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Economy and Jobs Watch: Tax Cuts Go Mostly to the Rich

The [Congressional Budget Office](#) has released a [new study](#) detailing the impact of recent tax changes on various income levels. The bottom line: The very, very wealthy made out very, very well.

A [New York Times](#) article about the study said about one-third of the tax cuts went to the top 1 percent of households (those making an average of about \$1.2 million per year), with each receiving on average \$78,460 a year. And about two-thirds of the benefits went to the top fifth of households making an average income of more than \$200,000. This is in stark contrast with those in the middle fifth, with incomes averaging \$51,500, who received an average of \$1,090 a year -- about 1/70th the amount given the top 1 percent.

In addition, the richest 1 percent are paying a lower share of federal taxes in 2004 than in 2000, while those in the middle are paying a greater share. Moreover, these estimates likely understate the true tax cut at the top, since the CBO report did not include changes to the estate tax law -- which only affects millionaires.

Contrary to the administration's claims, not everyone is getting a tax cut. For millions of low-income taxpayers who pay only a payroll tax, there is no tax reduction.

Besides, for 2004, the Bush Administration is projecting a deficit of \$445 billion. With a U.S. population of about 294 billion, that translates to about \$1,500 per person. So the average household comes out significantly behind.

Finally, a host of other tax changes, particularly at the state level, were necessitated in part by the policy changes at the federal level. This has meant additional taxes, fees, tuition payments, and program cuts in other areas of government.

Given all of this, it should be no surprise that a [recent poll](#) found that a large majority, 71 percent of Americans, say they did not receive a tax cut, and a quarter of respondents said the administration made their taxes go up.

Recent Data Shows Decline in Nonprofit Employment, Earnings

On August 19, OMB Watch released a new report, "[Recent Trends in Nonprofit Employment and Earnings: 1990-2004](#)," which examines the recent history of employment and compensation trends in the nonprofit sector. It found that while growth in nonprofit employment continued during the 2001 recession and immediately after, it stalled over the past year, with significant declines in average hours worked, weekly earnings, and hourly wages. Data on individual states reflect this nationwide pattern.

According to government data, employment in the nonprofit sector has grown by only about 0.5 percent in the year ending July 2004 -- which is well below its average rate of 2.4 percent annual growth over the past 15 years. Average weekly earnings dropped significantly over the past year, indicating a weak labor market. This was due in part to declines in both hourly compensation and the average number of hours worked weekly, which had been stable through early 2003.

In the year ending June 2004, real (inflation-adjusted) weekly earnings fell by 5.2 percent. Also during this time period real hourly earnings fell by 3.9 percent.

The nonprofit sector of the economy is traditionally asked to help support the nation in times of economic weakness, and is currently expected to make up for reductions in publicly provided government services. The current data indicate that the sector is being asked to do more with less labor input.

Why does this matter?

The nonprofit sector is a large part of the economy, employing millions of people ([nearly 11 million in 1998 according to Independent Sector](#)) and supporting the volunteering efforts millions more. A downturn in this important sector is harmful for the overall economy.

Nonprofit organizations are also asked to perform a wide variety of public services, such as sheltering the homeless, providing support for the elderly, protecting the environment, promoting children's welfare, building parks, promoting the arts, and so on. A downturn in this area has consequences that extend far beyond the nonprofit organizations themselves.

Finally, cutbacks in government services as a result of Bush administration policies and state budget crises will place even more demands on the nonprofit sector, which is being asked to do more with fewer resources. While many organizations will be able to struggle to get by, the current situation cannot continue without seriously harming nonprofits, the issues they care about, and the people they serve.

Download [full report \(.pdf\)](#) Download [press release \(.pdf\)](#)

Watch for August 26 Release of Poverty, Income Statistics

This week, the [U.S. Census Bureau](#) will release its latest statistics on income, poverty and health insurance coverage, a month earlier than usual. It will show the 2003 poverty rate, household income information, and the percentage of Americans who are uninsured using the Census Bureau's "Current Population Survey" (CPS).

For the first time, the Census Bureau is combining the CPS national data with data from the "American Community Survey" (ACS), which measures a broad range of socio-economic indicators including income, poverty, education, transportation, housing, and labor force status. The ACS covers states, counties, and cities of 250,000 or more. Last year the reports were issued separately, but this joint release will provide a wealth of important information about the state of the nation, including states and some cities, which is especially useful as the election approaches.

The Census Bureau will hold a press conference at 10 a.m. EDT on August 26. To view the webcast (and access the reports), visit the [Census Bureau's homepage](#) and click on the income, poverty and health insurance icon in the top left corner.

A number of organizations are planning communications efforts to highlight "Poverty Day" August 26, including the [Coalition on Human Needs](#), [Connect for Kids](#), and [Voices for America's Children](#). The [Center on Budget and Policy Priorities](#) and the [Economic Policy Institute](#) will be doing quick analyses of the data released that day. State-based groups, including the [Economic Analysis and Research Network \(EARN\)](#) and [State Fiscal Analysis Initiative \(SFAI\)](#), are also engaged in this effort to put a face on the statistics. The data will show:

- How much the slow recovery has hurt families and children
- How high child poverty rates are among working families
- Where are the "winners" and "losers" in this economy
- Whether families are better off than they were in 2000
- Whether some families are sinking deeper into poverty.

The focus will be on Arizona, California, the District of Columbia, Florida, Illinois, Michigan, New Mexico, Ohio, Pennsylvania, Texas and Washington. For information on work being done in those states, contact [Debbie Weinstein](#) at the Coalition on Human Needs.

On September 4, the nation's largest anti-poverty organization -- the Community Action Partnership -- also intends to focus the national spotlight on issues facing low-income Americans. The Partnership and its 1,000-member network of Community Action Agencies plan a "[No Room for Poverty](#)" National Rally in Washington, D.C. Thousands will gather on the Ellipse to urge Americans to work together to eradicate the causes of poverty and call on the Bush Administration to

convene a White House Conference on American Poverty.

Right-To-Know Resource Center Gives News Context

The [Right-To-Know Resource Center](#) provides critical resources on news of the day. Geared for reporters and other advocates who need background information on a timely issue, the Resource Center provides the context for understanding current events.

For example, a recent *Washington Post* story focused on the long reach of a short law, the Data Quality Act, which allows the public (including corporations) to challenge the data underlying government rules. The Resource Center has background on the law and how the private sector uses it, along with recent reports by OMB Watch.

In addition, whistleblower protections are now moving through Congress and may be sent to the president's desk. The Resource Center provides background and key links to existing whistleblower laws and groups, such as the Government Accountability Project, that work on the issue. See **Policy** section.

Other resources:

- Advocacy ideas and model strategic plans can help experienced advocates quickly map out a campaign and help emerging advocates hone their craft. See **Strategy** section.
- Registration for updates from journalists, national security experts and others on current developments of secrecy and openness, in **Connect**.
- Pointers to key government data on health, consumer safety, and environmental protection in **Library**.

The Resource Center, coordinated by OMB Watch, is part of [OpenTheGovernment.org](#), a coalition for less secrecy and more democracy co-chaired by OMB Watch and the National Security Archive.

Secrecy Law Raised in Albany Terrorism Case

The U.S. attorney's office invoked the rarely used [Classified Information Procedures Act \(CIPA\)](#) to limit the amount of information disclosed in a case against two men arrested in Albany, N.Y. This comes on the same day [media sources](#) revealed that the document the FBI used to link one of the men to terrorists was incorrectly translated.

The CIPA is a procedural statute designed to protect against the unauthorized disclosure of classified information during a court case. It applies to information used by both the prosecution and defense. It is mostly used in cases involving alleged terrorists, spies, or others the military charges with crimes.

In the Albany case, the prosecution invoked the CIPA to hide information that would be released in advance of the trial. If allowed, CIPA would prohibit the defense from seeing the material and preparing a response. The suspects, Yassin M. Aref and Mohammed Mosharref Hossain, were arrested on charges of money laundering, providing material support to a foreign terrorist organization, importing firearms without a license, and conspiracy. The FBI began a sting operation after Hossain sought to borrow money from an FBI informant. The informant then invited Hossain to participate in a money-laundering plot based on the sale of a missile launcher to be used in a terrorist attack. Aref became involved when Hossain asked him to serve as a witness.

The FBI started investigating the two men after a notebook recovered from Iraq contained Aref's name and telephone number. The notebook was recovered from what authorities believe was a terrorist camp or insurgent hideout. The FBI mistranslated a word appearing before Aref's name, believing it said "commander" instead of "brother." Prosecutors relied on the "commander" translation, implying it meant that the men were dangerous and should be denied bail.

Aref's attorney, Terence Kindlon, cited the irony of invoking CIPA at this point in the process. "They had three press conferences announcing the arrest, one in Washington, D.C., and two in Albany. They put out all this prejudicial damaging information, much of which turns out to be based upon demonstrably false information, and now they want to shut everything down so we can't respond."

Hossain's attorney announced he would file a motion seeking the entire notebook that contains Aref's name so that all the information can be reviewed and any inaccuracies in affidavits or documents could be discovered.

The government has misused secrecy in past court cases. [Recently declassified documents reveal](#) that in a landmark case the government was not withholding information to protect national security but to cover up government mistakes. *United States v. Reynolds* established the government state secret privilege. After a 1948 Air Force plane crash killed several people, some relatives sought additional information on the crash. The government argued all the way to the Supreme Court that the accident reports could not be released, even to the court justices, for national security reasons. However the unsealed documents now reveal that the accident resulted from poor maintenance and inadequate training. The accident reports contained no security secrets. The case serves as a sobering reminder that the courts must carefully limit the government's use of secrecy.

Coalition Files FOIA Suit Against Homeland Security

A [coalition of Illinois organizations](#) filed a lawsuit under the [Freedom of Information Act \(FOIA\)](#) Aug. 17 against the [Department of Homeland Security](#) to obtain information about discriminatory activities post 9/11. DHS never responded to the original FOIA request.

The organizations filing the suit work closely on civil liberties and immigrant rights: [American Civil Liberties Union of Illinois](#), the [Illinois Coalition for Immigrant and Refugee Rights](#), the Midwest Immigrant and Human Rights Center, and the [Muslim Civil Rights Center](#).

The organizations requested information on the number and nationality of those detained or deported by the federal government in Illinois, and more specifically, under Operation Tarmac, Operation Chicagoland Skies, Operation Landmark, and Operation Liberty Shield. Additionally, the groups asked for information about those detained under Section 412 of the USA Patriot Act. The groups hope that obtaining this basic information about government activities will help them and their clients understand the scope and impact of post-9/11 security measures on immigrants in Illinois.

The original FOIA request was submitted to two bureaus within DHS in September 2003. Under the law, federal agencies must respond to FOIA requests within 20 business days. Backlogs of FOIA requests are common at other agencies, and as such, requestors often get a response indicating that agency will require additional time to properly reply. DHS never sent any response to the Illinois groups' request. In its first years in existence DHS has already come under intense criticism for being overly secretive and unresponsive. Several FOIA lawsuits and other secrecy challenges have already been filed against the agency. DHS also extends its penchant for secrecy into the courtroom, using the unconventional tactic of filing classified evidence which neither the public nor the plaintiffs are permitted to see.

Justice Punishes Employees Who Cooperate with Congress

Senator Charles Grassley (R-IA), has written several stern letters to Attorney General John Ashcroft accusing the Justice Department of punishing employees that have cooperated with Congress.

Grassley believes the Justice Department has taken hostile actions and reprisals against Assistant U.S. Attorney Richard Convertino and his colleagues in Detroit because Convertino testified before Congress and has raised objections about the Justice Department. The Detroit prosecutors successfully convicted three men of operating a terrorist cell in Detroit but apparently had serious disagreements during the trial with Justice officials in Washington. After the trial Convertino accused the Justice Department of not providing sufficient support for the prosecution and hindering the case by limiting the attorney's use of strong evidence.

Last fall the Senate Finance Committee, chaired by Grassley, asked Convertino to testify about terror financing schemes. When the department learned that Convertino was subpoenaed to testify, it initiated an internal investigation of Convertino and his colleagues, apparently fearful of what might be disclosed concerning the trial troubles. Grassley views the investigation as retaliation against the attorneys and has insisted that they "be made whole and not suffer reprisals."

This is hardly the first time that Bush administration, and the Justice Department in particular, has come under fire for trying to limit and control what information Congress receives. In June, [Ashcroft repeatedly refused requests from members of the Senate Judiciary Committee](#) to produce a copy of the recently leaked Justice Department memo that explored the legal justifications for torture. In March 2003, [the department issued a directive](#) instructing employees to inform the Office of Legislative Affairs before all potential communications with Congress, and mandated that liaison officials accompany employees to Congressional briefings. Grassley called the directive "an attempt to muzzle whistleblowers."

Lawmakers Attack Science of Endangered Species Act

Conservative lawmakers are using peer review and data quality language to obscure what amounts to an attack on the Endangered Species Act. Two new bills would require the Fish and Wildlife Service to establish minimum criteria for scientific studies used as the basis for listing species, and to conduct restrictive independent peer reviews on all data used.

Identical bills entitled "The Sound Science for Endangered Species Act Planning Act of 2004" have been introduced in the House ([H.R.1662](#)) and Senate ([S. 2009](#)). These data quality and peer review provisions would create extra layers of review to delay the listing of species. The Fish and Wildlife Service already has a backlog of 451 listed species awaiting critical habitat designations and 1,021 listed species without any recovery plans.

One provision would require the promulgation of criteria that scientific studies must meet in order for the agency to use them. This provision amounts to an individualized Data Quality Act for the Endangered Species Act. The Data Quality Act has received a great deal of criticism for providing industry with the opportunity to delay and weaken information used for regulations.

Another provision would require that "greater weight" be given to independently peer-reviewed science. This provision also mimics OMB's Peer Review bulletin, which was roundly denounced by the scientific community as an effort to manipulate and minimize scientific evidence.

House Resources Chairman Richard Pombo (R-CA), who has endeavored to reform the Endangered Species Act since being elected, has steadily pressed the attack on endangered species science. In July, the House Resources Committee passed the "Sound Science" legislation, sponsored by Rep. Greg Walden (R-OR), on a 26-15 vote. While Sen. Gordon Smith (R-OR) has introduced the legislation in the Senate, the bill currently has no co-sponsors in the Senate, and faces much

tougher opposition there.

Officials Seek Exemptions to Arkansas Access Law

City of Fort Smith officials are seeking to change Arkansas' state Freedom of Information Act (FOIA) after they were caught violating the law by having secret discussions about a real estate purchase.

The city administrator privately polled Fort Smith's Board of Directors via telephone to get approval to bid on real estate being publicly auctioned. City officials contend that if the matter had been discussed publicly, the city would have paid more as knowledge of their top price would have driven up bids. Therefore, the secrecy served the taxpayers' interest.

A private citizen, upset with the secret discussions, filed a lawsuit against the city claiming that the calls violated public meeting provisions in the Arkansas FOIA law, which does not allow public boards, officials or commissions to meet privately for any reason. A lower circuit court dismissed the case but the Arkansas Court of Appeals reversed the decision and upheld the citizen's claims that the calls were illegal. The City of Fort Smith officials are appealing the case to the Arkansas Supreme Court, which could rule this fall.

The case also moved FOI legislation to the top of the Fort Smith's legislative agenda. Officials are working now to build legislative support for exempting secret meetings of city councils when negotiating property purchases, litigation and labor relations -- some other state FOIA laws do exempt these types of meetings from disclosure. Information access advocates assert that weakening the FOIA would encourage further abuse by officials, who already disregard the law too often. Those opposing the changes have also raised concerns that efforts may invite wholesale gutting of the law.

FEC Adopts Rule to Control 527 Political Groups

On August 19, the Federal Election Commission (FEC) adopted a new rule to control nonparty political organizations by making it more difficult for certain independent organizations -- known as 527 groups -- to raise and spend donations in the 2006 election.

The rule will affect some organizations that currently claim exemption from FEC rules. The Bipartisan Campaign Reform Act (BCRA) placed new limits on political parties. Independent organizations such as the Media Fund and America Coming Together have been set up in response. Under this latest FEC ruling, if an organization solicits contributions based on an appeal to support specific federal candidates, the group becomes subject to FEC regulations.

The new rule is less far-reaching than those discussed earlier this year, when the commission considered broad restrictions not only on 527 committees, but also charities, trade associations, labor unions, social welfare groups and other nonprofit organizations operating under Section 501(c) of the tax code.

Instead, the new regulation focuses more directly on 527 committees, while allowing most major other nonprofits to escape heavy regulation if political work is only a part of their activities. Adopted on a 4-2 vote, the new regulation will take effect January 1, 2005 and will not affect current fundraising by 527 organizations.

Specifically, the regulation involves fundraising solicitations. If a plea to a prospective donor "indicates that any portion of the funds will be used to support or oppose a federal candidate," then the maximum that can be contributed is limited to \$5,000.00 and cannot come from corporations or unions. This could harm the success of the fundraising of these organizations, which have received individual donations of millions of dollars.

In Addition, the 527 groups will be required to pay for at least 50 percent of their expenses, including salaries, rent and other overhead, with hard money.

The future of 527 organizations remains unclear. Campaign finance reform advocates allege that 527 groups will be able to evade the new regulations simply by tailoring their solicitations to talk about policy as well as election prospects. However, with increased FEC scrutiny, it is uncertain whether these nonparty groups will be able to adjust fundraising and spending practices to accommodate the new guidelines successfully.

Bush Pushes Faith-Based Initiative Without New Authority

The absence of new legislative authority has not deterred the Bush administration from using its executive powers to widely implement its Faith-Based Initiative throughout the federal government. That is the finding of [a new report](#) by the Roundtable on Religion and Social Welfare Policy documents.

Among the report's findings:

- President Bush has aggressively advanced his Faith-Based Initiative through executive orders, rule changes, and managerial realignment in federal agencies.
- He has overseen the creation of a high-profile special office in the White House on Faith-Based and Community Initiatives, which has connections in ten government agencies, each with a director and staff, to advance the efforts to win more financial support for faith-based social services.
- These federal agencies have proposed or created a host of new regulations that mark a major change in the doctrine of separation of church and state.
- Increased uncertainty about the full extent of federal funding about faith-based social services.

Regulatory News Briefs

- [GAO Report Finds OSHA Underuses Audit System](#)
- [Bush Policies Leave Wetlands Open for Development](#)
- [Superfund Super Broke?](#)

GAO Report Finds OSHA Underuses Audit System

A recent [GAO report](#) found that OSHA is underusing its audit system, thereby missing opportunities to address serious worker safety and health violations. The report reviewed 2002 and 2003 regional audits from the five OSHA regions conducting the most inspections. The report found that four out of the five regions studied failed to meet OSHA's requirements for annual and biannual audits. Furthermore, OSHA's average penalty fell far below the proposed average penalty. The lax use of audits by OSHA offices may have allowed significant problems to continue unaddressed.

Bush Policies Leave Wetlands Open for Development

In 2001, the Supreme Court ruled that federal law does not protect isolated wetlands -- those that do not cross state boundaries and are not navigable -- to the same extent as other wetlands. According to [a report](#) released by several environmental groups, the Bush administration has interpreted this decision in such a way that thousands of acres of wetlands have been drained by developers over the past year. EPA and the U.S. Army Corps of Engineers said last year that they could only protect wetlands connected to interstate commerce. The strict interpretation of the court ruling has left once protected wetlands open to development, such as those on the northwest shoreline of Galveston Bay. Once deemed to be of "national significance" by the Fish and Wildlife Service, the 120-acre stretch of wetland is now turning into a shipping-container terminal by the Port of Houston Authority. The Corps of Engineers ruled that only 19.7 of the 120 acres are protected from development.

Superfund Super Broke?

Alarmed by Inspector General reports revealing shortfalls in the Superfund clean-up budget for the last two years and indications from EPA staff that the shortfalls will continue for a third consecutive year, Reps. John Dingell and Hilda Solis [sent a letter](#) to the EPA demanding more information. Citing information from EPA's own staff, Dingell and Solis identified 46 sites in 27 states that will receive inadequate funding, if any, for Superfund clean-ups.

Snowmobiles Allowed in Yellowstone Despite Court Loss

The National Park Service (NPS) has announced that it will allow up to 720 snowmobiles per day in Yellowstone, beginning this coming winter, while it works on a final rule on that matter.

Despite a January [federal court ruling](#) rebuking the administration's efforts to reinstate the use of snowmobiles in Yellowstone National Park, NPS announced August 19 a plan that would allow snowmobile access to Yellowstone for up to three years while it drafts a new rule setting standards for snowmobile use.

Just six days before snowmobile season started last year, the Bush administration issued a rule reinstating the use of snowmobiles, which was scheduled for phase-out under a Clinton-era regulation. The judge shot down Bush's plan and ordered a new plan by November of this year. However, a U.S. District judge in Wyoming issued a temporary injunction banning the Clinton regulation, citing the economic impact on local businesses.

NPS has released an [environmental assessment](#) of the snowmobile use in Yellowstone and other national parks. After a thirty-day [comment period](#), NPS will issue a proposed rule implementing the temporary rule.

Bush Contributor to Benefit from Weaker Hazardous Waste Rule

A top Bush campaign contributor could benefit from an EPA decision to weaken a Clinton-era proposal to restrict handling of certain hazardous wastes.

The rule, originally proposed under Clinton, would have enforced stringent handling restrictions on factory shop towels contaminated with solvents that can harm the health of workers. However, during the Bush administration, industry advocates were allowed to view an advanced copy of the regulation and propose changes, which were then adopted by the EPA, according to the [Washington Post](#).

Industrial-laundry companies stand to benefit from the weakened rule, including Cintas Inc., owned by Bush campaign contributor Richard T. Farmer. Farmer and his wife have given \$3.1 million to the Bush campaign.

Sen. Hillary Rodham Clinton (D-NY), Sen. Barbara Boxer (D-CA), Rep. Rosa L. DeLauro (D-CT) and Rep. Henry A. Waxman (D-CA) have sent [a letter to EPA](#), requesting an investigation. EPA denies that any favoritism took place in drafting the rule.

Exposure of industrial laundry workers to hazardous waste from factory shop towels can have serious health ramifications. Mark Fragola, a former employee of Cintas, suffered significant health complications after long-term exposure to

hazardous solvents on shop towels. Fragola spoke at a March 9 [EPA public hearing](#) on the rule.

Kennedy Calls for OSHA Accountability in Letter to Chao

Senator Edward Kennedy, Ranking Member of the Senate Health, Education, Labor and Pensions Committee, sent [a letter](#) to Department of Labor Secretary Elaine Chao on August 18 expressing his concern over the lack of "development and enforcement of health and safety regulation."

"Despite the demonstrated need for worker protections, the Occupational Safety and Health Administration and the Mine Safety and Health Administration have abandoned dozens of proposed safeguards," Kennedy wrote. "I'm concerned that the Department is doing too little to meet the challenge of keeping American workers as safe as possible." Kennedy asked the Department to send him information on rules withdrawn from OSHA and MSHA's rulemaking agendas, along with "specific timetables for action on all pending health and safety rules being developed" by those agencies.

Kennedy's letter follows the Department of Labor's issuance on June 28 of its semiannual regulatory agenda. As of the time of the agenda, OSHA had only promulgated nine rules under the Bush administration. Out of those, only one was economically significant. During the same time period, OSHA has withdrawn 24 rules, nine of which were economically significant, including a rule to protect against [employer payment of personal protective equipment](#), have been repeatedly delayed.

White House Overrides Forest Service, Allows Gas Project

White House officials have overridden a decision by the U.S. Forest Service to deny a Texas energy company's request to explore for natural gas in a national forest, according to correspondence uncovered by the *Los Angeles Times*.

Although the Forest Service originally denied the request by El Paso Corp. two years ago, the agency made an about-face earlier this month and laid the groundwork for a future approval of the company's request to drill in the Carson National Forest, a section of New Mexico's Valle Vidal adjacent to the nation's largest Boy Scout camp.

According to the *Times* [exposé](#), the Forest Service was prompted to change its position by Robert Middleton, director of a White House energy task force, after Middleton had met with representatives of El Paso Corp.

The Forest Service had previously rejected efforts to drill in the land because of concerns about water pollution and consequences for wildlife in the forest.

Now, according to the *Times*, the Forest Service has issued a report recognizing the probability of finding gas in the forest and envisioning 500 possible wells. This report is a precursor to eventually granting the request from El Paso Corp.

The move is now angering not only Forest Service staffers but also New Mexico officials and Boy Scout campers and staff members.

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