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No Budget is Better than the Senate Budget

The budget resolution approved last week by the Senate Budget Committee has nothing good to recommend. It will hand more tax breaks to the extremely wealthy while slashing assistance to low-income working families and children. Funds for education, housing, the environment and a host of other services that benefit ordinary Americans will also be cut. Ironically, in spite of all these cuts, the committee's resolution will increase -- not reduce -- the deficit.

This budget resolution, which will be up for debate on the Senate floor this week, will:

- Slash domestic appropriations for almost everything government does outside of entitlements, homeland security and military funding. Only funds for space exploration and Homeland Security will be significantly increased. These cuts will really balloon in 2006, but appear to be less severe during the 2005 election year.
- Cut billions from "entitlement" spending targeting Medicaid and Earned Income Tax Credit (EITC) programs that primarily benefits low-income children and families.

- Accelerate the repeal of the estate tax for one year, a windfall for those who have estates valued at over $3.5 million, and extend for five years the temporary tax cuts for capital gains and dividend rates.

While the budget for fiscal year 2005 is bad, the next five years covered by the budget resolution will get much worse. If this five year budget is adopted, funding for domestic appropriations programs outside of homeland security would be cut a total of $113 billion over five years according to an estimate by the Center on Budget and Policy Priorities.

Some of the main provisions from the Senate Budget Committee's proposed budget resolution are:

- Budget caps for fiscal years 2005 and 2006. The $814 billion cap for 2005 is $9 billion lower than the president's request, and will cut or freeze most domestic appropriations at FY 2004 levels of spending. Since the caps will cover both domestic and military spending, increases in military spending will crunch domestic spending even more. Budget caps cannot be exceeded without 60 votes in the Senate.
- Required reductions in "mandatory" or "entitlement" spending. Proposed cuts include a $3 billion reduction in the EITC for low-income working families. Possibilities include eliminating the EITC for working families without children; raising taxes for 3.1 million low-income taxpayers; or delaying refunds to eligible families for up to a year. Other cuts that are on the table include an $11 billion reduction in Medicaid, paying no regard to the forty-three million Americans who are already without health insurance. These cuts will increase the number of the uninsured, and swell state fiscal crises because it will cause a decrease in the federal share of Medicaid costs.
- Tax cuts in the amount of $80.6 billion that are exempt from Senate filibuster or 60-vote requirements. These cuts are intended to extend for five years past their 2005 expiration date, and include: the marriage "penalty," the child credit, and the 10 percent tax bracket. Lest multimillionaires with over $3.5 million in assets feel left out of these "middle-income" tax cuts, the 2010 repeal of the estate tax will be accelerated to 2009. In actuality, the $80.6 billion worth of tax cuts only specifies the total amount of cuts that are protected from dissent, leaving the possibility of even more tax cuts for the wealthy.
- Tax cuts that are subject to Senate filibuster and a 60-vote requirement include another temporary one-year fix to the Alternative Minimum Tax, and a five-year extension of the cuts in capital gains and dividend rates. The total amount, including the protected $80.6 billion, set aside for taxes in the budget is $164 billion over 5 years, minus the$20 billion in offsets that the Senate must find.
- Continuation of the Senate pay-go rules that require an offset for entitlement spending increases or tax cuts. The catch is that these rules only apply to spending or tax cuts not included in this year's resolution. For example, the estate tax repeal acceleration does not have to be paid for by an offset.

The effort to balance the budget by cutting spending for the kind of priorities ordinary Americans value -- education for their kids, clean water and air, and the opportunities for every American to succeed -- while simultaneously insuring that the Bush tax cuts are made permanent (at a cost of $2 trillion over the next ten years) means that the deficit will continue to rise. The cuts that will negatively affect millions of middle-income and low-income Americans will only partially offset the cost of the tax cuts, not reduce the deficit. In anticipation of continued deficits, the budget also includes an increase in the national debt ceiling from $7.4 trillion to $8 trillion. Coincidently, this ensures a level debt limit for the year, with no significant raise, as we get closer to Election Day.

The budget will be debated on the Senate floor during the week of March 8. The House Budget Committee is expected to markup its budget on March 10, with floor debate during the week of March 15. The House budget is widely expected to have even more draconian cuts than the Senate budget. In order to have a binding budget, the Senate and House versions must be reconciled and the final version approved by both chambers.

OMB Watch Makes Available Detailed Budget Data

Over the past two weeks, OMB Watch has posted detailed breakdowns of budgetary data.

The 2005 Budget submitted by the president in February contained only partial information for spending over the next 5 years. The Center on Budget and Policy Priorities has obtained and provided to us more detailed, account level data from the Office of Management and Budget (2005-2009) and from the Congressional Budget Office (2005-2014). The OMB data has been on our site for weeks; the CBO data is new.

For more details or to download the data, see:

- CBO Account-level Data on Government Spending, 2005-2014
- OMB Account-level Data on Government Spending, 2005-2009

Bad Budget Rule Changes Could Still be Proposed

The Senate budget being debated this week includes only a two-year cap on appropriations, and continues Senate pay-go rules that apply to both entitlement increases and tax cuts. However, concern over other changes in budget rules remains.

Budget rules that could radically cut spending for years while making it easier to pass tax cuts may still be proposed as an amendment to the Senate budget. The rule could also be included in the House budget as an amendment to the conference report, or passed as separate piece of legislation all on its own. A particularly egregious example is (HR 3358) introduced by Rep. Hensarling (R-TX), titled "The Family Budget Protection Act of 2003" -- quite a misnomer.

Following are a few quick points about some potential budget process rule changes that could be harmful:

- Discretionary caps set limits on the yearly amount of discretionary (or appropriations) spending. Caps have been useful in the past in reducing the deficit, however, there are some important caveats. Discretionary spending did not cause the deficit, and it should not be the sole target of efforts to reduce it. Caps should only be included as one part of an over-all deficit reduction plan, which involves shared sacrifice, i.e., tax cuts for millionaires should also be on the cutting table. Second, caps should be set at reasonable levels that protect important appropriations and allow a rational appropriations process, rather than hidden gimmicks. Many experts also agree that there should be some protection of domestic appropriations from increases in military appropriations (especially when these costs are increasing so much), like a firewall that prohibits using domestic appropriations to make up for shortfalls in military spending. Finally, it is important not to set budget caps for too far ahead, since circumstances change rapidly.
- Pay-as-you-go rules require that spending increases in entitlement programs or the reduction of revenue through tax cuts must be offset by cutting entitlement spending or raising additional tax revenue. Pay-go has also been a useful way to reduce the deficit in the past, but any pay-go mechanism must apply equally to both taxes and entitlements. The administration proposed a modified pay-go, which would only require offsets for increases in entitlement spending while exempting tax cuts from the offset provision. The president's proposal would also not allow for increases in entitlement spending to be paid for by increases in tax revenue, for instance, closing corporate loopholes. This would make it harder to increase entitlement spending and easier to pass tax cuts.
- The president also proposed changes in the Congressional Budget Office "baseline." The baseline is a projection of the future costs based on current spending levels against which the cost of new programs or tax cuts is measured and "scored." The president proposed that CBO not adjust the baseline for inflation, and to include the 2001 and 2003 tax cuts as if they were permanent. These changes are primarily designed to hide reductions in spending and to make the cost of tax cuts appear to be zero.

A number of other changes have been proposed. Some of these include making the budget resolution an actual law (changing it from a concurrent to a joint resolution) signed by the president; who would be allow to use a

line-item veto. Both of these changes would vest more power in the executive branch. Another proposal is for an automatic continuing resolution, which would only go into effect when appropriations are not passed by the beginning of the new fiscal year. As we have seen in the past two years, Congress is required to pass continuing resolutions -- as many as it takes -- for uncompleted appropriations. Most continuing resolutions set the spending level at last year's spending. With an automatic continuing resolution, Congress would not be required to pass yearly appropriations and funding for appropriations would not grow past the prior year's level. Finally, there have been proposals to change from an annual budget to a biennial budget and to require stricter rules on emergency spending.

Concern over budget deficits and the rising national debt bring issues of the budget process to the forefront. Budget process rules can help to reduce the deficit, but they can also be used as tools to accomplish ideological goals, like facilitating more and more tax cuts to ensure the radical reduction of government. For more information about some of these proposed rules changes, see federal budget analyses by the Center on Budget and Policy Priorities.

Economy and Jobs Watch: Labor Market Still Struggling

The Bureau of Labor Statistics (BLS) announced last week that employment grew by only 21,000 jobs in February, and the unemployment rate remained unchanged at 5.6 percent.

The jobs data was well below most forecasts, and is well below the level needed to absorb a growing population, or to strengthen the labor market.

The report also shows that there were 21,000 net new jobs in federal, state and local government (Table B.1) – thus the private sector, on net, added no new jobs.

Of further concern is that the household survey is showing that the civilian labor force decreased for the third month in a row -- by 392,000 just in February. This is one possible indication that a greater number of people giving up on finding a job in this weak labor market.

Economic forecasts of the administration have continued to predict over 300,000 net new jobs per month; and yet again, the forecast have fallen well short of their mark.

DOJ Explains CII's Impact on FOIA

The Department of Justice (DOJ) released a memo explaining the impacts of a new Critical Infrastructure Information (CII) rule on the implementation of the Freedom of Information Act (FOIA) throughout the federal government. The rule DOJ refers to was an interim final rule published by the Department of Homeland Security (DHS), which restricts public disclosure and government action on voluntarily submitted information about infrastructure vulnerabilities and problems.

The memo informs FOIA officers in all federal agencies that the CII program establishes a new exemption category under FOIA for withholding the information. The memo also explains that the exemption only applies to information held by DHS since the interim final rule restricted the program to information submitted directly to DHS. The memo does note that the program may expand beyond direct submissions and that "such a development could be expected to have an impact upon the daily processes of FOIA administration at many agencies."

The memo also discusses the CII provisions that prevent industry submitters from hiding important safety information inside the security program. The Justice Department notes that when agencies independently obtain information that falls within the definition of CII as part of their everyday regulatory processes, the restrictions of the CII program do not apply. The memo also states that if a company were to submit information to DHS under the CII program that was identical to information required by another agency, the protection of the DHS

submission would in no way extend to the other submission. The department asserts, “that any information can be submitted to multiple federal agencies on entirely different tracks.”

Interestingly, the FOIA memo also briefly addresses another information policy being developed by DHS – Sensitive Homeland Security Information (SHSI). The memo noted that in a Feb. 20 DHS report to Congress on CII, the agency also discussed the ongoing development of a SHSI policy and procedures for handling the information. The Justice memo claims that the unfinalized policy “will not directly impact the government wide administration of the FOIA.” Justice asserts that the policy “will involve no additional authority for protecting information from public disclosure,” even though “it certainly holds the potential of significantly altering the landscape for the safeguarding of federal information.”

Regardless of Justice’s predictions within the FOIA memo, only the implementation of the CII and SHSI programs will reveal the impacts of these policies on the public’s right-to-know.

FERC Claims CEII Not A Problem for Public Access

The Federal Energy Regulatory Commission (FERC) quietly issued a Feb. 12 notice soliciting public comments on the functions and procedures of the agency’s new restrictive information rule, Critical Energy Infrastructure Information (CEII).

FERC issued two rules on CEII, a main rule and a short companion rule. The agency implemented the CEII policy shortly after the terrorist attacks in 2001; a rulemaking followed to formalize the program. While public interest groups raised numerous objections to the CEII policy during the rulemaking procedures, FERC made very few substantive changes in response. Instead, FERC claimed that the complaints “reflect a fundamental misunderstanding of this rulemaking.”

FERC asserts that the CEII rules represent the “Commission’s best efforts to achieve a delicate balance between the due process rights of interested persons to participate fully in its proceedings and its responsibility to protect public safety by ensuring that access to CEII does not facilitate acts of terrorism.” The agency makes no mention of trying to balance the public’s right-to-know against security concerns.

According to searches on FERC’s online records system, eLibrary, this “delicate balance” classifies over 91,000 documents as non-public under CEII. Among the documents classified are Environmental Assessments, Environmental Impact Statements, Emergency Action Plans, and Compliance Reports.

FERC asserts that all participants in the commission proceeding could get access to documents in order for them to participate meaningfully in the proceeding. However, the agency does not define “participate meaningfully,” nor does it claim that no participant was ever denied requested information. Similarly, FERC also makes a qualified assertion that no member of the public with a demonstrated need for a document containing CEII has complained. Therefore, FERC may have received complaints from the public that it writes off as having no need for the information just as they wrote off public interest group complaints on the rule as fundamental misunderstandings.

FERC claims that as of Jan. 23 the agency had received 126 official requests for CEII and had granted or otherwise closed out 119 of these requests. However, it is unclear how many parties unofficially inquired and then stopped searching when notified that the information was non-public. FERC does not even attempt to quantify how many might have attempted to access some of the 91,000 plus CEII documents listed online and declined to make a formal request.

FERC is accepting comments on the implementation and procedures associated with CEII through March 12.

FEC Begins Rulemaking on Scope of Regulation

On March 4, the Federal Election Commission (FEC) approved issuance of a proposal that would establish a new threshold for when an organization becomes a regulated political committee, subject to fundraising and spending rules under the Federal Election Campaign Act. Several Commissioners and the General Counsel made it clear that they do not necessarily recommend the proposal, but feel it represents important issues that need public comment. The effect of the rule would be to greatly expand the scope of regulation, possibly reaching groups that are exempt under 501(c)(3) and 501(c)(4) of the tax code. The proposal contains several alternatives and a host of questions for comment.

Under current law a group is considered a "political committee" subject to federal regulation if it has $1,000 or more in "contributions" and "expenditures" in a calendar year. The definitions of what constitutes "contributions" and "expenditures" are crucial in determining what groups must register with the FEC and operate under its regulations. Current rules define "expenditure" as direct donations to candidates, parties or campaigns, or communications that have "magic words" that directly urge voters to support or oppose candidates. This has been known as the "express advocacy" test. The Supreme Court's decision in McConnell v. FEC said the Constitution does not require that regulation of federal elections be limited to express advocacy communications. (For more on the decision see the December 15, 2003 OMB Watcher article. The FEC rulemaking is an attempt to clarify the law in this new legal environment, and determine if the definition of "expenditure" should be broadened accordingly. The general approach in the proposed rule is to extend regulation to any groups whose major purpose is to influence federal elections and spends more than $1,000 within 120 days of an election on voter registration, contacting voters to assist them in getting to the polls or voting absentee, and issue ads that promote, support, attack or oppose named federal candidates. No magic words would be required. Alternative definitions of "major purpose" would all apply to the current calendar year or any one of the four previous years. The alternatives are:

- a statement of purpose and spending more than $10,000 on get out the vote or candidate ads; or
- making more than half of annual disbursements for get out the vote activities or electioneering communications (broadcasts naming a federal candidate within 60 days of a general election or 30 days of a primary election); or
- making more than $50,000 in get-out-the-vote or electioneering communications.

The Commission asks for comment on whether it should use "a" major purpose or "the" major purpose as the measure for when a group becomes regulated. Although the explanation portion of the 108 page proposed rule says it is not intended to apply to organizations exempt under section 501(c) of the tax code, the language of the proposed rule itself does not have this limit. The rule also fails to define what constitutes "promoting, supporting, attacking or opposing" a federal candidate, leaving the door open to regulation of nonpartisan lobbying communications. Comments on the proposed rule are due at the FEC on April 5 for organizations that wish to testify at the public hearings, which will be held April 14 and 15. All other comments are due April 9.

In preparation for this rulemaking, the Alliance for Justice, Charity Lobbying in the Public Interest, the National Council of Nonprofit Associations, the National Committee for Responsive Philanthropy and OMB Watch developed four principles that we believe must be incorporated into any rule the FEC adopts. The principles are available at www.nonprofitadvocacy.org

You can also get more in depth information by calling into one of two conference call Question and Answer Sessions on the following dates:

1. Wednesday March 10- 2 p.m. EST, Call into OMB Watch at 1/888-827-4950 Passcode 337595
2. Thursday March 11- 11 a.m. EST , Call into NCNA at 1/800-930-9525 Passcode 618956

FEC Defends "Issue Ad" Regulations in Federal Lawsuit

Briefs were filed in federal district court on Feb. 27 by Reps. Chris Shays (R-CT) and Martin Meehan (D-MA) and the Federal Election Commission (FEC) in a case challenging regulations implementing the Bipartisan Campaign Reform Act of 2002 (BCRA). At issue are regulations on soft money, defining illegal coordination between campaigns and outside groups and exemptions to the prohibition on broadcasts that mention federal candidates in the period before elections (called "electioneering communications" in BCRA.) The regulations approved by the FEC exempt unpaid broadcasts and groups operating under Section 501(c)(3) of the tax code from the electioneering communications ban.

Issue Broadcasts

Shays and Meehan, House sponsors of BCRA, challenged the electioneering communications regulation for creating "two dramatically overbroad exemptions that invite circumvention." But the FEC said the regulation prevents BCRA's "electioneering communications provisions from inadvertently stifling the ability of the nation's 900,000 26 U.S.C. 501(c)(3) organizations – which federal law already strictly bars from any partisan political activity -- to carry out their core charitable functions by disrupting or chilling their educational communications."

Shays and Meehan argue that the exemption for 501(c)(3) activities goes against the intent of Congress because it is a *per se* exemption, which is actually contrary to a floor statement by Shays during debate on BCRA. Shays said that, in giving the FEC authority to create exemptions for communications unrelated to elections, it was not his intent to allow *per se* exemptions. The FEC argues that the exemption is not *per se*, but only applies to groups "operating under 501(c)(3)," so that any charity that violates the tax law bar on participation in elections will not be covered by the exemption. The FEC also cites case law holding that floor statements of individual members of Congress, even sponsors of bills, are not controlling on the courts. Instead, courts must follow a rule of law giving deference to agency rules unless they are arbitrary and capricious.

The FEC brief noted that in the public hearings and comments during its rulemaking process "there was no evidence presented to the commission that electioneering by Section 501(c)(3) charitable organizations is a problem." The FEC also noted evidence that research shows the "vast majority of charities are acutely aware of the tax code's bar to their involvement in partisan politics." (Citing Strengthening Nonprofit Advocacy Project research by Tufts University and OMB Watch.)

The Shays and Meehan brief also cite a Shays floor statement claiming, "Some charities have run ads…opposing federal candidates." The brief cites one example of a grassroots lobbying radio ad it claims attacks former Senator Spence Abraham. The ad, sponsored by the Federation for American Immigration Reform, a 501(c)(3) organization, criticized Abraham's past position on immigration issues and urged the public to call him and ask him to change his position on pending legislation.

It is notable that nothing in the above example refers to an election, compares Abraham to his opponent, or otherwise implies a position on him as a candidate. Shays and Meehan's failure to distinguish between criticism of office holders for policies or actions taken in their official capacity, and attacks on them as candidates indicates an intent to bar legitimate lobbying activity during the election season. The brief goes on to cite recent IRS Revenue Ruling 2004-6, which lists factors to be used to distinguish lobbying activity from electioneering, as evidence that the IRS allows charities to engage in "sham" issue advocacy.

This lack of respect for the constitutional rights of nonprofits is deeply disturbing and indicates the extreme and draconian measures Shays and Meehan are willing to impose in an area where there is no evidence of wrongdoing.

Unpaid Broadcasts

The FEC's regulations define "electioneering communications" as those that are publicly distributed "for a fee." The regulation was adopted because BCRA sought to address the infusion of large amounts of soft money into attack ads during the period leading up to an election. The FEC found no justification for limiting broadcasts where no soft money is being spent. Their brief says, "To our knowledge, however, not one unpaid communication played any significant role in the legislative history leading up to BCRA's enactment, in the McConnell litigation, or in the FEC rulemaking regarding "electioneering communications." Rather…the evidence is overwhelming that the problem Congress identified involved paid advertisements."

Shays and Meehan assert that unpaid broadcasts, such as public service announcements, could be used to promote candidates. Their brief also asserts that soft money could be used to produce ads that are then aired for free by sympathetic broadcasters. The FEC's brief said it is unlikely broadcasters would forego significant revenue during the election season to air unpaid candidate ads.

What's Next
Reply briefs are due at the end of March, and several groups, including OMB Watch, are filing amicus briefs.

Faith-based Roundup

From federal suits to administrative action, Bush's faith-based initiative remains in the public spotlight.

Action Taken by the Supreme Court on Government Funded Religion

The Supreme Court, on Feb. 25, 2004, ruled in favor of the state of Washington in a major challenge to limits on government-funded religion. In the case of *Locke v. Davey*, the Court held that Washington's exclusion of a devotional theology degree from its Promise Scholarship program does not violate the First Amendment's Free Exercise Clause.

Davey, a student that was awarded the state funded Promise Scholarship, chose to attend a private, church-affiliated institution, Northwest College. Northwest College is an eligible school under the Promise Scholarship, but Davey's choice of major was not. Davey chose a double major in pastoral ministries and business management/administration. Both parties in the suit agreed that the pastoral ministries degree is devotional in nature. Davey brought the action under the belief that the denial of his scholarship violated, among other things, the First Amendment's Free Exercise Clause.

Chief Justice Rehnquist's opinion for the 7-2 majority of the Court explains that this case involves the "play in the joints" between the Establishment and Free Exercise Clauses. Rehnquist writes, "since this country's founding, there has been popular uprising against procuring taxpayer funds to support church leaders, which is the hallmarks of an 'established' religion." 37 states have similar laws. After the Court's decision legal analysts are uncertain whether the narrow opinion could extend to school voucher programs that include religious study in their programs, or other elements of charitable choice and the faith-based initiative.

Federal Suits and Faith-based Organizations

Two high profile religious discrimination suits were filed last month. A Michigan based Christian juvenile rehabilitation program, Teen Ranch, filed suit against the state's Family Independence Agency (FIA). Teen Ranch claims discrimination by the state agency because of their religious nature. This action came after the FIA had placed a moratorium on placing kids at Teen Ranch because of complaints made by children stating they were being forced to take part in religious activities.

The FIA has lifted the freeze after being served with the federal suit notice. The Alliance Defense Fund, representing Teen Ranch, argues that the FIA's moratorium was illegal and violated the First Amendment of the Constitution. The suit was filed in the U.S. District Court in Grand Rapids. The FIA will appear at a March 24 hearing to explain why it imposed the ban.

In New York, current and former employees are suing The Salvation Army in federal court. Workers in the social services and child welfare programs are accusing the organization of creating a hostile work environment by preaching religion and sexual intolerance. The plaintiffs fear they will lose their job due to reluctance to reveal their religious practices and profess adherence to The Salvation Army's new religious policies and principles. (The Salvation Army recently amended its mission to include a religious message.)

According to the complaint filed by New York Civil Liberties Union (NYCLU) on behalf of the plaintiffs, The Salvation Army currently receives $50 million in government funds to run social service and child welfare programs for the city, county, and state governments. These government-funded programs currently serve about 2,300 clients a day and include foster care and adoption services, group homes, boarding homes, a non-secure detention facility for juvenile delinquents, services for children with developmental disabilities, HIV services, and group day care. The complaint also states that nearly 90 percent of the beneficiaries that The Salvation Army's social service and child welfare program provides government mandated services to are in custody of, and/or referred by, governmental agencies. The NYCLU argues that these government-funded

programs must provide the government mandated social services without regard to religion. NYCLU's executive director, Donna Liberman, notes that this lawsuit is "the first major challenge to the coming wave faith-based initiatives" of the Bush administration.

Administration Continues to Push for Agency Action

Two federal agencies are moving forward with rules that would allow religious institutions to partner with government to provide social services. Both Departments of Housing and Urban Development (HUD) and Agriculture have proposed rules on the participation of religious organization in their programs. Both proposed rules carry out Bush's Executive Order 13279, a controversial order that allows religious discrimination in hiring with federal funds.

HUD has already published a rule for religious organizations in its programs. Its new proposed rule extends the provisions to the State Community Development Block Grant (CDBG), the Supportive Housing for Elderly Program and Supportive Housing for Persons with Disabilities. The latter two programs had specific conditions that prohibited project owners from having a religious purpose in its articles of incorporation. The proposed rule would eliminate such conditions. The public has been asked to submit comments regarding HUD's proposed rule by May 3, 2004

Department of Agriculture's March 5 proposed rule is the department's first step toward the implementation of Bush's faith-based initiative. The rule extends to all direct beneficiaries and contractors and mirrors the proposals set forth by other federal agencies. The public may comment on this proposed ruling. All comments must be submitted to the department by May 4, 2004.

For more information on the development these administrative rules read the Roundtable on Religion and Social Policy's (an independent research project funded by the Rockefeller Institute of Government supported by the Pew Charitable Trust) Developments in the Faith-based and Community Initiative: Comments on Notices of Proposed Rulemakings and Guidance Documents.

The Misrepresentation of Funding Facts

The greatest myth of the faith-based initiative is that before federal agencies approved new rules allowing faith-based organizations to compete for government funding there were no religious groups partnering with government. The reality is that religious organizations such as Catholic Charities, The Salvation Army and others have been partnering with government for years.

These new regulations, publicity and government funded workshops on how to apply for grants have been giving small faith-based organizations hopes of receiving federal funds. Government officials are giving the impression that there is more money out there for them. Yet the reality is otherwise. There is not more money for social service providers -- instead there are more competitors for the same amount of funds.

One of the most egregious examples of a misleading statement came from Jim Towey, head of the White House Office on Faith-based and Community Initiatives. In a Talk Radio News interview on March 4 Towey states, "The results will show that there's been a dramatic increase in funds going to faith-based organizations. Two agencies where there is comparison data available, HHS and HUD, you will see over $144 million -- new dollars going to faith-based groups from 2002 -- fiscal year 2002 to fiscal year 2003. You'll see an increase of 41 percent in one year in HHS grants to faith-based groups. You'll see at HUD now that over half of the money that goes to Section 202, elderly housing, which is a program of about $750 million, with about half of that money is going to faith-based organizations."

But the money going to faith-based organizations from HHS and HUD is not "new money." (See this week's OMB Watcher article on the Senate Budget Proposal) Tax cuts have resulted in less funding for domestic social service programs, not more. Federal agencies cannot set aside money for faith-based programs because doing so would be unconstitutional preference for religious groups over secular groups.

Possible House Hearings on Exempt Status for 501(c) Groups

In a March 2 speech to the Federation of American Hospitals, House Ways and Means Committee Chair Bill Thomas (R-CA) said he wants the committee to investigate the benefits tax exempt groups give taxpayers, and consider whether more specific requirements should be imposed in exchange for exempt status. A committee spokesman said nothing has been scheduled.

Thomas' speech raised the issue of similar activities by nonprofit and for-profit entities, such as credit unions and banks, saying, "Frankly there's been a lot of activity over the last decade in the tax-preferred area -- the 501(c)(3)s, (c)(4)s, (c)(6)s -- that requires a broader examination of just what is it the taxpayers are getting for their money." He said the issue was raised recently in a dispute between the American Hospital Association and the Department of Health and Human Services over hospital charges to uninsured patients.

A committee spokesman said the scope of any inquiry would be broad, and not confined to credit unions and hospitals.

Study on Grants by Conservative Foundations Published by NCRP

The National Committee for Responsive Philanthropy has published *Axis of Ideology: Conservative Foundations and Public Policy*, a follow up to its 1997 report on conservative philanthropy. The research showed that conservative foundations continue to be more likely to provide flexible core operating and long-term support to their grantees than other foundations. In a March 3 press release, NCRP deputy director Jeff Krehely said these foundations "focus their grantmaking on a small number of grantees with an eye toward investing in and sustaining existing politically conservative policy centers, and they fearlessly support and promote organizations that lobby their conservative ideas aggressively in state capitals and in Washington."

The report looked at 79 conservative foundations that made more than $252 million in grants between 1999 and 2001. The largest segment of grants went to multi-issue policy centers (46 percent), while legal advocacy and education oriented groups each received 10 percent of the funds. The ten largest recipients of these grants were the Heritage Foundation; the Intercollegiate Studies Institute; George Mason University (the Mercatus Center); the American Enterprise Institute for Public Policy Research; Hillsdale College; Citizens for a Sound Economy Foundation; Judicial Watch; the Free Congress Research and Education Foundation; the Hoover Institution on War, Revolution and Peace; and the Manhattan Institute for Policy Research.

A copy of the study can be requested from NCRP by contacting Elly Kugler at elly@ncrp.org or calling 202/387-9177 x 18.

IRS Seeks comments on Form 8453 for Exempt Organizations

The Internal Revenue Service (IRS) is soliciting comments from the public concerning Form 8453-EO, Exempt Organization Declaration and Signature for Electronic Filing.

The March 5 Federal Register announcement request for comments noted that comments should address:

- Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility;
- the accuracy of the agency's estimate of burden of the collection of information;
- ways to enhance the quality, utility, and clarity of the information to be collected;
- ways to minimize the burden of the collection of information on the respondents, including through the use of automated collection techniques or other forms of information technology; and
- estimates of capital or start-up costs and costs of operation, maintenance and purchase of services to provide information.

Comments are due on or before May 4, 2004.

President Bush Stacks Council on Bioethics

On Feb. 27, President Bush dismissed two handpicked members of his Council on Bioethics who had publicly supported human embryonic stem cell research -- which the president opposes -- and replaced them with three members who can be counted on to fall in line.

The two dismissed members include Elizabeth Blackburn, a renowned biologist at the University of California at San Francisco, and William May, a highly respected emeritus professor of ethics at Southern Methodist University. In their place, the president appointed:

- Diana Schaub, a political scientist at Loyola College who has opposed embryonic stem cell research, referring to it as "the evil of the willful destruction of human life," according to the Washington Post;
- Benjamin Carson, director of pediatric neurosurgery at Johns Hopkins University, who has called for more religion in public life; and
- Peter Lawler, a professor of government at Berry College in Georgia, who has written against abortion and the "threats of biotechnology."

The council -- formed by Bush shortly after taking office -- has produced reports on human cloning, stem cell research and the use of biotechnology to enhance human beings. However, it frequently had problems reaching consensus as scientific facts took a backseat.

Describing her experience in a Washington Post op-ed, Blackburn wrote, "I consistently sensed resistance to presenting human embryonic stem cell research in a way that would acknowledge the scientific, experimentally verified realities. The capabilities of embryonic versus adult stem cells, and their relative promise for medicine, were obfuscated."

Of course, consensus will now be easier to achieve, but debate is stifled in the process. "I am convinced that enlightened societies can only make good policy when that policy is based on the broadest possible information and on reasoned, open discussion," Blackburn continued. "Narrowness of views on a federal commission is not conducive to the nation getting the best possible advice. My experience with the debate on embryonic stem cell research, however, suggests to me that a hardening and narrowing of views is exactly what is happening on the President's Council on Bioethics."

Report Details Bush Donors, Industry Paybacks

The Bush-Cheney re-election effort has received $58.1 million from "Rangers" and "Pioneers" (those able to bundle contributions of at least $200,000 or $100,000) who overwhelmingly represent corporate special interests, according to a new report by Public Citizen.

These special interests have been rewarded for past support with a slew of regulatory rollbacks. In 2000, for example, the oil and gas industry produced 41 rainmakers, including former Enron CEO Ken Lay, and contributed a total of $13.4 million. The administration in turn moved to open many of the nation's scenic treasures to oil and gas exploration.

This year, there are only a dozen Rangers and Pioneers from the oil and gas industry, perhaps because they are waiting to see if the energy bill makes it through Congress. However, other industries have stepped up to the plate. For example, Rangers and Pioneers from finance, insurance and real estate contributed a whopping $18.5

million from Jan. 1, 2003, to Jan. 31, 2004; construction-industry rainmakers accounted for $3.4 million; and those from the health care industry contributed $3.3 million.

For all the details, see the Public Citizen report.

U.S. Wearing Blinders on Global Warming

Ironically, just months after the business-friendly Bush administration squelched the climate change section of the Environmental Protection Agency's report on the environment, the world's second largest insurer released a report revealing how climate change is rising on the corporate agenda.

Swiss Re's report warns that global warming could aggravate the costs of natural disasters causing them to spiral out of control and forcing the world into a catastrophe of its own making. The report estimates that the costs of such disasters could double to $150 billion a year in 10 years, hitting insurers with $30 billion to $40 billion in claims, or the equivalent of one World Trade Center attack annually. "The human race can lead itself into this climatic catastrophe -- or it can avert it.''

Regardless of the importance and magnitude of the global warming problem as revealed by this report, the Bush administration refuses to allow the nation's top environmental agency to address the problem openly and honestly.

Interestingly, the U.S. does not appear to be alone in its denial of the global warming issue. The U.K. Minister's Office attempted to gag its top scientific advisor, Sir David King, after he wrote a scathing article in the Jan. 9 issue of *Science* denouncing U.S. policy on climate change or lack thereof. Sir David stated, "In my view, climate change is the most severe problem we are facing today, more serious even than the threat of terrorism." A leaked memo from the Prime Minister's principal private secretary, Mr. Rogers, reveals Sir David was ordered to decline any interview requests after the article's release. The memo claims, "This sort of discussion does not help us achieve our wider policy aims."

Support for Sir David King's position came from Hans Blix, the former United Nations chief weapons inspector. Blix also agreed that security concerns might be unwisely eclipsing safety issues. Blix stated on BBC1's Breakfast with Frost, "I think we still overestimate the danger of terror. There are other things that are of equal, if not greater, magnitude, like the environmental global risks."

However, the U.S. also appears as unwilling to address global warming as a potential security issue as it is to view it as genuine environmental problem. A report commissioned by a Pentagon think tank urging that climate change be elevated to and U.S. security concern will not be forwarded on to the Department of Defense. The report, "An Abrupt Climate Change Scenario and Its Implications for United States National Security," examined the security implications of a worst-case global warming scenario. The report noted "that because of the potentially dire consequences, the risk of abrupt climate change — although uncertain and quite possibly small — should be elevated beyond a scientific debate to a U.S. national security concern."

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