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TENNESSEE **bark** REPORT



ROASTING WASTEFUL GOVERNMENT SPENDING



The Beacon Center of Tennessee is an independent, nonprofit and nonpartisan research organization dedicated to providing concerned citizens and public leaders with expert empirical research and timely free market solutions to public policy issues in Tennessee.

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TENNESSEE *park* SCORE REPORT ROASTING WASTEFUL GOVERNMENT SPENDING

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INTRODUCTION

The Beacon Center's ninth-annual *Tennessee Pork Report* provides resounding evidence of the exorbitant waste of taxpayer dollars taking place across Tennessee. The *2014 Pork Report* uncovers more than \$609 million that misguided politicians and bureaucratic fat cats have squandered over the past year.

Political pet projects continue to wreak havoc upon Tennessee's bottom line; fraud and abuse are rampant, particularly at the local level; and state and local governments persist with cherry-picking cronyism for supposed "economic development"—redistributing wealth from one business to another, often with no guarantees that jobs will be maintained long-term—and heaved on the backs of Tennessee taxpayers.

The *2014 Pork Report* exposes an abundance of wasteful government spending, fraud, and abuse, including:

- A school district's \$48.4 million blunder, where equipment—including computers and even cars—came up missing.
- \$42.2 million on a swanky jetport in Cleveland to service high-end fliers.
- A \$30 million attempt to turn the defunct Memphis Pyramid into the world's largest and tackiest Bass Pro Shop.
- A record-breaking \$1.9 million wasted on state-owned golf courses throughout the state.
- Another \$1.6 million to bail out the fledgling Music City Star commuter train.
- Three-quarters of a million dollars on a Nashville art installation featuring protruding sticks splashed with various colors.

And that's not even the worst of it. Earning the 2014 "Pork of the Year" distinction is the Tennessee Department of Labor & Workforce Development. The agency has cost taxpayers nearly \$200 million in wrongfully paid unemployment benefits. Among those receiving taxpayer-funded unemployment compensation: deceased Tennesseans, gainfully employed state workers, and jailbirds.

As if this unfortunate news was not bad enough, this year's *Tennessee Pork Report* has the dubious distinction of uncovering the highest amount of waste in the publication's nine-year history. Page after page will shock, outrage, and agitate Tennesseans with the worst examples of waste, fraud, and abuse across our state over the past year. All hardworking Tennessee taxpayers should usher this report to the top of their summer reading list.

PORK OF THE YEAR

The Green Mile

No instance of government waste can top the Tennessee Department of Labor & Workforce Development. The state agency takes the top prize as the worst offender to taxpayers in the *2014 Pork Report*, because it continues to send unemployment checks to all the wrong places. Auditors last year discovered that the department had doled out \$73 million in erroneous benefits, including to dead people and state workers. A recent follow up to the original audit uncovered that as much as \$181 million has been paid out to people who should not receive benefits, including 84 felons who are currently sitting behind bars.¹ So far, the department has only been able to recover \$22.5 million in overpayments. It's not too often that you can say it pays to go to prison, but in Tennessee it sure does.

ARTS & SHAFTS

Sticking it to Taxpayers

As reported in numerous previous *Pork Reports*, the Metro Nashville Arts Commission has a penchant for fleecing local taxpayers out of their money to litter so-called art across the city. The commission's latest project may just give the \$360,000 broken roller coaster heaped on the east bank of the Cumberland River a run for its money. Labeled "Stix," the new art project will comprise of 30 arrow-like poles jutting out of the ground at different angles. The cost of such protrusion? A jaw-dropping \$750,000, making this the most expensive art project in the city's history.² The location is fitting, with "Stix" slated to be placed in the shadow of the city's costliest public works project, a new half-billion dollar convention center that is already struggling to meet expected demand and recently had its bond rating downgraded.³ One thing is for sure: at \$25,000 per pole, Nashville sure knows how to stick it to taxpayers.



Courtesy: *The Tennessean*

Shoveling Dirt

“Stix” is not the only asinine art project Nashville taxpayers are funding this year. Another art installation was recently constructed along the Cumberland River at a cost of \$29,000, more than the annual income of the average Nashville resident.⁴ Known as “Tool Fire,” the sculpture is a hodgepodge of shovels, rakes, and pickaxes glued together and rising 12 feet into the air.

But never fear, that money is not derived from current taxpayers, according to the Metro Arts Commission’s executive director. Rather, it comes from a one-percent allocation generated when the city sells general obligation bonds.⁵ Actually, that’s even worse, because it means that future taxpayers will pay for the art, with interest. Talk about digging a hole for someone else to fall into.

A Costly Performance

Every year, Tennessee taxpayers pay for the maintenance of the Tennessee Performing Arts Center (TPAC) in Nashville. This year, \$100,000 was thrown at the venue by state lawmakers.⁶ While it certainly must feel nice for a small minority of individuals to be treated to arts performances at the expense of other Tennesseans, the costs of maintaining such cultural centers should not be borne by taxpayers, most of whom will never set foot inside the facilities. Cutting off the taxpayer faucet doesn’t mean the show can’t go on. Venues such as TPAC can continue to raise the curtain with the generous support of private donors and ticket sales.

Civil Rights Museum: “Show Us the Money”

When the National Civil Rights Museum re-opened its doors in April after undergoing significant renovations to its main facility, it partially had Tennessee taxpayers to thank. The state provides a six-figure handout every year to support the Memphis landmark’s annual maintenance. This year’s total adds up to a \$250,000 handout.⁷ The museum came under criticism last year for accepting a federal disaster relief handout of \$2 million for alleged flood damage, despite the fact that the flood occurred two years prior and the museum never came close to sustaining any damage.⁸ Like with performance halls, rather than being hooked on taxpayer handouts, museums such as the Civil Rights Museum should be funded exclusively by private philanthropy.

Stax of Taxpayer Cash

The Stax Museum of American Soul Music in Memphis received a \$100,000 grant from the state legislature in 2014.⁹ Supporters of handing out government money to museums such as the Stax Museum argue that the cost to the taxpayer is more than made up by the potential benefits from local tourism. The problem arises, though, when that tourism benefits only one part of the state. Taxpayers from East Tennessee will likely never visit Memphis museums, and vice versa, so they shouldn’t be on the

hook for the costs. Ultimately, if these museums are such a welcome attraction, ticket sales and private donations will keep them afloat.

Rooted in Government Funding

Despite living just five years of his early life in Tennessee, our state is determined to stake claim to renowned “Roots” author and civil rights activist Alex Haley. The Alex Haley House Museum and Interpretive Center in Henning features collections representing Haley’s life and promotes historical exploration through programs and community events. Certainly, Haley left a marked difference in the advancement of civil justice and should be commended, but should his legacy be subsidized by \$50,000 of taxpayer money in the 2014 state budget?¹⁰ There are many notable leaders throughout history that hail from our great state, for whom there are museums commemorating their endeavors. Given the range of options available for Tennessee residents and tourists, should the state really be pulling dollars from taxpayer wallets to make statements on which sites are valuable and which are not?

Taking from Taxpayers is an Art Form

As if millions in handouts to individual artworks or museums was not enough for taxpayers to stomach, it gets even worse. The Tennessee Arts Commission is dedicated to advancing interest and participation in the arts, coming at a huge expense of nearly \$6.5 million to Tennessee taxpayers.¹¹ Public involvement in the arts is an important part of civic society, but support for the arts should come from individuals who voluntarily choose to support them and not from a taxpayer handout. In fact, when government gets into the art business, there is a much higher probability of censorship. Plus it’s inappropriate to force taxpayers to fund works of art with which they might disagree. For these reasons and more, it’s best that government just leave the arts alone.

STATE BUDGET’S FEEDING PORKY THE PIG

Hollywood of the Southeast

This year, Tennesseans continue to see their hard-earned tax dollars handed over to Hollywood producers in an effort to lure them to the Volunteer State. The Film, Entertainment & Music Commission was recently allotted \$4 million in grants to entice producers to film in Tennessee.¹² The purported purpose of the fund is to stimulate the development of a permanent television and film industry in the state, as well as to provide local businesses a boost by bringing in production crews and future tourism. Experience has shown such grants to be inefficient at stimulating local business, making the incredibly high price tag seem even more suspect. In fact, studies suggest that for every dollar spent by taxpayers on film subsidies, they only receive 10 to 30 cents in return.¹³ That truth would make for a great horror flick.

Shelling out the TNInvest-dough

Back in 2009, the state started a program aimed to drive investments in start-up companies. Named TNInvestco, the plan was to establish a base of \$120 million in tax credits that select investment firms could sell to insurance companies at a discounted rate. Available tax credits were expanded to a total of \$200 million one year later. The proceeds were then invested in various small businesses. Beacon has long been the most vocal critic of the program's design and initial lack of transparency.

Now that there have been several years for the program to prove its worth, or lack thereof, and with another \$30 million payment from that initial base being paid out this year, it is a good time to measure the program's impact. According to the *Tennessean*, \$111.2 million has thus far been allocated to companies, which represents 80 percent of the total raised from the sale of tax credits.¹⁴ The most recent data made available shows that this money has supported the creation of 1,400 jobs, some of which are outside of Tennessee. That represents a massive \$79,428 taxpayer investment for every single job, including those in other states. While the jobs created as a result of this program are certainly welcome, one might rightfully wonder if that much taxpayer money would better be spent elsewhere, such as reducing the tax rates for all Tennessee businesses, rather than taking money from those businesses and handing it to a select few at a cost of tens of thousands per job.

Developing a Fondness for Taxpayer Moolah

In 1965, the General Assembly created nine development districts across Tennessee with the goal of promoting "intergovernmental cooperation on growth and development issues, including regional and statewide concerns."¹⁵ One of those development districts has since come under siege. The Federal Bureau of Investigation indicted three officials in September 2013 after an extensive investigation into their practices heading up the Upper Cumberland Development District. The district's former head, Wendy Askins, was charged with embezzlement, conspiracy, bank fraud, money laundering, and making false statements. She had become notorious for living lavishly in a mansion paid for by the development district that was supposed to be a retirement home for needy seniors. She also put multiple family members on the government dole, and even filed for unemployment compensation when she was canned for her fraud.¹⁶ She now faces a potential lifetime prison sentence.

How someone could get away with such actions proves that there is a substantial lack of oversight of these development districts, yet they continue to receive taxpayer money. This year, the state budget allocates more than \$1.5 million to the development districts to conduct activity that could easily be handled by local governments—whose officials are duly elected by and accountable to the public—or even turned over to the private sector. With so much potential for abuse as shown by Askins and crew, it's time lawmakers seriously consider developing a new plan of action that involves terminating these unaccountable agencies.

Statist Entertainment on Prime Time

In 2014, state legislators once again shelled out nearly \$2.8 million to keep the seven public television stations in Tennessee afloat.¹⁷ As if residents aren't provided with enough television programming these days, the government makes sure that we the people are mindlessly entertained and supplied with misinformation. And guess what! You're paying for it, likely instead of other personal preferences such as NFL Sunday Ticket that couldn't make the family budget after you paid your taxes.

Born With a Silver Book in Our Wallets

This year, state taxpayers will pay for over \$3.1 million worth of books as part of the governor's Books from Birth Fund, a partnership with Dolly Parton's Imagination Library.¹⁸ The governor's program pays for half the cost of the statewide charity's efforts, which delivers one "free" book a month to every child under the age of five, regardless of a family's income. Given the state of public education in Tennessee, encouraging children to begin reading at home at a young age is certainly a noble goal, but state taxpayers should not foot half the bill for such private charities.

Um Exemplo Perfeito de Desperdício do Governo

That's Portuguese for "a perfect example of government waste." Those taking the language at the Tennessee Foreign Language Institute might have known that, courtesy of their fellow Tennesseans. The institute was started in 1986 by the state legislature to provide foreign language services to Nashville-area residents. Unfortunately, it fails to do so without massive taxpayer subsidies, which increase steadily every year. Last year, the institute relied on \$388,100 in taxpayer money. Lawmakers upped the ante in this year's budget, forking over \$410,300 in subsidies to the institute.¹⁹ With more and more money going to a government-funded foreign language institute in a city with dozens of public and private universities, taxpayers might just ask, "Eu posso ter meu dinheiro de volta?" (Can I have my money back?)

The Early Bird Doesn't Always Get the Worm

Tennesseans will fork over \$91.6 million this year on the Early Childhood Education Initiative, officially for the purpose of "preparing children for academic success."²⁰ The bulk of this funds the state Pre-Kindergarten program. According to a series of government-sponsored studies by the Tennessee Comptroller of the Treasury, students who attended Pre-K enjoyed no significant advantage on standardized tests over their non-Pre-K classmates beyond second grade, casting doubt on the long-term benefits of such programs and making their hefty price tag seem all the more suspect.²¹ For the millions of Tennesseans who lead successful lives despite never attending Pre-K, this glorified babysitting program is less of a head start and more of a head scratcher.

Sucker Punched

Most Tennesseans, who don't take the time to organize professional boxing, kickboxing, or mixed martial arts matches, have probably never heard of the Tennessee Athletic Commission. That's largely because the subdivision of the Department of Commerce and Insurance regulates only a few dozen events annually. However, despite being relatively insignificant in the lives of the vast majority of Tennesseans, the commission will still cost taxpayers \$254,900 in 2014, an incredible expense that begs the question of just how necessary the state's regulation of such events really is.²²

Beefing Up the State Budget

In 2012, at the behest of cattle and livestock lobbies, the state began imposing a 50-cent tax on every head of cattle sold within its borders. The proceeds were used to launch a pro-beef campaign across the state. In the first year of the program, \$235,000 was allocated to the red meat efforts, and this year's state budget earmarked another \$380,000 to the cause.²³ The tax is "self-imposed" according to the cattle industry, though any taxes are ultimately passed on to the consumer, as is the case here. So taxpayers should appreciate the ability to pay for their own marketing. The more beef they eat, the more ads they'll be inundated with asking them to eat even more. That's one way to put your money where your mouth is.

April Showers Bring African Flowers

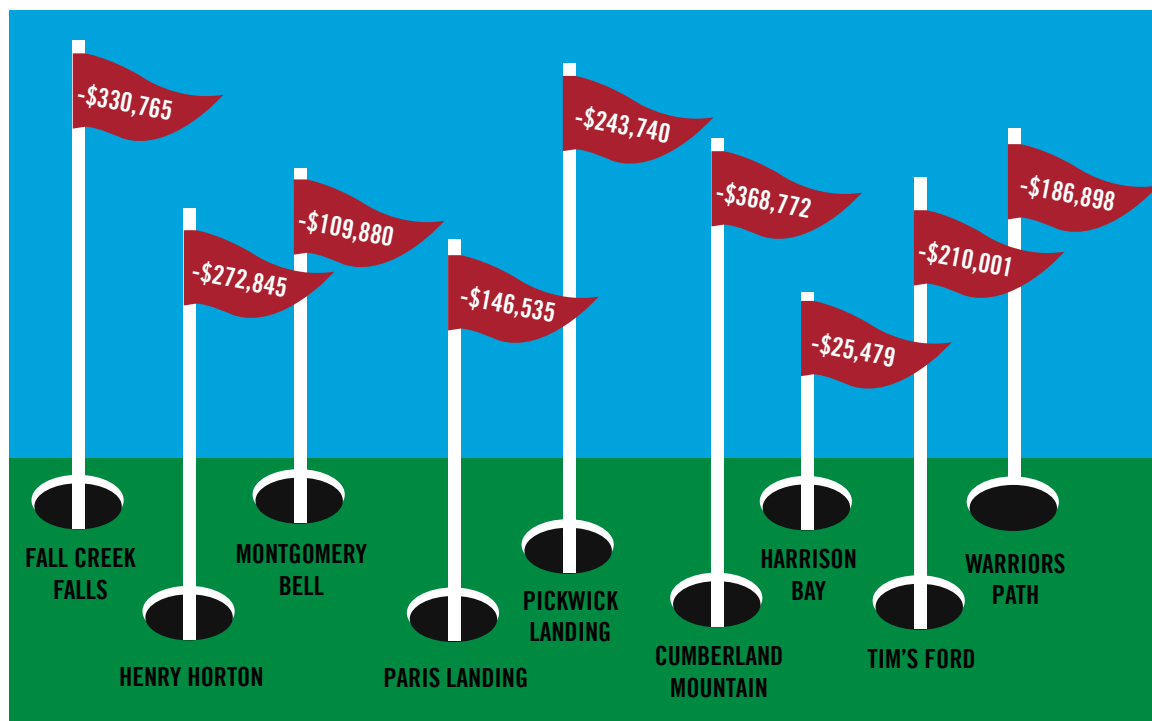
For 28 years, Memphis has played host to African dignitaries and ambassadors for an annual Africa in April Cultural Awareness Festival. According to the organizer's website, the event promises "an exciting series of training sessions, networking opportunities and marketing outlets," including "Diversity Awareness Workshops" that are "designed to deliver information on current industry trends in supplier diversity."²⁴ The event certainly impressed Tennessee lawmakers, who allocated \$45,000 to support the festival, in keeping with the legislature's previous years of funding the project.²⁵ Interestingly, the festival does not include the state in its list of annual sponsors in exchange for such generosity.

Perhaps the state believes Tennessee can learn a lesson or two from Africa's apparently booming industrial market. We must have missed that development in the international economic scene. Meanwhile, we're left to wonder what future monetary requests will roll in from other organizations that are also seeing dollar signs.

Off Our Game

Tennessee state government sure has a nasty golf swing. Year after year, the state slices through taxpayer money on golf courses with reckless abandon. The most previous fiscal year represents the worst year since Beacon began tracking golf course losses in 2006. This year, all nine state golf courses bogeyed, costing taxpayers a nauseating

\$1.9 million. The Tennessee Department of Environment and Conservation continues to argue that state golf courses are but one part of the overall state parks system, and subsidizing the courses by keeping greens fees low will boost profits elsewhere. We disagree. Even if it does boost attendance at state parks, government has no business taking from some taxpayers to fund the golf habits of others, especially those who cannot or do not play the sport. The state should raise greens fees so golfers are paying for their own habits, or better yet, sell the courses and get out of the business altogether.



Not So “Self-Sufficient” After All

Speaking of government golf courses, for several straight years The Department of Environment and Conservation (TDEC) has defended the golf course losses, arguing that their draw helps make the overall state park system “self-sufficient.” Alas, that appears to be the case no more, as the 2014-2015 state budget includes a \$1.5 million payment to those state parks to “offset increased operational costs.”²⁶ Looks like TDEC needs to come up with a different excuse to keep shooting over par with taxpayers’ money.

Land Grabbers

Amid the recent buzz about all the land under control of the federal government in the western United States, our own government here in Tennessee continues to build its portfolio, and it’s not just on golf courses. Each year, the state and local governments purchase thousands of acres out of private ownership. While some of this land is

devoted to parks and green space, much of it sits unused or “protected” in some form. Environmentalists typically love for government to buy up land, but lately they too have raised a stink over news that the state is considering allowing coal mining and drilling on public land.²⁷

There’s plenty of land to choose from, and more on the way. The 2014-2015 state budget allocates more than \$13 million to buy state and local land, as well as to claim wetlands. Another \$525,000 will be paid to compensate local governments for the lost property tax revenue resulting from the takings.

Preserving green space and natural habitats is a noble and important goal, but a much more prudent way to protect land—and assuage environmentalists’ concerns in the process—would be to allow land trusts or charities to purchase land and restrict the use or prevent the erosion of it. Plus, this approach would rely on private contributions rather than taxpayer money, a win-win solution.

Swiping Taxpayers’ Wallets

The state has launched a program to allow employees living in the suburbs east of Nashville to ride the Music City Star commuter train into work each day. The Star, a revamped Amtrak train, has its own storied love affair with taxpayer bailouts (more on that later in the “Wasteful Spending in Your Own Backyard” chapter). The so-called “swipe and ride” program gives free passes for state employees to ride the Star to and from work each day. The chauffeuring costs taxpayers \$500,000 a year.²⁸ That’s one heck of a gravy train.

Governor’s Mansion Gets Premium Water?

Considering the abnormally high water bills that were recently charged to the governor’s mansion, a taxpayer would hope they were getting premium water. It was actually a case of a broken water line that wasn’t repaired for three whole years. Several bills were found to be in excess of \$5,000 apiece, yet the state never asked any questions and continued to pay the bill every month. The water line was repaired after the first lady herself caught the error—kudos to her by the way—but not before the state paid out \$178,843 to the local utility company.²⁹

FRIENDS WITH BENEFITS

Wooing Hankook Tire

In state and local government, there tends to be an insatiable appetite to outspend one another, all in the name of “keeping up with the Joneses.” Montgomery County was among those localities wooing big business with big-time government incentives in late 2013. To attract a Hankook Tire plant, which promised 1,800 jobs to become Clarksville’s

largest private employer, Montgomery County agreed to a \$49 million payment in lieu of taxes to be spread over 24 years. Not to be outdone, the state kicked in an additional \$72 million in taxpayer incentives.³⁰ This represents yet another project in a long list where one single company received more than \$100 million in taxpayer handouts. Let's hope those tires gain as much traction as the use of corporate welfare has in Tennessee.

Wright Medical: "Walking in Memphis"

How much do 225 headquarter jobs and the promise of 35 more cost? For taxpayers in the City of Memphis and Shelby County, it cost \$4.6 million just to convince Wright Medical Technology to continue doing business in their community. The deal means that Wright Medical, which sold part of its company to Shanghai-based Microport Medical, will maintain its current location in Arlington, a suburb of Memphis, while opening a second Memphis-based division. In turn, Shelby County promises taxpayers will see a \$4 return for every dollar the county spent.³¹ We'll be counting, so stay tuned.

To Tennessee, by Way of Kansas City

Despite all the lofty promises that taxpayer handouts to ABC's "Nashville" would boost tourism, it seems the state Department of Tourist Development still believes that Tennessee needs more help attracting visitors. After previously contracting with Tennessee-based marketing firms, the agency has signed a new five-year agreement with Kansas City, Missouri-based VML to promote tourism in the state. According to spokesperson Cindy Dupree, "a list of approximately 40 vendors across the nation were contacted" to compete for the opportunity, with only eight of these prospects located within Tennessee. Taxpayer dollars will fund the VML contract at a whopping \$60 million over the next five years, which is money no longer circulating in the state economy.³² So much for home-field advantage.

Bass Pro Shop: Hook, Line, & Sinker

"Don't worry, I stayed at a Holiday Inn last night." That commercial, tongue-in-cheek qualifier takes on new meaning for Memphis travelers following the city's announced plans to use income generated from "tourism development zone" taxes to fund Bass Pro Shop's \$30 million renovations to the city-owned Pyramid. As City Council member Harold Collins attempts to rationalize, "These dollars would be generated from someone using our hotels...It's not as if the city of Memphis or Shelby County" is on the hook. Yet, locals have already forked over nearly \$100 million in failed attempts to revive the defunct Pyramid. Unfortunately, they better expect to see more dollar signs in their futures as they cast their lines to lure Bass Pro into town.³³

Cleveland Redefines "Mile High Club"

How would you like to walk into your airport terminal and find "fireplaces, wood furniture and even a water feature," along with restaurants, recliners and "quiet rooms

for a ‘siesta?’” Perhaps you should become a corporate millionaire, buy a jet, and plan a layover in Cleveland Regional Jetport. While you’re there, make sure to thank Tennessee taxpayers, who shelled out \$42.2 million in funding from the Tennessee Department of Transportation to the City of Cleveland.³⁴ Apparently, Cleveland officials felt our well-to-do comrades should not be relegated to commuting with the common folk from the Chattanooga airport, just 30 miles away.



Courtesy: Chattanooga Times Free Press

Anonymous Publicity? Who Pays for THAT?

Typically, when advertising a product, brand, project, or other venture, one pays a pretty penny for name recognition. However, it seems that the City of Nashville is none too concerned that the \$302,000 funneled to support Robin Williams’ Nashville-based film “Boulevard” will actually buy the city any recognition whatsoever. While the movie was produced with Nashville as its backdrop, it never mentions where the scenes take place, nor acknowledges where the characters are living.³⁵ Nashville is effectively appearing anonymously. Taxpayers should wonder what exactly all that money actually got them.

WASTEFUL SPENDING IN YOUR OWN BACKYARD

Losing Track

Nashville’s existing mass transit system, known as the Music City Star, has gone off the rails. The commuter line starts 30 miles east of Nashville in Lebanon and runs into downtown. When it launched seven years ago, proponents promised that 750 people per day would ride the train. Yet, an average of less than 550 riders climb aboard daily.³⁶ And those riders catch a break, because they pay just 15 percent of the total cost to run the train round-trip from Wilson County into downtown and back once per day. Ticket fares are expected to rake in a measly \$779,400 this year, a fraction of the train’s \$5.1 million operating budget.

Where does the rest of the money come from to cover the difference? The pockets of federal and local taxpayers. Nashville taxpayers alone fork over some \$1.6 million a year to keep the train on time. The Star has the second worst ridership in the nation, and one would have to travel all the way to Anchorage, Alaska, to find the worst. A few years ago, the Star made its *Pork Report* debut and was dubbed the “Debt Star.” Sadly for Nashville taxpayers, it has lived up to its name.

For the Love of Taxpayers: The Story of Handouts

In May 2010, the City of Nashville was devastated by a flood. Afterward, the city received a \$300,000 grant from the federal Economic Development Administration to assist in disaster relief.³⁷ How did city officials spend that money? They created a one-hour documentary chronicling the country music scene in Nashville. The documentary, titled “For the Love of Music: The Story of Nashville,” aired on ABC some 42 months after the floodwaters receded. While the roads have dried up around town, taxpayer handouts keep flooding the city’s coffers.

Tax Payments for Ye, But Not for Thee

In Hawkins County, if taxpayers fail to make timely property tax payments, they will endure a late fee. Eventually, the county can even sell the property to recoup the taxes. But for this East Tennessee county, there is a double standard. When a former city official failed to remit payroll taxes to the Internal Revenue Service from November 2012 to March 2013, the county was hit with \$166,886 in late fees and penalties.³⁸ Sadly for taxpayers who would have to pay such fines out of their own pockets, they will also be responsible for this boneheaded oversight by their public officials.



Courtesy: *Memphis Daily News*

Beale Street Crashing

On the banks of the Mississippi River in downtown Memphis, an expensive blunder has washed ashore. Dubbed Beale Street Landing, the project is designed to be a riverboat dock with stores and restaurants. Yet local residents are calling it “the world’s most expensive souvenir shop.”³⁹ That’s because to date, no restaurant has stepped up to fill the space, and despite having failed to install a gas

line necessary to operate a restaurant, the city will now attempt to open its own bar and grill. So far, the odd-shaped building has a price tag of \$43 million, \$33 million of which will be covered by taxpayers. With that much already down the drain with nothing to show for it, it seems this project is doing more crashing than landing.

Now That's a Party!

When a utility manager retired from the Chuckey Utility District, there was one heck of a throw down. The district, which serves Greene and Washington Counties in upper East Tennessee, dropped a mindboggling \$7,600 on the festivities, according to a recent Comptroller audit.⁴⁰ Utility officials didn't stop there. They also provided illegal bonuses that were not approved by the district's board of commissioners. It looks like these public officials had a rip-roaring good time last year, all on the ratepayers' dime.

WASTE, FRAUD, & ABUSE IN SCANDALOUS FASHION

Dude, Where's My Car?

After the merger of the Memphis and Shelby County school systems in 2013, the newly formed district was audited to determine what inventory existed. And what auditors found—or more accurately couldn't find—was astonishing. In total, the district had lost 54,270 pieces of equipment, equating to a cost of \$48.4 million.⁴¹ The loss represented items ranging from laptops and hard drives to tools to even vehicles. The pre-merger Memphis City Schools had lost or misplaced an outlandish 23 percent of its total equipment, while the former Shelby County system had barely kept better stock, losing 18 percent of its inventory. The incompetence amounts to nearly \$350 less per child that the school system had available to spend this past year.

The Joyriding Wife

Local governments seem to have an affinity for abusing vehicle policies these days. After a sting by the Wartburg Police Department in 2011, the agency found itself in possession of a BMW sedan. The department's policy was to immediately sell seized vehicles, but it kept the car for two whole years. During that time, a reserve police officer used the BMW for personal purposes.⁴² What did her superiors think of that? Not much, since her direct boss—the police captain—was her husband. And the police chief was none other than that captain's father. There's nothing like small town nepotism and taxpayer-funded joyrides in luxury cars.

Sweeping the Floor With Taxpayers

Collinwood is a small Middle Tennessee town with with big time corruption. In April 2014, a Comptroller audit revealed that the city's former recorder, Melissa Broome, swept \$94,426 into her own bank account that belonged to taxpayers.⁴³ Broome collected utility payments, swimming pool fees, and property taxes on behalf of the city, but instead of depositing them in the city's bank account, she kept them for herself. In one month alone, she noted \$19,000 in utility collections, but deposited a paltry \$117 into the city's utility bank account. Broome was able to sweep her dirty deeds under the rug thanks to lax internal controls by the city, according to auditors.

Hitting the Weights, Rocking to a Tune

A former employee of the Alcoa City School District lived the high life on the government dole. According to a Comptroller audit, the government worker stole nearly half-a-million dollars in taxpayer money. As of the date of this publication, she has yet to be identified. But what we do know is that she paid her mortgage, bought food, jewelry, clothing, and iTunes songs, and even invested in a local gym.⁴⁴ When it was all said and done, the employee had bilked \$428,000 from the school district. Taking money that is supposed to fund children's education is a special type of wrong, and hopefully this former government employee will pay for her misdeeds. Fittingly, she may be able to continue lifting weights on the taxpayer dime, only this time it will be behind bars.

Unknown Stock

For obvious reasons, it is illegal for government entities to own stock in publicly traded companies. That didn't stop Carter County's First Utility District from holding stock valued at \$15,187, a recent audit revealed.⁴⁵ To the utility's credit, it did not buy the stock directly, but when an insurance company through which the utility had an insurance policy went belly up, the policy was converted into common stock. The problem is that the utility failed to discover it for 13 years, blaming it on the utility's previous leadership. The utility told the state Comptroller's office: "The prior management did not maintain sufficient records and have been replaced several years ago after a special audit" that found wrongdoing on their part.⁴⁶ Here's to hoping this utility district has cleaned up its act.

Like Taking Candy from a Baby

Toys-for-Tots is a popular charity that collects toys for distribution to children in need during the Christmas holiday. After collecting toys and donations to buy gifts for needy children, Billy Wilson, who was dually serving as mayor and fire chief of Greenbrier, couldn't resist keeping the proceeds for himself. He was arrested and charged with official misconduct and theft over \$60,000.⁴⁷ Tennessee Bureau of Investigation officials are also looking into whether Wilson misused city funds. Given his actions, Wilson can add a third title to his bio: Greenbrier's biggest Grinch.



Courtesy: *The Tennessean*

Not Quite Amazon Prime

Online shopping has blossomed over the past few years. In 2013, a former Bradley County finance department employee took online shopping to a whole new level. Renee Lee Munn of Cleveland was nabbed by the Tennessee Bureau of Investigation for purchasing items online, charging them to the county to avoid any shipping or sales taxes. All items were for personal use and cost taxpayers \$3,200.⁴⁸

Penmanship Prized in Putnam County

Government-issued credit card misuse is a problem in many Tennessee counties. In 2013 and 2014, Putnam County Property Assessor Travis Roberts used his county credit card to get into the computer business. He spent \$2,355 to purchase at least eight computers that he later sold or traded. During this time, he also purchased numerous premium pens and pencils that added up to \$754. When state investigators asked for his justification, Roberts blamed his pride in penmanship, according to the audit report.⁴⁹ Good penmanship is definitely a lost art, but county funds shouldn't be used to revive it.

School Credit Card + No Oversight = Shopping Spree

From 2008 to 2010, Arlington High School's former financial secretary Toni Cox had sole control over the school's finances. And she used her power to go on a shopping spree. State investigators documented at least \$142,307 in school revenues that she kept for her personal benefit, but they estimate it could have been as high as \$171,954.⁵⁰

Because she was in total control of the school's finances, it was easy for Cox to alter records and collect athletic ticket sales with no problem. She also had access to the school credit card, which she used as her personal piggy bank. Some non-education related items she charged to the credit card included a drum set and the payment of her personal cell phone bill. She also purchased various things with the school's customer accounts with Amazon, Home Depot, and Target. Some examples include landscaping equipment, iPods, video games, a Nintendo gaming console, Christmas decorations, a Cruella de Vil costume, jewelry, and a Coach purse. State auditors also noted that the school received a loan from the Shelby County School System presumably because of the revenue shortfall caused by her activities. In December 2013, Cox was indicted by a Shelby County grand jury for one count of theft over \$60,000.

Budgets Busting at the Seams

According to the state Comptroller, during the past year, numerous local governments and utilities spent more money than was appropriated by their county legislative bodies. As can be seen below, at least \$7.5 million has been overspent or has appeared on a local government's balance sheet as a deficit.

- Anderson County General Fund and School Federal Projects Fund - \$22,843 and \$100, respectively⁵¹
- Benton County General Fund and General Capital Projects Fund - \$62,989 and \$669,036, respectively⁵²
- Bon Aqua-Lyles Utility District operated at a loss of \$80,934⁵³
- Bradley County General Fund - \$8,010⁵⁴
- Town of Bruceton Drug Fund - \$2,482⁵⁵
- Cagle and Fredonia Utility District of Sequatchie County - \$38,725⁵⁶
- Cannon County General Purpose School Fund - \$35,009⁵⁷
- Carroll County General Fund, General Debt Service Fund, and Highway Fund - \$20,459, \$4,321 and \$2,582, respectively⁵⁸
- Carter County General Fund and Solid Waste/Sanitation Fund - \$140,436 and \$8,824, respectively; the School Federal Projects Fund had a deficit of \$62,885⁵⁹
- Chester County Solid Waste/Sanitation Fund - \$51,965⁶⁰
- Coffee County School Federal Projects Fund - \$12,388⁶¹
- City of Collinwood Water Fund and Gas Fund operated at a loss of \$71,520 and \$30,293, respectively⁶²
- Crockett County General Debt Service Fund (\$33,332), Central Cafeteria Fund (\$27,789), School Transportation Fund (\$6,828), General Purpose School Fund (\$92,572), and School Federal Projects Fund (\$95,008) ⁶³
- Decatur County General Fund, Drug Control Fund, Highway/Public Works Fund, and General Purpose School Fund - \$50,562, \$17,569, \$685, and \$17,706, respectively⁶⁴
- Fayette County General Fund, General Purpose School Fund, and General Debt Service Fund - \$36,210, \$202,022, and \$8,768 respectively⁶⁵
- Franklin County General Debt Service Fund - \$42,055⁶⁶
- Gibson County Schools had a total deficit of \$986⁶⁷
- Greene County Debt Service Fund had a deficit of \$46,061⁶⁸
- Grundy County General Purpose School Fund - \$6,304; School Federal Projects Fund and Education Capital Projects Fund had deficits of \$11,000 and \$47,206, respectively⁶⁹
- Hawkins County School Department - \$104,947⁷⁰
- Haywood County Drug Control Fund - \$5,031⁷¹
- Jackson County General Debt Service Fund and General Fund - \$20,266 and \$238,610, respectively⁷²
- Jefferson County General Purpose School Fund - \$255,271⁷³
- Lake County School Federal Projects Fund - \$14,371⁷⁴
- Lawrence County General Purpose School Fund and School Federal Projects Fund - \$10,377 and \$31,581, respectively⁷⁵
- Lewis County General Fund and General Capital Fund - \$237,306 and \$5,000⁷⁶
- Loudon County General Purpose School Fund - \$38,595⁷⁷
- Madison County Local Purpose Tax Fund - \$1,752⁷⁸
- McNairy County School Federal Projects Fund, General Fund, and Solid Waste Sanitation Fund - \$100,778, \$21,285, and \$6,405, respectively⁷⁹
- Meigs County Highway/Public Works Fund - \$29,451⁸⁰
- Moore County General Purpose School Fund and Central Cafeteria Fund - \$17,885

and \$36,976, respectively⁸¹

- Obion County Solid Waste/Sanitation Fund and School Federal Projects Fund -had deficits of \$1,228 and \$33,389⁸²
- Overton County General Purpose School, School Federal Projects, Central Cafeteria Fund, School Department - total \$434,754⁸³
- Pickett County General Fund (\$77,724), Highway/Public Works Fund (\$89,533), Central Cafeteria Fund (\$2,746), and Drug Control Fund (\$10,641), , ⁸⁴
- Polk County General Purpose School Fund - \$40,779⁸⁵
- Sequatchie County Ambulance Service Fund, General Fund, and Solid Waste Fund - \$7,854, \$40,799, and \$809, respectively⁸⁶
- Tipton County General Purpose School Fund - \$55,139⁸⁷
- City of Tullahoma Fiber Optics Fund had a deficit of \$2,301,875⁸⁸
- Warren County General Debt Service Fund - \$43,776⁸⁹
- City of Watertown General Fund, Parks and Recreation Fund, and Community Center Fund - \$167,312, \$124,199, and \$23,654, respectively⁹⁰

Bid Farewell to Your Hard-Earned Dollars

Tennessee law requires—with few exceptions—that state and local officials are to advertise for competitive bids on services that exceed \$10,000. This law exists to make sure that there is no partiality to certain contractors and to save taxpayer money by obtaining the lowest price. Some government officials skirt the law, as evidenced below.

- In Bedford County, competitive bids were not solicited for gasoline and diesel fuel purchased for several county departments totaling \$683,588.⁹¹
- In Campbell County, the Road Department did not solicit competitive bids for a steel storage building totaling \$19,000.⁹²
- In Claiborne County, two road graders and a backhoe were purchased without soliciting competitive bids totaling \$577,808.⁹³
- In Grainger County, a brush chipper, which cost \$11,500 and nine used buses totaling \$403,700, were purchased without soliciting bids.⁹⁴
- Grundy County did not solicit bids when it purchased food for the jail worth \$94,044.⁹⁵
- The Hamblen County Highway Department purchased a backhoe from the highest bidder without justification. It cost \$15,840 more than the lowest bid.⁹⁶
- Hancock County did not ask for competitive bids for an ambulance, which cost \$93,529 and two trash containers that cost \$12,000.⁹⁷
- A Hawkins County employee attempted to sidestep the bid process by writing four separate checks for two used vehicles that cost \$22,998 in total.⁹⁸
- The Haywood County's Sheriff's Department did not solicit bids for two used vehicles which cost \$39,000 and a fingerprint machine that cost \$41,553. The county also did not solicit competitive bids for a \$39,202 tire purchase.⁹⁹
- The Lake County Highway Department did not solicit bids for chemicals, which cost \$26,752, liquid asphalt that cost \$93,170, and crushed stone that was purchased for \$27,666. The Department also bought a truck for \$36,888 from the highest bidder

with no justification.¹⁰⁰

- The Lauderdale County Sheriff's Department did not solicit bids for two patrol cars that cost \$57,770 in total.¹⁰¹
- In Marshall County, competitive bids were not solicited for inmate meals for the jail that totaled \$86,705. The county also did not solicit bids for \$38,840 in equipment relocation and electrical services.¹⁰²
- In Moore County, no bids were obtained for a \$23,500 purchase of food for the jail. The county also did not solicit bids when it traded in two vehicles and paid an additional \$11,300 for a 2010 Ford Explorer.¹⁰³
- The Morgan County Sheriff's Department did not ask for any bids when it purchased two vehicles that cost \$29,900 in total.¹⁰⁴
- In Putnam County, competitive bids were not solicited for a network printer that cost \$5,697, six laser printers that cost \$5,210 in total, fencing that cost \$9,890, upgrades at the Parks and Recreation Department that cost \$5,900, carpeting that cost \$27,000, and security cameras that cost \$7,400. The county also neglected to take out an advertisement for a construction manager.¹⁰⁵
- Rhea County did not solicit bids for a boiler and its installation, which cost \$146,550.¹⁰⁶
- The Unicoi County Sheriff's Department did not solicit competitive bids for jail food. The Department also attempted to circumvent the bid process when it wrote multiple checks for the purchase of two used vehicles that cost \$19,990 in total.¹⁰⁷
- In Van Buren County, bids were not solicited for jail food and custodial purchases of \$29,403. The county also failed to receive bids for a \$4,976 purchase of police vehicle cameras.¹⁰⁸

WHERE ARE THEY NOW?

Every now and then, it's worth a trip back down memory lane to find out where old *Pork Report* topics have gone since gracing these pages. Sadly, most of the time these items of wasteful spending have taken a turn for the worse, representing mere remnants of their once-promised glory. This section pays homage to what could have been had politicians heeded our warnings about these boondoggles and busts.

The Port of Pork

Back in 2010, we warned in the *Pork Report* that the newly proposed Port of Cates Landing in upper West Tennessee was destined to fail. Certainly in need of economic development, politicians convinced the region's residents that an infusion of \$22 million in taxpayer money would turn their ship around. Unfortunately, according to one recent news story, taxpayers "haven't seen a smidgen in return" since.¹⁰⁹ Despite opening in early summer 2013, no real business has taken place at the port, and there is little talk about private businesses gravitating to the area. Like the famed "bridge to nowhere," this port just might sink a massive load of taxpayer money.

“This Land Is Your Land, This My Land”

In 2012, a private developer and the City of Nashville engaged in a legal battle after his property was seized through eminent domain for the construction of a new convention center. After a Nashville jury found that the city paid less than market value to Tower Investments for the five-and-a-half acres of prime downtown real estate, a series of appeals by the Metropolitan Development and Housing Agency ensued. Fortunately for the Nashville landowner, the Tennessee Supreme Court has declined to hear their case, marking the end of the road for the city and a victory against eminent domain abuse. However, this means taxpayers will now be on the hook for the \$15 million owed to Tower Investments, adding to the \$623 million cost of the newly completed Music City Center that opened last year.¹¹⁰

Tulahoma Gets Into the Internet Business

You may remember our story from last year’s *Pork Report* featuring the tiny town of Tullahoma and its big investment venture: Gigabit Internet. This is a service the city undertook to offer its barely 18,000 residents that provides connectivity at 150 times the average speed, and it cost taxpayers upwards of \$17 million to implement. Despite local officials’ acknowledgements that the Gigabit service would likely operate at a deficit for three years, the city mayor now claims that they have failed to execute a business plan that makes the service palatable for local residents. This high-speed Internet plan is primarily geared towards large companies, but as of December 2013, only one corporation had subscribed to the \$300 monthly service—a price tag that most residents find hard to swallow.¹¹¹

Chattanooga Airport Competition, or Lack Thereof

Going back to our *2010 Pork Report*, we informed readers about the Chattanooga Airport Authority’s (CAA) \$4 million taxpayer investment to finance the authority’s competition against the private TAC Air. The grant was issued by the Tennessee Department of Transportation’s Aeronautics Division, and allowed CAA to wedge out TAC Air for fuel provisions and other airport services. Despite losing more than \$1 million of taxpayer money since the deal, CAA has now announced plans to allocate an additional \$12 million in taxpayer funds to buy out TAC Air’s hangar and office facilities.¹¹² Where will they go from here? The sky is the limit when using taxpayer money.

CONCLUSION

The *2014 Tennessee Pork Report* exposes an astonishing \$609 million in government waste, fraud, and abuse—making this year the highest recorded amount of abusive spending in *Pork Report* history. Despite warnings, citations, and suggestions for improvements in previous editions, the worst offenders seem to replicate trends seen in the criminal justice system—the transgressors are often most likely to repeat their crimes. Unfortunately, taxpayers are left to wade through the debris left in government’s wake.

For Tennesseans to witness change, the bureaucracy must take monumental steps towards greater accountability, transparency, and a commitment to taxpayers that fiscal responsibility will take precedence over the impulse to spend with reckless abandonment.

State-Level Reforms

In addition to outright eliminating the various examples of waste, fraud, and abuse laid out in these pages, the state legislature should enact stricter spending laws. This would prevent further erosion of state tax dollars on needless pork projects. There are three key solutions that, if enacted, would provide much-needed protection for taxpayers’ wallets.

1. Strengthen the Copeland Cap

If members of the General Assembly truly wish to curb spending, they must strengthen the Copeland Cap. Enacted in 1978, the Copeland Cap is designed to prevent wasteful spending by tying state spending to personal income growth. If annual state spending grows at a higher percentage than Tennesseans’ personal income for that year, the legislature must approve the excess spending in a separate bill.

Unfortunately, the Copeland Cap can be overridden by a simple majority vote of legislators, rendering it practically ineffective. Proof of this lies in the fact that the spending cap has been “busted” 49 percent of the time since the law was enacted.¹¹³ By amending the state Constitution to require a two-thirds vote rather than a simple majority to override the cap, lawmakers could curb spending abuse, while still preserving their ability to expend needed funds in times of emergency or disaster.

Further, lawmakers should revise the calculation used to determine whether annual spending “breaks the cap.” Because state law currently prohibits the state budget from growing at a faster rate than the state’s personal income growth, and personal income growth could be substantial in good years, this calculation provides far too much leeway for out-of-control spending. The General Assembly should instead base the calculation off population growth plus inflation. These factors more closely align with the growth of government spending. Government should not spend more simply

because the economy improves, as is the case with the current calculation. Rather, spending should be tied directly to the factor that most influences the size and scope of government programs: population growth, along with adjustments for inflation. This more fiscally conservative approach would protect taxpayers' hard-earned money in good times and bad.

Had lawmakers adopted our more stringent solution when the Copeland Cap was enacted, taxpayers could have saved as much as \$38.4 billion in the ensuing three-and-a-half decades.¹¹⁴ That's not chump change. It amounts to \$6,300 for every man, woman, and child during that time period.

2. Enact a "Kicker" Law

Coupled with a stronger Copeland Cap, the General Assembly should enact a "kicker" law to further curb government spending. Under such a law, if tax revenues exceed estimates, the General Assembly would be required to return the surplus to taxpayers. Lawmakers could do this in a variety of ways, such as lowering certain taxes to offset the over-collection of revenues. Such a law would incentivize lawmakers to spend wisely and conservatively so that there would be surplus revenues to return to taxpayers' pockets each year.

3. Establish a State Spending Commission

Finally, state lawmakers should establish a version of the federal Grace Commission established by President Ronald Reagan in 1982. This panel of business executives and private sector volunteers undertook a comprehensive review of the federal government. Officially known as the report of the President's Private Sector Survey on Cost Control, the Grace Commission made 2,478 recommendations that saved taxpayers \$424.4 billion during a three-year period. A similar state-level independent body should be tasked with analyzing the entire state budget from cover to cover, pinpointing waste and identifying opportunities for savings.

Local-Level Reforms

Further, because waste, fraud, and abuse abound at local levels of government outside the state Capitol, it is imperative that state and local elected officials advance measures that hold those local governments accountable. Among the solutions to rein in the squandering of local taxpayers' money, city and county governments should:

1. Establish Audit Committees

Audit committees would be tasked with overseeing local elected and appointed officials and ensuring that taxpayer money is protected. According to the *CPA Journal*, local government audit committees can "increase the integrity and efficiency of the audit process, as well as the system of internal controls and financial reporting."¹¹⁵

This is a crucial first step toward establishing effective safeguards for the use of taxpayer money by local governments across the state.

2. Create and Maintain a Rainy Day Fund

Similar to the state's reserve fund, local governments should maintain a segregated fund for "rainy days" so that difficult budgetary times do not pose a threat to the fiscal health of the local government or become an easy excuse to raise taxes. This rainy day fund should represent a substantial percentage of the local government's overall operating budget, such as five to seven percent. Each year, the local government should divert surplus revenue into this reserve fund until it reaches an adequate portion of the total local budget.

3. Debt Disclosure Requirements

Local governments often take on debts to cover existing obligations or to fund public projects. In many cases, taxpayers are left in the dark as to the details of these debt obligations and the impact they have on the local government's fiscal stability. It is therefore imperative that local governments be bound by certain debt disclosure requirements. Only then can taxpayers know how much debt their local governments have incurred, and make informed decisions about how payments on that debt are made and whether their local officials are allowed to take on future debt obligations.

4. Implement Centralized Financial Management Systems

A more comprehensive reform that should be pursued by state and local officials is a financial management systems act, such as that proposed by Comptroller of the Treasury Justin Wilson in 2013. The proposal allows counties "to adopt a centralized system for managing fiscal procedures."¹¹⁶ By encouraging counties to formalize their accounting, financial, and purchasing programs, this measure could lead to a reduction in the amount of waste, fraud, and abuse that plague many local governments across the state.

Until these important solutions become a reality, the Beacon Center will continue to hold elected and appointed officials accountable. If state and local officials persist in their refusal to truly tackle government waste, the *Tennessee Pork Report* will continue to roast wasteful government spending, forcing them to pay attention to their misdeeds.

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To support the Beacon Center of Tennessee and projects like the *Tennessee Pork Report*, consider making a tax-deductible gift to our cause. For every single dollar donated to the Beacon Center for publishing the *Pork Report*, we uncover more than \$249,000 in government waste, fraud, and abuse. A gift to the Beacon Center represents a tremendous investment for you and your family.

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Send us your own examples of government waste by calling (615) 383-6431 or emailing us at info@beacontn.org. Many of the examples found in the *Tennessee Pork Report* come directly from citizens across the state. Become one of Tennessee's citizen watchdogs by submitting your own examples. All tips will remain anonymous.

Tips can also be provided to the Tennessee Comptroller of the Treasury, who serves as the state's "money cop," monitoring state and local agencies for waste, fraud, and abuse. Tennesseans with knowledge of illegal, improper, or outright waste of taxpayer money can call the Comptroller's Fraud, Waste, & Abuse Hotline at 1-800-232-5454 or visit www.comptroller.tn.gov to file a report online.

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