsidy benefits predominantly wealthier areas.

Big Blue Bear Film: \$10,400

The Colorado Council on the Arts describes a \$10,400 subsidy for 2006 to Just Media for a “film profile and chronical [sic] of the artistic process of creating and installing the ‘Big Blue Bear,’ a sculpture [sic] by Colorado artist Lawrence Argent, at the Colorado Convention Center in Denver.” Is a film about a Big Blue Bear really a priority expense for state government, especially during a time the governor alleges is a “real crisis in the state of Colorado?”¹⁵

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Dildos on Hooks: \$5,000

The 2002-03 annual report from the Colorado Council on the Arts lists a \$5,000 tax-funded fellowship for Tsehai Johnson of Denver. The Council's tax-funded Web page displayed a piece titled, "Large Implements on Hooks." An internet search revealed the original title of the piece:

"Twelve Dildos on Hooks."¹⁶

In a July 20 article based on her 9News report, Paula Woodward explains that Johnson received the money in 2003. "Twelve Dildos on Hooks" "was one of several pieces submitted to the Council by Johnson who was applying for the grant."

In a July 20 article based on her 9News report, Paula Woodward explains that Johnson received the money in 2003. "Twelve Dildos on Hooks" "was one of several pieces submitted to the Council by Johnson who was applying for the grant. The work was completed in 2000."¹⁷ Johnson told 9News, "They're meant to be sex toys, but sex toys that are talking about a lot of issues." Issues like government waste, perhaps? Woodward reports, "Johnson changed the title of the piece before submitting the work when applying for the fellowship."

Governor Bill Owens sent a prepared statement to 9News that stated, "Obviously, this is offensive and in extremely poor taste... It serves as an important reminder that whenever tax dollars are involved, government must be cautious and prudent."

Woodward continues, "Elaine Mariner, Executive Director of the Colorado Council on the Arts told 9News, 'Frankly, it did shock me and I did find it inappropriate.'" By July 20, Woodward notes, "the pictures and information on the artist had been taken off the state Website."

The Web page for the Colorado Council on the Arts that displayed a photo of the dildos also displayed the motto, "Stimulating local arts initiatives throughout Colorado." While ceramic dildos no doubt are stimulating, tax dollars ought not be used for this sort of stimulation.

Fireworks: Portion of \$15,000

Colorado's tax dollars will go up in smoke through a subsidy to Colorado State University at Pueblo. A \$15,000 grant for 2006 will fund "[c]amps and workshops during the summer months for youth and adults as well as the annual 4th of July fireworks and musical celebration on the Colorado State University — Pueblo campus."

Video Game Development: \$19,750

If Colorado is in a financial crisis, then why are tax dollars being used to subsidize video games in 2006? The Colorado Council on the Arts has awarded \$19,750 to the University of Denver, Colorado Seminary for the following purpose: "Scholarships for economically disadvantaged and under-represented minorities to attend a game development workshop and on-campus residence game development camp." A Web page for the University of Denver explains, "Game Development is the new and growing field of the creation of electronic games."¹⁸ The intention to provide skills and knowledge about technology to disadvantaged students is a good one. But surely video game development is not a high-priority (or even appropriate) use of tax dollars to achieve that goal.

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Video Production Training: \$2,268

The Colorado Council on the Arts awarded a subsidy to Durango Community Access Television for 2005 to fund "[t]raining of 6-12 students in video production arts and creation and broadcast of original video works based on community performances." No doubt learning about video production is useful to the participants, but why should such technical training that directly benefits those involved be subsidized by Colorado taxpayers?

Corporate Welfare and Subsidies: \$61,970,747

\$97,200 to Red Robin Gourmet Burgers, Inc.
\$144,000 to Kodak. \$187,500 to Viaero Wireless.
\$450,000 to Echostar. \$627,200 to Adam Aircraft.

The total budget for Economic Development Programs (budgeted through the governor's office) from 2001 through 2005 is \$71,413,750 (of which \$13,338,626 is for 2005). Of that, \$63,948,791 comes from general funds. (\$1,978,044 spent on welcome centers is subtracted because that expense is not as obviously wasteful.) This is money taken out of the pockets of Colorado taxpayers and given to private businesses and bureaucratic planners.

The whole notion that government can "develop" the economy by redistributing tax dollars to

The whole notion that government can "develop" the economy by redistributing tax dollars to businesses and bureaucrats is false.

businesses and bureaucrats is false. The reality is that the government grants take money out of the productive economy and redistribute it according to political interests. While the recipients are made better off at the expense of others, the resources are diverted from more productive uses to less productive uses, and thus the tax subsidies destroy wealth.

The transfers also entail administrative losses. From 2001 through 2005, administration alone for the Economic Development Programs cost \$1,855,758.

The coercive redistribution of wealth to allegedly "develop" businesses is unjust for at least the following reasons:

- Forcing Coloradans to subsidize businesses and economic programs that they don't want to fund is wrong.
- The subsidies involve taxing the poor to subsidize the wealthy.
- The subsidies involve taxing some Colorado businesses to subsidize their competitors.
- The subsidies take money from taxpayers who

would otherwise spend the money with other Colorado businesses.

- Corporate welfare raises suspicions of political payoffs and conflicts of interest.

Colorado politicians can improve the economy by creating a political climate that treats businesses fairly, provides a quality judicial system, keeps taxes low, and ensures that state regulations do not improperly impede business development. The proper role of government is to protect individual rights, not attempt to develop business. Socialism failed, yet Colorado's legislators have wasted millions of tax dollars on corporate welfare and attempts to centrally plan portions of the economy.

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The Economic Development Commission (EDC), one of several "Economic Development Programs," cost \$5,246,886 from 2001 through 2005, all from the General Fund. In its annual reports, it lists grants as "contracted" or "pending."¹⁹

In a September 1, 2005, e-mail, Evan Metcalf, Senior Division Director for EDC, states that, between 2001 and 2004, EDC approved 146 projects for a total of \$11,948,041. In the original reports, "82 were reported as Pending, 57 Contracted, 6 Completed, and 1 Withdrawn. As of August 31, 2005: 17 projects were Pending, 32 under contract, 87 completed, 7 withdrawn, and 3 funded from other sources than EDC Fund. Withdrawn projects [totaled] \$1,110,000; Projects funded from other funding sources \$982,000; plus \$132,200 was returned by projects completed under budget."²⁰

Following are some of the grants listed involving the EDC and, in some cases, other state agencies.

Cumbres&Toltec Railroad: \$960,500

The Cumbres&Toltec Scenic Railroad is an operational, narrow-gauge railroad built in 1880 that, as cumbrestoltec.com notes, "is jointly owned

by the states of Colorado and New Mexico.” The Web page also notes, “Fares for coach seating range from \$54.75 to \$69.75 for adults, and \$29.50 to \$37 for children ages 2 through 11. Parlor car fares are \$108.75 for trains departing Chama, \$103.75 for trains departing Antonito.”²¹

The railroad is a worthy historical project, though one enjoyed by only a small fraction of Colorado taxpayers. The railroad should be fully funded through fares and voluntary contributions. A document from 2004 states, “While Colorado funding levels have increased since 2002, its still remains below what the C&TSRR needs to recover from the adversities of the past several years. Upwards of \$2 million per annum over the next five years will be required from the state of Colorado to achieve

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the capital improvement objectives of this plan. The C&TSRR enjoys a high level of support from Governor Bill Owens and Lt. Governor Jane Norton. Since the C&TSRR qualifies as a museum, much of this state’s contribution comes from commission for higher education. The balance is provided by the state’s legislature. In the past the C&TSRR has also received funding from the state’s Gaming Commission.”²²

A report for 2004 by the Colorado Economic Development Commission (EDC) states, “The EDC provided a grant of \$150,000 to be used for the rehabilitation of 3 passenger cars, repairs to the Osier dining facility, and maintenance of the Antonito depot. The Joint Budget Committee approved this award, as is required in the EDC’s statute for grants to projects of a type that are typically considered by the general assembly in the general appropriation bill.”²³

The same document lists a \$300,000 allocation from DOLA, the Department of Local Affairs, to subsidize the “tourist excursions” of the railroad. The project also received \$440,000 in 2002, plus \$70,500 from the Department of Higher Education from 2001 through

2005, for a total of \$960,500. (The \$70,500 is in addition to the total for subsidies listed above.)

Group Publishing, Inc.: \$115,200

The Economic Development Commission notes that Group Publishing, Inc. “was founded in 1974 when Tom Shultz [actually spelled ‘Schultz’] (now CEO) began to publish church ministry resources from his apartment in Loveland, Colorado. Today, Group Publishing has grown to over 250 employees and sells its materials throughout the world... The EDC approved an incentive grant in the amount of up to \$64,000...” EDC also lists a grant for the company of \$51,200 from Colorado First.²⁴

Beyond the fact that it’s wrong to force Colorado taxpayers to subsidize private businesses, asking taxpayers to subsidize a business that promotes Christianity raises serious issues regarding the separation of church and state.²⁵

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Kodak: \$144,000

EDC lists a \$120,000 grant plus a \$24,000 grant from Colorado First. EDC states, “Eastman Kodak Corp.’s Kodak Colorado division in Windsor is one of northern Colorado’s largest employers, with around 2,000 employees... The company is in a highly competitive environment as a result of changing technology in its traditional markets... The EDC approved a \$120,000 incentive award to assist Weld County in attracting a \$38 million investment in new thermal media production capacity. Weld County offered a personal property tax incentive of \$661,800.”²⁶

However, the fact that a business is in a “highly competitive environment” is not a reason to forcibly redistribute wealth to that business. Many non-subsidized businesses in Colorado operate in a “highly competitive environment.” A corporation

that is already “one of northern Colorado’s largest employers” hardly needs corporate welfare.

Munich Air Service: \$200,000

EDC states, “The EDC partnered with Denver International Airport to offer up to \$200,000 to encourage an airline to initiate regularly-scheduled non-stop service between DIA and Munich, Germany. DIA is offering a \$400,000 award. This award is based on past experience with the substantial economic benefits to the state of direct international air connections, such as Lufthansa’s existing Denver-Frankfurt service. There are already 82 German-affiliated companies with operations in Colorado... Tourist travel between the two areas is also strong and growing.”²⁷

Why should Colorado taxpayers subsidize “German-affiliated companies?” Why should Colorado taxpayers subsidize Colorado businesses that do

business in Frankfurt (and not other international cities)? Why should Colorado taxpayers subsidize tourists who can afford trips to Europe? The answer to all three question is that they shouldn’t.

Why should Colorado taxpayers subsidize “German-affiliated companies?”

ProLogis Inc.: \$400,000

“ProLogis is a real estate investment trust (‘REIT’) formed in 1991 with the intent of developing distribution facilities that meet the needs of its corporate customers on a national, regional and local basis,” EDC states.²⁸ But what about all the Colorado taxpayers who are not “corporate customers” of ProLogis, Incorporated?

Receivable Management Service Corporation: \$930,000

EDC states, “Receivable Management Services Holding Corp. (‘RMSC’) was formed in May of 2001 when Dunn&Bradstreet’s Receivable Management Services was sold to its senior executives and became a stand-alone company. Through an exclusive

multi-year agreement, RMSC has full data sharing capabilities and full access to D&B databases and systems. RMSC provides customers a continuum of services from electronic bill presentment through receivable outsourcing, traditional collections, bankruptcy services and deductions management. RMSC is looking to expand its business in the Pueblo area... City of Pueblo has committed \$920,400 to this project as a lease reduction contribution. Colorado First Job Training Funds of \$260,000 (based on \$800 per job) have also been committed. The EDC approved an incentive grant of \$650,000...”²⁹ (The summary lists \$280,000 by Colorado First, which is the figure used to obtain the total of \$930,000.)

Red Robin Gourmet Burgers, Inc.: \$97,200



Colorado taxpayers who thought the “Hamburglar” was just a cute cartoon (and registered trademark) of McDonald’s Corporation haven’t heard of the corporate welfare for Red Robin Gourmet Burgers, Incorporated (a.k.a Red Robin’). EDC lists a grant of \$54,000 for the burger burglars, plus a \$43,200 grant from Colorado First.

EDC states, “Red Robin Gourmet Burgers, Inc. (‘Red Robin’) was founded in 1969... Currently, there are more than 200 Red Robin locations across the United States and Canada... This project involves the relocation and expansion of Red Robin’s corporate headquarters.”³⁰ So while regular Colorado taxpayers have to move on their own dime, they are forced to contribute corporate welfare to help wealthy corporations move.

R.R. Donnelley Inc.: \$182,400

EDC states, “R.R. Donnelley (‘RRDN’) began operations in 1968 in Portland, Oregon, as a commercial printing company, originally known as

Norwest Publishing Company, Inc.

In 1986, Norwest Publishing was acquired by Donnelley in a stock transaction. RRDN specializes in the printing of telephone directories...

RRDN’s plant and printing facility in Colorado is located on the eastern side of Greeley... RRDN recently won a multi-year directory printing contract and anticipates expanding its building by 15,000 sq. ft... The City of Greeley has committed \$510,195 to the project through waiving sales

& use taxes and personal property tax rebates.

Weld County has committed \$203,747 in personal property tax rebates. Colorado First job training funds in the amount of \$38,400 (\$800 x 48 jobs) have also been committed. The EDC approved funding of \$144,000...”³¹

Stanley Aviation Corporation: \$420,000

EDC states, “The company designs and manufactures a complete range of aircraft fluid distribution products, ground support products, and maintenance equipment products used in the aviation and aerospace industries. Stanley intends to expand its current Colorado operation to a 65,000 sq. ft. facility... City of Aurora has committed \$350,000 to the project with the waiver of sales and use taxes. Adams County has committed \$125,000 to the project with the waiver of real and personal property taxes. Colorado First job training funds in the amount of \$70,000 (\$400 x 175 jobs) have also been committed for this project. The EDC approved an incentive grant of \$350,000 for the creation of 175 jobs by no later than 12/31/05...”³²

Meanwhile, much of this money is transferred away from other Colorado businesses, which have to expand and hire people at their own expense.

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Twin Otter, International Ltd.: \$83,000

EDC states, “Twin Otter International, Ltd. (‘TOIL’) an ‘S’ corporation was originally formed in 1967 as Scenic Airlines, Inc... [which] operated sightseeing flights to the Grand Canyon... TOIL is primarily located in Las Vegas, Nevada, but also has storage hangers at Valle Airport in Arizona. The company is seeking a permanent facility to purchase in Grand Junction... The City of Grand Junction has committed \$75,000 and Mesa County has committed \$75,000 to this project. Colorado First job training funds in the amount of \$8,000 (based on \$400 per job) have also been committed. The EDC approved funding of \$75,000 for the creation of 25 FTE (full-time employees) at a proposed average wage of \$32,172 excluding benefits.”³³

However, while jobs are created for one politically-favored business, jobs are destroyed elsewhere in the economy, and the net effect is the destruction of wealth as resources are diverted from more-valuable uses to less-valuable ones.

Viaero Wireless: \$187,500

EDC states, “Northeast Colorado Cellular, Inc. (d.b.a. Viaero Wireless also known as Cellular One of Northeast Colorado). Viaero’s mission is to provide superior quality rural wireless service... The City of Fort Morgan has committed \$191,880 in tax rebates to this project. The EDC approved funding of \$187,500...”³⁴

DoubleClick, Inc.: \$509,000

EDC states, “Double Click, Inc. (DCI)... plans to consolidate its operations from New York and Toronto to a new headquarters location in Thornton... The Adams County Economic Development Council and the City of Thornton have committed \$2,011,669 in personal property tax

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rebates and use tax rebates to the project. Colorado First and Existing Industry job training funds in the amount of \$238,000 have also been committed. The Economic Development Commission approved a \$271,000 performance-based grant...³⁵

Echostar: \$450,000

EDC states, “Today, the company has more than 8 million subscribers, more than 14,500 employees worldwide and is a Fortune 500 company. Echostar is a leading provider of satellite delivered digital television entertainment services across the U.S... The company has acquired the former Merrill Lynch campus in Douglas County... Douglas County has committed \$402,890 in personal property rebates,

and a school district tax rebate is also being offered... Colorado First and Existing Industry job training funds in the amount of \$200,000 have also been committed. The Economic Development Commission approved a \$250,000 performance-based award...³⁶

It’s outrageous to force Colorado taxpayers (including the poorest working families) to subsidize a Fortune 500 company.

In-Situ, Inc.: \$156,000

In-Situ is an international corporation that sells “environmental and water quality instrumentation... to government and private entities,” according to EDC. EDC adds, “The City of Fort Collins and the Northern Colorado Economic Development Corporation are contributing \$130,000 to the project as local matching funds. The company has also received a commitment of Colorado First job training funds in the amount of \$26,000. The EDC approved a performance-based award of \$130,000...³⁷

Adam Aircraft: \$627,200

EDC states that Adam Aircraft “is located near Centennial Airport and has approximately 100 employees, with an annual payroll of \$6 million... Adam Aircraft estimated that an additional 20,000 square feet of space would be required for the assembly” of new planes. “The Pueblo Economic Development Corporation committed \$3 million to this project as local matching funds, and \$179,200 in Colorado First Job Training funds have been secured. The Economic Development Commission approved a \$448,000 performance-based grant contingent on the company receiving FAA certification and creating 448 jobs over three years.”³⁸

Owens-Brockway Glass Container, Inc.: \$560,000

EDC states, “Owens-Brockway Glass Container is a subsidiary of Owens-Illinois, a leading manufacturer of glass and plastic packaging products... Owens-Brockway needs to locate a glass bottle manufacturing facility in the Fort Collins area... Weld County and the City of Windsor have committed \$1,054,094 in local matching funds to the project. In addition, Colorado First and Existing Industry job training funds have been committed to the project in the amount of \$60,000. The Economic Development Commission has approved a performance-based grant of \$500,000...³⁹

Structural Component Systems: \$180,448

Structural Component Systems, Inc. makes “metal plate connected wood trusses” and is “headquartered in Nebraska,” EDC states. “The company wanted to expand by locating a third plant in Greeley, Colorado. Greeley and Weld County will contribute \$62,928 in local match and personal property tax rebates for the project. The company received \$48,448 in Colorado First training monies. The building in Greeley is located in an Enterprise Zone and the credits are estimated to total \$145,600. The EDC provided a \$132,000 performance-based grant...⁴⁰

Mexicana Airlines: \$500,000

¿Cómo se dice “rip off?”

EDC states, “Mexicana Airlines sought to expand their service and establish a daily non-stop flight between Mexico City and Denver. Denver International Airport awarded a \$1 million marketing grant to Mexicana to promote a daily non-stop flight between Mexico City and Denver. Daily non-stop international flights are powerful economic engines for the state... The Colorado tourism industry will also experience benefits from the flights... The EDC awarded Mexicana with a \$500,000 marketing grant to assist in promoting and marketing the daily non-stop flight between Denver and Mexico City.”⁴¹ A follow-up report from EDC

states that “Mexico City Air Service Promotion” returned \$9,158 in grant money.⁴²

If “international flights are powerful economic engines,” why do taxpayers need to subsidize them? Such flights will already make money, proof that the company doesn’t need corporate

welfare from Colorado taxpayers. (If the flights would not make money on the voluntary market, then that would prove they are not economically warranted.) In general, those who benefit from marketing should pay for the marketing, not force taxpayers to subsidize it.

CAE Electronics, LTD.: \$105,000

EDC states, “CAE Electronics, Ltd., headquartered in Canada, designs and manufactures 88 percent of the world’s commercial and military airline simulators... CAE selected a location in the DIA area and proposed building a flight simulator-training center... The City of Denver provided CAE with a total of \$400,000 in tax breaks and incentives. The EDC awarded a \$105,000 performance-based grant.”⁴³

MSS Group, Inc.: \$138,500

EDC states, “MSS Group, Inc. has its main operation in Castle Rock, CO and one in Gainesville, GA... MSS Group, Inc. specializes telecommunications billing and expense management/verification services... The Pueblo Economic Development Corporation structured a local incentive package worth approximately \$950,500. MSS Group, Inc. received customized training funds in the amount \$13,500. The EDC awarded a performance-based grant of \$125,000.”⁴⁴

Rocky Mountain Sugar Growers Cooperative: \$400,000

EDC states, “The Rocky Mountain Sugar Growers Cooperative is a Colorado agriculture corporation... The EDC awarded the Rocky Mountain Sugar Growers Cooperative \$400,000 in order to maintain a sugar beet industry in the Rocky Mountain region...”⁴⁵

Stewart Lodges: \$150,000

EDC states, “Stewart Lodges, currently located in Georgia, manufactures recreational housing (specifically cabins and lodges) and markets them nationally. Because a large percentage of Stewart customers are located in the West and due to the high cost of freight associated with sending the company’s product long distances, Stewart Lodges began a search for a site in Colorado to construct a new manufacturing facility to serve the western region. Delta Area Development, Inc. committed \$150,000 of in-kind services and other monetary value... The EDC approved a grant in the amount of \$150,000...”⁴⁶

Tourism Welfare: \$5.4 Million

The *Denver Business Journal* reported, “Tourism funding amounts to \$5.4 million for fiscal 2004-05.” Ilene Kamsler, president of the Colorado Hotel and Lodging Association in Denver, told the *Journal*, “The return on investment from tourism is so high...

If “international flights are powerful economic engines,” why do taxpayers need to subsidize them?

Funding tourism promotion is not a handout; it's an investment in the prosperity of the state."⁴⁷

Bob Ewegen of the *Denver Post* expressed a similar belief: "A study by Longwoods International credited that modest increase [in tourism welfare] for a \$1 billion increase in tourism spending. The study also concluded that for every \$1 the state spent promoting tourism in 2003, state and local governments received \$15.58 in taxes."⁴⁸

But the analysis of Kamsler and Ewegen is wrong for several reasons. First, regional competition for tourism reduces the returns on tourism advertising. Second, the business welfare helps some Coloradans

at the expense of others, and so it contributes to personal well-being rather than public well-being. Third, every dollar transferred to the tourism industry is a dollar taken away from other businesses, which in turn hurts the suppliers of those businesses. Fourth, if it is true that money spent advertising for tourism pays off for the tourism industry, nothing is stopping that industry from advertising on its own. The state doesn't pay for the advertising of

other Colorado businesses, and it shouldn't pay for the advertising of one select industry.

Corporate welfare is hardly a high-priority budgetary item, and it violates the principles of economic liberty.

Health and Welfare: \$Millions

Spending for health and welfare has not been given adequate attention either by this paper or by the media.

On July 18, *The New York Times* published an article titled, "New York Medicaid Fraud May Reach Into Billions."⁴⁹ The possibility of such problems here should be explored.

The Wall Street Journal offers another possible source of reform ideas: "All 50 states agree: Medicaid, the federal-state partnership to provide health care for the poor, is a fiscal and moral mess. The question is, what are our politicians going to do about it? By far the most promising answer to date comes from Florida, where Governor Jeb Bush is proposing a radical restructuring of the program..."⁵⁰

Unfortunately, some Colorado newspapers have focused on "he said, she said" gossip concerning Referendum C and Colorado's budget, rather than conduct thorough investigative journalism regarding state spending. Some journalists have done an excellent job researching specific instances of state spending. And resources for this paper were too limited to allow for direct research in Medicaid spending and other health and welfare programs. Nevertheless, following are a few examples that were reported by the media.

"Priority Colorado," another paper by the Independence Institute, offers some general suggestions estimated to save between \$45 million and \$90 million in Medicaid expenses per year.⁵¹

Abusive Medicaid Dental Practices: \$106,473

A distressing *9News* report notes that children were improperly restrained at dental clinics that "cater to kids on Medicaid," resulting in injuries to some of the children. The restraints are called "papoose boards." *9News* reports, "The cost to taxpayers for those papoose boards at four of their clinics; \$106,473."⁵²

Unfortunately, some Colorado newspapers have focused on "he said, she said" gossip concerning Referendum C and Colorado's budget, rather than conduct thorough investigative journalism regarding state spending.

[E]very dollar transferred to the tourism industry is a dollar taken away from other businesses, which in turn hurts the suppliers of those businesses.

Condoms: \$54,094



The state should not subsidize people's sexual activities. This is particularly true given that some Colorado taxpayers believe that some of the sexual activities subsidized by the state are immoral. Those who engage in promiscuous sex should at least protect themselves against sexually-transmitted diseases. But people are perfectly capable of buying condoms on their own dime, rather than at taxpayer's expense.

The Denver Post reports, "The state purchases 670,432 condoms annually for \$54,094. The condoms are distributed to more than 100 agencies. Colorado has been providing condoms for nonprofits since 1986, Calonge said. The state buys Lifestyles, Reality, Hatz, Kimono and latex-free Avanti condoms." If the condoms are purchased annually, that implies a total cost of around a quarter-million dollars since 2001.

The article continues, "The condom choices are as novel as they are plentiful — sunshine yellow, aqua blue and tuxedo black. Lubricated, ribbed or latex free. For men and women. Then there's the Jimmie Hatz condom and its bulldog mascot wearing a condom on his head and another around his neck. The state of Colorado purchases these condoms and a variety of others, then provides them to nonprofit programs for distribution..."

Unfortunately, the *Post* notes, "But a recent Consumer Reports article on the reliability of condoms has raised questions. The report rated several brands of condoms better than Lifestyles, which is one of several the state purchases each year."⁵³

Sex Drugs for Sex Offenders: \$2,013

According to a June 14, 2005, article by Jon Sarche published by the *Associated Press*, "The state Department of Health Care Policy and Financing, which runs the Medicaid health insurance program for the poor, paid \$2,013 for Viagra and similar drugs for the five registered offenders from July 1, 2003, through March 31, spokeswoman Rhonda Bentz said... Bentz said the Colorado Medicaid program will receive regular updates of the sex-offender registry from the Department of Public Safety to avoid paying for impotence drugs. Sex offenders can continue to receive the drugs if they or another insurance provider pay, she said."

"The state Department of Health Care Policy and Financing, which runs the Medicaid health insurance program for the poor, paid \$2,013 for Viagra and similar drugs for the five registered offenders..."

State Senator Dan Grossman, D-Denver, told the *AP*, "The fact that our system is so loose and so ad-hoc that it would allow sex offenders to receive sexual enhancers at public expense is not that surprising, but it outrageous nonetheless... We need to do everything in our power to make sure that (sex offenders) are not getting these drugs at taxpayer expense... There's some argument that they don't need them even at their own expense."⁵⁴

If it is true that Colorado's Medicaid system is "loose" and "ad-hoc," as Grossman claims, then additional research into Medicaid spending is warranted.

Of course, a good argument could be made that tax funds ought not subsidize sex drugs for anyone.

Poorly Run Veterans Home at Fitzsimons: \$4 Million

A June 16, 2005, report by the *Rocky Mountain News* reports, “A key panel this week recommended that Colorado get out of the nursing home business and transfer management of its six homes to the private sector... The recommendations came from

the accountability committee for the State Veterans Home at Fitzsimons in Aurora... The \$25.3 million state-of-the-art Fitzsimons home opened in October 2002, but was closed to new admissions a little more than a year later after scathing health and financial audits. State and federal reports said residents were being abused by staff, assaulted by other residents, chemically restrained with drugs and not being given adequate pain control. The legislature gave the

Department of Social Services an extra \$4 million to cover cost overruns, most caused by problems at Fitzsimons.”⁵⁵

Beyond the problem of wasted money is the shocking tragedy of mistreated veterans. It is possible that much more than \$4 million could be saved by changing management at all state-run nursing homes.

Judicial and Corrections: \$Millions

Drug Sentencing: \$Millions

In a report published earlier this year by the Independence Institute, Mike Krause argues that changing the rules for criminal sentencing would save Colorado money without increasing violent crime. The executive summary of the document describes two reforms that would save tax dollars: “Creating a separate set of felony sentencing guidelines and halving the presumptive sentencing ranges for non-violent drug offenses,” and “Downgrading simple use and possession of controlled substances from felony crimes to

misdemeanors.” The paper estimates that “non-violent drug offenders now make up more than 20% of Colorado prisoners.”⁵⁶

In a more recent article, Krause estimates, “Colorado taxpayers spend around \$100 million a year to incarcerate drug offenders in state prisons. So it’s worth asking why any kind of sentencing reform, which could save millions of dollars in prison spending, has been off the table in the budget debates of the last few years.”⁵⁷

Oddly, though leading proponents of Referendum C also support sentencing reform, the spokesperson for that referendum attacked the Independence Institute for suggesting sentencing reform.⁵⁸ Following a press conference on June 28, 2005, this author spoke with a man associated with The Bell Policy Center, an organization that supports higher taxes. The man agreed that the Independence Institute’s work on issues such as sentencing reform is “common sense.”⁵⁹

State Senator Ken Gordon, a leading advocate of Referendum C, “has fought for sentencing reforms to slow the rate of prison growth,” according to *The Denver Post*.⁶⁰

Prison Furniture: Portion of \$3.7 Million

State agencies often are required to purchase furniture and office accessories from Colorado Correctional Industries, or prison factories. These industries do offer job skills training to inmates as well as something constructive to do with their time. However, the furniture that is made in those factories is sometimes of poor quality, and the price is often much higher than comparable furniture and accessories that can be bought at any furniture store.

[T]he furniture that is made in those factories is sometimes of poor quality, and the price is often much higher than comparable furniture and accessories that can be bought at any furniture store.

For example, following are photographs of two tables. The first table is a 24" x 60" table made at the prison factory that costs \$440. The second table is a 24" x 48" table sold by Office Depot that costs \$114. The prison table is 25 percent bigger but 286 percent more expensive.⁶¹



\$440



\$114

According to a study by the state auditor, the prison furniture revenue for 2002 was \$3.7 million.⁶² SB-209 notes that \$20,999,339 for Correctional Industries "is estimated to be from sales to other state agencies." The money for furniture comes out of the budgets from other departments that, by law, have to buy the prison furniture. (An exception is if the prison factory cannot produce the furniture at comparable quality and in a timely manner.)

... a basic desk with two small drawers from the prison factory costs \$300; one of the prison's top-line desks costs \$14,450. Comparable desks from Office Depot cost \$140 to \$700.

The auditor's office report says, "Surveys we conducted with a sample of agency purchasing representatives indicated concerns regarding the cost of office furniture as well as an inconsistent customer service. We also found that a large number of state agencies consistently seek waivers that allow them to purchase office furniture from the private sector." No wonder; the corrections industry's Web site at www.cijvp.com

displays expensive furniture that stands out for both its inferior craftsmanship and unimpressive appearance. For example, a basic desk with two small drawers from the prison factory costs \$300; one of the prison's top-line desks costs \$14,450. Comparable desks from Office Depot cost \$140 to \$700. Prisoners can be assigned other useful tasks that don't cost taxpayers even more money.⁶³

Raid on Card Players: Portion of \$1,449,699

On April 28, 2005, local and regional law enforcement officers, in cooperation with state agents, raided a group of people playing tournament poker in Palmer Lake.

The Gazette reports, "Several Palmer Lake residents say Tuesday night's gambling bust at Guadala Jarra restaurant was poorly handled and unnecessary. Restaurant owner Jeff Hulsmann faces felony and misdemeanor charges for allegedly hosting gambling activity in a licensed liquor establishment and on suspicion of professional gambling, has hired an attorney. He maintains his innocence. Town board member Trish Flake, who was served a misdemeanor summons for suspicion of professional gambling, said none of the 24 people arrested during the police raid thought they were engaged in illegal activity. They were among 81 members of a poker club playing at the restaurant that night. 'It was broad daylight right by the front door,' she said. 'I think what hasn't been reported is the aggressiveness of it. They came in with guns drawn, lasers trained on people's heads. They swarmed in screaming, 'Put your hands over your face and don't move.' I don't think I've ever been that frightened in my life.' Palmer Lake Police Chief Dale Smith... said an officer reported to him in late January she'd seen apparent gambling in the restaurant. Smith asked her to prepare a report, which he turned over to state liquor enforcement officials."⁶⁴

Are such violent, militarized assaults justified against peaceable card players, especially given the state of Colorado runs its own large-scale gambling operation?⁶⁵ While much of the wasteful spending was local and regional, some of it involved state tax dollars. In SB-209, the Liquor Enforcement Division is given \$1,449,699, though of course only a small

Are such violent, militarized assaults justified against peaceable card players, especially given the state of Colorado runs its own large-scale gambling operation?

fraction of that amount was used to help assault peaceable Colorado taxpayers.

University Spending: \$Unknown

University spending is another area that could not be investigated thoroughly. The examples drawn from various media accounts below, then, do not represent anything close to a comprehensive review of university spending.

Additional cost-savings measures have already been discovered, though. The *Rocky Mountain News* reports, “University of Colorado President Hank Brown began his first day on the job [August 1] by announcing the elimination of 10 positions in his administrative office. This decision will save the university \$675,000 in salaries and \$149,000 in benefits, for a total savings of \$824,000 annually, according to estimates released in a prepared statement this morning.”⁶⁶

If those administrators were unnecessary, then that suggests the university wasted millions of dollars in previous years in that one area.

Alcohol for the University of Colorado: Portion of \$508,000

The *Rocky Mountain News* reports, “The University of Colorado spent \$508,000 at liquor establishments over the past five years — two-thirds of it at a liquor store partially owned by Dick Tharp, who recently resigned as longtime athletic director. An undetermined amount of the money was for supplies such as cups and ice, rather than booze, for the four-campus CU system. But the \$508,000 doesn’t include alcohol purchases made through caterers, restaurants, bars or hotels... CU spent far more at liquor establishments than did Colorado State University in Fort Collins and the University of Northern Colorado in Greeley. CU’s outlays also differed from three other Big 12 universities — Nebraska, Oklahoma and Texas — where liquor purchases are severely restricted. Officials at CU defended the spending, noting that it is a fraction of

the university’s total expenditures, which exceeded \$1.62 billion in 2004, and that only a small part of it came from tax dollars.”⁶⁷

Brown said tax dollars will no longer be spent on liquor at the University of Colorado.⁶⁸

Parties, Travel, and Gifts for Regents: \$10s of Thousands

In a June 18, 2005, article for the *Rocky Mountain News*, Todd Hartman and Kevin Vaughan describe a variety of expenses by regents of the University of Colorado.⁶⁹ The position of regent does not pay a salary, and only part of the money came from tax dollars. Nevertheless, the expenditures are questionable, given recent financial concerns about universities. The expenses include the following:

- “\$20,000 combined on five gatherings to honor former regents: retirement and ‘emeritus’ parties that included past and present regents and a host of top CU officials.”
- “[M]ore than \$10,000 since 2000” to stay at the “four-star Hotel Teatro” in Denver. “One regent has stayed there at least 30 times.”
- “Tens of thousands of dollars for regents and their spouses to attend CU football games in Seattle; Southern California; Austin, Texas; and Tallahassee, Fla.”
- “Nearly \$3,000 annually for memberships in CU’s Fastbreak Clubroom at the CU Events Center...”
- “Hundreds of dollars for a variety of gifts...”
- “In Aspen in 2002, regents stayed at the ritzy St. Regis, with food and lodging totaling slightly more than \$7,000. They also have stayed at the Silvertree in Snowmass at a cost of more than \$5,850 and at the Stanley in Estes Park at a cost of nearly \$8,800, records show.”
- “\$26 each for 40 meals at a breakfast buffet, \$32 apiece for 25 meals at a ‘deli luncheon buffet’ and \$23 apiece for 40 ‘assorted box lunches’.”

Travel for University Staff: Portion of \$31.6 Million

Fox31 News reports, “Higher education spent 36.1 million dollars in travel for fiscal year 2004.” Faculty and administration, *Fox31* found, spent money to travel to such places as Rio de Janeiro, Hawaii, Greece, and Malaysia. “[A] good chunk of the money paying for all that travel comes from taxpayers. Each university... gets nearly 2.5 million dollars directly from state appropriations... millions more from federal, state, and local grants,” *Fox31* added.⁷⁰

Faculty and administration, Fox31 found, spent money to travel to such places as Rio de Janero, Hawaii, Greece, and Malaysia.

To be sure, much of this travel served purposes of scholarship, enabling scholars and scientists to attend conventions and share their work. But during a time some have called a budgetary crisis, when universities are screaming for more state tax dollars, might the travel budget have been curtailed?

Ward Churchill: Multiples of \$13,800

The Denver Post reports that Ward Churchill “was appointed associate professor in 1991” and “he brings down \$94,242 from CU — \$114,032 before he resigned as chairman of the ethnic studies department.”⁷¹ *The Post's* Jim Spencer notes, “CU officials say roughly 15 percent of Churchill’s \$92,000-a-year salary — \$13,800 — comes from state tax dollars.”⁷²

The Rocky Mountain News reports, “University of Colorado professor Ward Churchill fabricated historical facts, published the work of others as his own and repeatedly made false claims about two federal Indian laws...”⁷³ Churchill, who doesn’t have a Ph.D. and who has never been adequately qualified for his university position, has since been given a raise.⁷⁴

Assorted

Airplane: \$3.75 Million

In a September 20, 2003, article for the *Rocky Mountain News*, John Sanko writes, “A coalition of groups criticized Gov. Bill Owens... for using federal relief funds to replace statehouse bannisters and an aging plane instead of helping people hurt by recent budget cuts. One Colorado, which claims to represent 90 groups with more than 500,000 people, released copies of a letter it sent to Owens about his plans for spending a portion of the \$146.3 million of federal funds. The decision to spend money on brass railings and a plane were particularly bothersome, said Jo Romero, president of the Colorado Federation of Public Employees and one of the people who signed the letter. ‘The brass railings are bad enough. But honestly, I don’t know why they felt they had to get a new plane,’ Romero said. ‘Why don’t they do what a lot of the rest of us do if we’re going somewhere — take the bus? It’s a lot cheaper, and it will get them where they need to go’... It was a couple of the safety items that One Colorado focused on — \$3.75 million to replace the state’s 22-year-old two-engine airplane and \$193,000 for brass handrail safety improvements in the Capitol. The coalition said it was ‘very troubled’ that Owens would replace bannisters, repair historical buildings and buy a plane ‘rather than using the funds to provide desperately needed relief to those who are currently suffering as a result of recent state budget cuts. ‘The projects... seem to be less than essential, especially when compared to life-supporting services for those in need,’ the group said. Others who signed the letter included Bill Vandenberg, Colorado Progressive Coalition; Carrie Curtiss, Colorado Consumer Health Initiative; Kathy White, Colorado Fiscal Policy Institute, and Kristen Thomson, Colorado Women’s Agenda.”⁷⁵

“A coalition of groups criticized Gov. Bill Owens... for using federal relief funds to replace state-house bannisters and an aging plane instead of helping people hurt by recent budget cuts.”

Benefits Management System: \$13.4 Million

A June 23, 2005, article in *The Denver Post* reports, “The state’s defective welfare-benefits computer system on Wednesday got some — but not all — of the money and tools officials say are needed to fix it. The legislature’s Joint Budget Committee agreed to an emergency allocation of about \$5.75 million — \$3.9 million to Colorado counties, \$250,000 for additional office space and \$1.6 million for 17 new employees to get the bugs out of the Colorado Benefits Management System... The \$200 million system was launched last September and immediately had problems... An independent audit released last month blamed many of the problems on inadequate communication and management structures and insufficient resources committed to the project.”⁷⁶

A more recent report points out the problem grew worse: “The \$200 million system hiccupped and balked, requiring program changes, upgrades and thousands of extra staff hours... The legislature’s Joint Budget Committee has doled out \$13.4 million for unanticipated costs of CBMS [Colorado Benefits Management System].”⁷⁷

Incredibly, one bureaucrat blamed the multi-million-dollar waste on insufficiently high taxes, according to a reporter for the *Rocky Mountain News*: “Dr. John Witwer, new CBMS director, said the system came online when state programs were being slashed because of the downturn in the economy and the spending limits of the Taxpayer’s Bill of Rights.”⁷⁸

However, when Colorado’s working families face budgetary restraints, they don’t rush out and buy massive new machines that don’t work.

Instead, they generally spend their money more prudently and make sure they get good value for their money. Witwer blames bureaucratic incompetence on taxpayers, and he argues that, because bureaucrats failed to purchase a computer

system that works, taxes should be even higher! But should Colorado taxpayers reward failure, ineptitude, and a bureaucratic pass-the-buck mentality with more dollars?

Office Chairs: \$50,000

9News reports, “While state lawmakers debate what critical services to cut to make up for a \$450 million budget shortfall, *9News* has learned some state workers are sitting pretty at taxpayers expense. In the last 3.5 years, state employees have bought more than 70 chairs that cost \$800, \$900 and more than a \$1,000 each. Fancy chairs like \$945 Body Built ‘Leap Chairs’ and Herman Miller Aeron chairs that are so state-of-the-art, they’re on display at the Museum of Modern Art. In all, those high-end chairs cost taxpayers more than \$50,000... *9News* found that most chairs were purchased by Colorado universities.”⁷⁹

"In the last 3.5 years, state employees have bought more than 70 chairs that cost \$800, \$900 and more than a \$1,000 each."

Oil Change: \$572

The *Rocky Mountain News* reports, “Officials overseeing maintenance of Colorado’s vehicle fleet admit there are problems with tracking costs and improper payments, but on Wednesday they defended some of the stranger findings in a recent critical audit. Such as the \$609 oil change... ‘The \$609 oil change was an actual oil change on a semi-tractor and represents a standard cost for this type of vehicle,’ the department said in its response.”⁸⁰

However, in a June 23, 2005, interview, a representative from Rush Peterbilt Truck Center of Denver priced oil changes for semis from \$150 to \$215.

In a July 26 follow-up for the *News*, Bill Scanlon claims, “Scott Madsen, deputy director at the Division of Central Services, said the expense was close to what any service station might charge.”⁸¹ However, Scanlon does not cite any other estimate.

[W]hen Colorado’s working families face budgetary restraints, they don’t rush out and buy massive new machines that don’t work.

According to Scanlon, the \$609 job also included an inspection of brake pads and tires, a \$96 air filter, two \$14 fuel filters, and four hours of a mechanic's time. Scanlon adds, "The state had authorized spending as much as \$609, but the actual bill that was paid was \$572, [Madsen] added." However, even figured from a base price of \$215, a \$572 job for three additional filters and an inspection seems excessive.

Private Occupational Schools: Portion of \$515,015

A June 17, 2005, editorial from the *Rocky Mountain News* summarizes, "The spotty record of oversight

"The report indicated that the Division of Private Occupational Schools contacted only 26 of the 68 schools it suspected of operating illegally — and did not even attempt to use available fines or restraining orders against them"

of [private occupational schools] — which teach such things as cosmetology, massage, real estate, medical skills, truck driving and information technology — was brought home again... by a state auditor's depressing report. The report indicated that the Division of Private Occupational Schools contacted only 26 of the 68 schools it suspected of operating illegally — and did not even attempt to use available fines or restraining orders against them. The auditors estimated that 50 unlicensed schools are operating illegally now. In a sampling of 23 licensed schools, the auditors said 40 percent apparently lacked

the bonding they're supposed to have to cover possible tuition refunds. Sixty percent didn't provide evidence they met health and safety requirements... The state should take extra care to supervise these schools since it provides financial assistance to some students. Despite the lack of strict supervision — or perhaps because of it — the cash-funded division took in more money than it needed to do its job and was able to increase staff pay, through raises and bonuses, by 13 percent during 2003-04. That was a much greater increase than most state employees received."⁸²

SB-209 lists an allocation of \$515,015 for the

Division of Private Occupational Schools, all of which is part of cash funds, collected from fees from the schools. Students are not getting their money's worth from this bureaucracy. The agency could simply be abolished, and its core functions (such as fighting fraud) absorbed by other agencies. Thus, the state would not save the entire \$515,015, but the state would save a substantial portion of that amount.

Public Employee Retirement Association: \$3 Billion in Liabilities

David Milstead of the *Rocky Mountain News* has written an extraordinary set of articles about the Public Employee Retirement Association, or PERA.

Milstead reported on June 18, "Colorado's state employee pension plan owes \$12.8 billion more to its retirees than it has in assets, the fund's board learned... That 'unfunded liability' for the Colorado Public Employees' Retirement Association has increased by nearly \$3 billion since the end of 2003, according to a report from the actuaries who estimate PERA's benefits and its assets. The actuaries also estimate that PERA's liability will grow bigger over the decades until no money is left unless taxpayer contributions are increased substantially, benefits are cut or the fund's investments perform exceptionally well... [H]undreds of members retired early, taking advantage of policies for buying extra service time at a low cost. That added billions of dollars of benefits to PERA's liabilities. This combination of events took an overfunded plan, with more money in its investment account than it owed retirees, to a plan that was just 70 percent funded at the end of 2004."⁸³

"Colorado's state employee pension plan owes \$12.8 billion more to its retirees than it has in assets, the fund's board learned... "

A more recent editorial from the same paper updates the information: "PERA added \$1.5 billion to its assets simply by changing an accounting practice. It still has \$11.3 billion in unfunded liabilities, but at least that's less than \$12.8 billion."⁸⁴

Milstead notes, “Taxpayers added \$563 million to PERA’s pension and health care funds last year through employer contributions made by state and local governments and schools. Employees

However, because state employees are paid from state funds, both the “employer” and the “employee” portions are ultimately paid by taxpayers.

put in \$457 million - 8 percent of their salaries. PERA’s actuaries told the fund in June that to get PERA back into sound funding status, employer contributions needed to nearly double. That, according to a *Rocky Mountain News* analysis, would require an extra \$400 million a year, starting now.”⁸⁵

However, because state employees are paid from state funds, both

the “employer” and the “employee” portions are ultimately paid by taxpayers. And it is taxpayers who will pick up the tab for PERA’s poor performance.

While PERA’s financial problems were exacerbated by the recession, PERA has also wasted money.

Milstead reports, “Employees of Colorado’s Public Employees’ Retirement Association have received all sorts of perks. Until this year, they could bank 52 weeks of personal-leave time, then cash out at retirement or resignation... In total, leave payouts have cost PERA more than \$2 million since 2000. The benefits don’t end there. PERA has spent \$429,000 on new cars and car allowances for its executives in the past 10 years.”⁸⁶

About the cars Milstead adds, “PERA had a policy of giving its executive director and his top deputies brand new cars. PERA paid for the vehicles, then footed the bill for gas, insurance and maintenance. The cars generally were traded in once they hit 50,000 miles, according to Executive Director Meredith Williams.”⁸⁷

PERA also offered employees “the opportunity to purchase extra years of pension service credit at a fraction of their cost,” Milstead writes. This practice “added hundreds of millions of dollars in

liabilities.”⁸⁸

Milstead also reports, “The 16-member PERA board, which includes active and retired workers, spent more than \$350,000 from 2000 through 2004 on educational conferences and programs.

Most were held at luxury hotels in places such as Jackson Hole, Wyo.; Honolulu; and West Palm Beach, Fla. Board members made trips to Madrid, Spain; Paris; and Dublin. They made three visits to China.”⁸⁹

In a May 31, 2005, interview, Penn Pfiffner, a former state legislator and now President of the Colorado Union of Taxpayers, explained another problem with PERA.

Payments are calculated according to the number of years spent working in the system, along with the level of one’s salary during the highest three years. Some people, then, switch positions and spend a few years making a lot of money, which raises their pension payouts dramatically above what is justified by their lifetime contributions.

The legislature should fix PERA by making two broad changes. First, payouts should be more closely linked to lifetime contributions. Second, payouts should be more closely linked to market performance of PERA’s holdings. Then state employees would have more incentive to keep an eye on PERA’s performance, and PERA would no longer threaten the state with financial shortfalls. The legislature has largely ignored the pending PERA crisis.

Some have incorrectly argued that PERA spending is not relevant to discussions about the budget.

However, all the money going into PERA (prior to interest earnings) ultimately comes from the taxpayers.

In addition, the legislature that allowed PERA liabilities to grow out of control is the same body

“The 16-member PERA board, which includes active and retired workers, spent more than \$350,000 from 2000 through 2004 on educational conferences and programs”

that would allocate any new tax monies. Evidently, the legislature has failed to properly manage the projects already on its plate. Can it be trusted to manage new spending effectively?

Conclusion

Even though this paper was created with limited resources, it nevertheless discovered tens of millions of dollars of wasteful spending. Waste and fiscal irresponsibility are realities in state government. This paper merely scratches the surface. Hopefully legislators, as the stewards of taxpayers' dollars, will assume the responsibility to examine fully waste in government.

Endnotes

¹ While a number of people helped review this paper, the author would like to especially thank Daniel Pierson for his research on art grants and prison furniture.

² Shown is Ward Churchill at the Bay Area Anarchist Book Fair on March 26, 2005. The photograph, taken by Steve Rhodes, is listed at <http://flickr.com/photos/ari/7758314/> as a “creative commons” work available for use for noncommercial purposes. More information about Churchill’s appearance at that event is available at http://www.zombietime.com/churchill_in_bay_area/churchill_sf_anarchist_book_fair_march_26_2005/. According to that Web page, Churchill revisited his comment comparing the victims of the 9/11 terrorist to the Nazi Adolf Eichmann.

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