Through a Glass Darkly:

On the Need for Greater Transparency Regarding Federal Funds Going Directly to Texas Local Governments

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Key Points

- Federal funds that go directly to Texas' political subdivisions affect the Texas economy as a whole. But regulation of Texas' economy is, under the U.S. Constitution, a power that belongs to the state government, not the federal government.
- The Texas state government needs to take a full reckoning of federal grants sent directly to local governments, because these funds are never "free"—they come with federal requirements that build spending requirements into the system.
- What is required is the implementation of a system to monitor and evaluate federal funding to local governments. Through this, Texas would have the information available to be more strategic in its partnerships with the federal government.
- Although the general rule should be that local governments have authority to control local affairs, those powers must be limited so that local governments operate in the public interest rather than for the benefit of special interests.
- Recognition of the primacy of liberty in our constitutional order dispels the notion that a state's intervention in its political subdivisions is "hypocrisy."

Executive Summary

The Texas Legislature needs to know the amount of federal funds that go directly to political subdivisions of Texas, and this with the view to enhancing the Legislature's knowledge of and ability to deal with the effects of these funds on the Texas economy.

Federal funds that go directly to Texas' political subdivisions ineluctably affect the Texas economy as a whole. But regulation of Texas' internal economy is, under the Tenth Amendment to the U.S. Constitution, a power that belongs to the state government, not the federal government. Therefore, to preserve the meaning and intention of the Tenth Amendment—and with it, the rightful duties of Texas' statewide officeholders, an accounting must be made of the amounts, purposes, and conditions governing federal funds to local governments.

Federal funds are never "free"—they come with federal requirements, e.g., matching components, which build spending requirements into the system. These programs are tailored to the federal government's priorities, which may or may not be the priorities of the citizens of the local government recipients and/or of the state as a whole. Moreover, federal funds that go directly to local governments can produce budgetary redundancies.

Therefore, through monitoring and evaluating federal funding to local governments, the state of Texas will have at its disposal the information available to be more strategic in its partnerships with the federal government. The need for this information is vital, because the national debt now stands at over $19 trillion. There will come a time when that debt will have to be paid, and when it does, Washington's ability to maintain its current funding of local governments will lessen or cease. In order for local governments to avoid a nightmare scenario in the future, they need to quantify the funds received from the federal government and determine how they are spent. In this way, Texas and other states will be better able to plan for any coming contraction in federal spending.

Through a Glass Darkly: On the Need for Greater Transparency Regarding Federal Funds Going Directly to Texas Local Governments

> *[W]e must not let our rulers load us with perpetual debt . . . if we run into such debts as that we must be taxed in our meat and in our drink, in our necessaries and our comforts, in our labors and our amusements, for our callings and our creeds, as the people of England are, our people, like them, must*

come to labor sixteen hours in the twenty-four, give the earnings of fifteen of these to the government for their debts and daily expences; and the sixteenth being insufficient to afford us bread, we must live, as they now do, on oatmeal & potatoes.

–Thomas Jefferson, 1816

Now, to bring about government by oligarchy masquerading as democracy, it is fundamentally essential that practically all authority and control be centralized in our National Government. The individual sovereignty of our States must first be destroyed, except in mere minor matters of legislation. We are safe from the danger of any such departure from the principles on which this country was founded just so long as the individual home rule of the States is scrupulously preserved and fought for whenever it seems in danger.

–Governor Franklin D. Roosevelt, 1930

The fact that we are here today to debate raising America's debt limit is a sign of leadership failure. It is a sign that the U.S. government can't pay its own bills. . . . I therefore intend to oppose the effort to increase America's debt limit.

–U.S. Senator Barack Obama, 2006

In October 2015, the Texas Public Policy Foundation's Center for Local Governance issued an alarming press advisory in reaction to the Texas Bond Review Board's (BRB) preliminary estimates of local government debt for fiscal year 2015. According to the BRB, Texas local governments have amassed debts totaling more than $338 billion, up more than $5 billion since the previous fiscal year.

"Texas' local governments are awash in a sea of red ink," said James Quintero, director of the Center for Local Governance. "According to the latest data, local governments in the Lone Star State owe a combined $338.4 billion, which amounts to roughly $12,250 owed per Texan. . . . Soaring local government debt remains one of Texas' greatest public policy challenges. It's critical that the next legislature take action to rein in the growth of out-of-control spending and debt at the local level."

As illuminating as these revelations are, the full picture of the economic predicament faced by Texas' local governments remains unclear. In addition to the documented debt owed by the state's political subdivisions, these local governments also are relying on federal funds that go directly to them, without the knowledge or approval of the Texas Legislature. Should those federal funds dry up, neither the local governments nor the Texas Legislature currently have any contingency plan to address the shortfall; nor has the Texas Legislature even the knowledge of how much and for what purposes local governments are receiving these federal grants. Although Texas state agencies are required by law to report to Austin all federal funds they have received, the Lone Star State's political subdivisions operate under no similar transparency and accountability requirements. In the event that the federal spigot runs dry, neither the state nor the local governments are currently in a position to respond effectively.

Federal funds that go directly to Texas' political subdivisions ineluctably affect the Texas economy as a whole. But regulation of Texas' internal economy is, under the Tenth Amendment to the U.S. Constitution, a power that belongs to the state government, not the federal government. Therefore, to preserve the meaning and intention of the Tenth Amendment—and with it, the rightful duties of Texas' statewide officeholders—an accounting must be made of the amounts, purposes, and conditions governing federal funds to local governments.

In this light, the Texas state government needs to take a full reckoning of federal grants sent directly to local governments, because these funds are never "free"—they come with federal requirements, e.g., matching components, which build spending requirements into the system. These programs are necessarily tailored to the federal government's priorities, which may or may not be the priorities of the citizens of the local government recipients and/or of the state as a whole. Moreover, federal funds that go directly to local governments can produce budgetary redundancies.

What is required, then, is the implementation of a system to monitor and evaluate federal funding to local governments. Through this alone, the state of Texas would have at its disposal the information available to be more strategic in its partnerships with the federal government.

Details of the Federal Debt Explosion

To contract new debt is not the way to pay old ones.

–George Washington, 1799

If something cannot go on forever, it will stop.

–Herbert Stein, 1998

But is the fear of a massive retrenchment in federal funding justified? Consider these facts: Just before the start of President George W. Bush's term, at end of 2000, the national debt stood at $5.629 trillion. Eight years later, the federal debt stood at $9.986 trillion. By July 21, 2016, the federal debt had risen to over $19,400,000,000,000, according to a report issued by the U.S. Treasury. By the time that President Barack Obama leaves office on January 20, 2017, the debt will have grown to exceed $20 trillion. For 2010, total national debt as a percentage of Gross Domestic Product (GDP) in this country was 94.3 percent. For Greece, which is suffering massively, the figure was 115.1 percent. During President Obama's first two years in office, the U.S. government added more to the U.S. national debt than the first 100 U.S. Congresses combined. As a result, the U.S. government currently is compelled to borrow approximately 41 cents of every dollar that it spends. The U.S. government spent over 430 billion dollars on interest on the national debt during FY 2014 (see Appendix A, "USA Debt Clock").

According to the July 2016 Congressional Budget Office's (CBO) *Long Term Budget Outlook*, if there is no change in federal taxing and spending policies, the United States will "face steadily increasing federal budget deficits and debt over the next 30 years." The CBO report finds that "federal debt held by the public, which was equal to 39 percent of gross domestic product (GDP) at the end of fiscal year 2008, has already risen to 75 percent of GDP." Based on its projections, the CBO calculates that the national debt will rise to 86 percent of GDP by 2026 and to 141 percent of GDP by 2046—"exceeding the historical peak of 106 percent that occurred just after World War II."

Doubtless, such profligacy on the part of the federal government cannot go on forever. As the economist Herbert Stein noted wryly, "If something cannot go on forever, it will stop." When this happens, Texas will need to have a plan in place to avoid a nightmare scenario for its local governments. The Texas Legislature needs to know the amounts and purposes that current federal money serves. In this way, it will be better able to plan for any coming contraction in federal spending.

On the Difficulties of Gauging the Amounts and Economic Effects of Federal Funds that go Directly to Texas' Political Subdivisions

I go on the principle that a Public Debt is a Public curse.

–James Madison, 1790

At present, the Texas Legislature lacks full information regarding the amounts, purposes, and economic effects of federal funding that goes directly to Texas' political subdivisions. Various agencies—among them, the Texas Legislative Budget Board, the Texas Comptroller's office, Moody's Investors Services, Standard & Poor's, the U.S. Census Bureau, as well as the websites USASpending.gov and OpenTheBooks.com—offer pieces of information, both at the state and federal levels, but the full picture remains somewhat elusive. Each of the above entities employs different methodologies at certain points in its analysis, which makes it difficult to arrive at a complete understanding. That said, OpenTheBooks.com proves to be the most illuminating of accounts available at present. (To give the reader a sense of the size and nature of all federal grants that go to Texas, reported and unreported, Appendix B lists OpentheBooks' 100 largest federal grants funneled to the Lone Star State during Fiscal Year 2014.)

In addition, federal funds are funneled through organizations like local Councils of Governments and Regional Mobility Authorities. Neither of these organizations offers the full information on its website regarding how much federal funding it is receiving.

This transparency problem is not unique to Texas. In the course of conducting this study, this writer contacted the Indiana Office of State-Based Initiatives, the agency that manages federal grants in Indiana. The Indiana agency reported that they have encountered the same problem and are unaware of any effort to identify these funds.*

Perhaps for this reason, most state legislative attempts to lessen their dependence on federal dollars are largely limited to money that is appropriated by the state legislature, and does not include efforts to identify federal funds given directly to political subdivisions. Yet, these federal funds to local governments affect the Texas economy. Representation of, and responsibility for, the Texas economy as a whole is the duty and power of Texas' state government alone, not that of any political subdivision. Therefore, to fulfill its responsibilities, the Texas Legislature needs to know the full picture regarding federal funds that go to the state's political subdivisions.

But, against this view, some argue that the state has no right to intervene in the decisions of local governments. To this objection we now turn.

* The issue also has received attention at the federal level Last year, U.S. Representative Virginia Foxx (R-VA) introduced H.R. 50, the Unfunded Mandates Information and Transparency Act of 2015. The bill passed the House, but went no further. For additional information on H.R. 50, please see Appendix B, "National Effort to Deal with Debt."

Does a State's Regulation of Its Political Subdivisions Illegitimately Infringe on "Local Control"?

> *[Governor Greg Abbott] is the same guy who fought so hard against increased federal intervention in our lives. When it comes to his perspective of top-down governance from Washington, he's against it. But, somehow, he believes in the Mc-City concept that establishes uniform rules that must apply to all cities across the state. We all must look, smell, feel and behave the same, according to state mandate. Under Abbott's vision, top-down governance from Austin is better than what we, the citizens of Dallas, Austin, Lubbock, Clarendon, Muleshoe, Brownsville and El Paso choose for ourselves. Thank you, Greg Abbott, for restoring the concept of Big Government that you fought so hard in your campaign to wipe out.*
>
> –Tod Robberson, *Dallas Morning News, 2016*

> *States are sovereign. Local governments are not. States can impose on local governments what they wish. The policy issues change year to year, but underlying all of this is the question of how much local autonomy does the state feel it ought to tolerate?*
>
> –Michael Pagano, 2015

As is clear from the above passages, there is considerable debate over whether the state of Texas, or any state, can legitimately intervene at all in the affairs of its local governments. The remarks quoted above were penned by Tod Robberson in his op ed, "Greg Abbott's position on local control is way off base – and hypocritical." According to Robberson, Governor Abbott is "now reversing his philosophy and declaring that the state should intervene to circumvent local rights to govern how we live."

Steve Benen concurs in Robberson's critique. Writing for msnbc.com, he writes, "Let this be a lesson to everyone: when officials in Washington tell states what to do, it's an outrageous abuse and clear evidence of government overreach. When states tell cities what to do, it's protecting conservative principles." The hypocrisy that Benen, like Robberson, believes that he has found is this: state intervention in local affairs violates a crucial tenet of "contemporary conservatism," which "generally celebrates 'local control' as a valuable governing principle."

Simply put, critics of state intervention in local affairs charge that conservatives generally protest overreach by the federal government into the affairs of the states, but these same state leaders miss the contradiction when they themselves reach into the affairs of political subdivisions.

This criticism of states exercising power over their political subdivisions comes too late—225 years too late, to be exact. It was 225 years ago (1791) that the first ten amendments to the U.S Constitution were adopted. Of these amendments, the Tenth states, "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

Here we find the constitutional justification undergirding resistance to federal overreach into the powers of the states. Such principled resistance is far from a tenet merely of, as Benen states it, "contemporary conservativism." It dates back to America's Founding. As John Dickinson, a Virginia delegate to the 1787 Constitutional Convention, stated the case, "the government of each state is, and is to be, sovereign in all matters that relate to each state only. It is to be subordinate barely in those matters that relate to the whole, *and it will their own faults*, if the several states suffer the federal sovereignty to interfere in the things of their respective jurisdictions" (emphasis supplied).

Thomas Jefferson, author of the Declaration of Independence, agreed. Writing to Archibald Stuart in 1791, Jefferson observed, "It is important to strengthen the state governments: and as this cannot be done by any change in the federal constitution, (for the preservation of that is all we need contend for,) it must be done by the states themselves, erecting such barriers at the constitutional line as cannot be surmounted either by themselves or by the general [federal] government."

In short, the argument that a state's regulation of its political subdivisions "hypocritically" violates "contemporary conservatives'" allegiance to "local control" misses entirely the existence and meaning of the Tenth Amendment. If the Texas Constitution contained a provision that stated—"The powers not delegated to the state by the U.S. and Texas Constitutions, nor prohibited by either to the state's political subdivisions, are reserved to the political subdivisions respectively, or to the people"—the charge of hypocrisy would carry greater weight.

Of course, no such clause exists in the Texas Constitution. Without it, this attempt at criticism amounts to no more than a political sentiment, and falls far short of a constitutional or legal argument.

Other Rejoinders to the Critique of a State's Regulation of Its Political Subdivisions

As discussed earlier, Texas is far from unique in its struggle over this issue. The title of a staff editorial published by *The Arizona Republic* conveys its conclusion: "States Need to Stop Meddling in Municipal Affairs." Clint Bolick published a rejoinder in the same outlet. At the time, Bolick was the director of the Goldwater Institute's Scharf-Norton Center for Constitutional Litigation. He is now a Justice on the Supreme Court of Arizona. Bolick's op ed, "Governments Get Their Power from State," attempts to defend the Arizona Legislature from *The Republic*'s charge of "'hypocrisy' for resisting federal edicts while regulating local government affairs. Not only is the charge incorrect," argues Bolick, "but the prescription that the Legislature stop 'meddling' in local government business is disastrous."

Bolick counters his critics with the following observation: "The limited powers of the federal and local governments derive from the same place: the states." Why? Because "the states, acting as sovereign representatives of the people, created the federal government. It is not only proper but imperative that they hold the federal government to the boundaries of its limited powers." In a like manner, "cities, counties, school districts and other local governments owe their existence and limited powers to the state. Indeed, they are political subdivisions of the state."

According to Bolick's understanding of the purposes driving the American Founding, the Constitution bestowed "limited and defined powers on the federal government, but also imposed limits on state governments where the states could be expected to abuse their powers." However, and despite the fact that the Founding Fathers "believed that government ought to be as close to the people as possible, they understood that local governments were especially susceptible to special-interest control." In virtually all local elections, "few people vote, allowing special-interest groups like unions to exercise enormous influence. While nearly everyone keeps a watchful eye on our federal government, few people even know who their local elected representatives are, much less actively participate in local government."

In advancing this position, Bolick grants that "the general rule is and should be that local governments have authority to control local affairs." However, "those powers must be limited so that local governments operate in the public interest rather than for the benefit of special interests." Nor does he deny that state legislatures are "immune to the same types of special-interest influences." For this very reason, "not only the federal Constitution but our state Constitution establishes limits on its [the state's] power."

In pointing to the Constitution's architectonic ends, Bolick supplies the most important element missing from the "hypocrisy" critique. The U.S. Constitution was established with three primary goals in mind: democracy, liberty, and competency. Democracy is our form of government, of course, but as Thomas Jefferson remarked to the nation in his First Inaugural Address (1801), "All too will bear in mind this sacred principle, that though the will of the majority is in all cases to prevail, that will, to be rightful, must be reasonable; that the minority possess their equal rights, which equal laws must protect, and to violate would be oppression."

That is to say, the Constitution establishes a limited democracy, through which majority rule is to be made consonant with individual liberty. But liberty can be endangered by too little as well as by too much government. Too little power in the federal government was the fatal flaw of this country's first constitution, the Articles of Confederation, which the Constitution replaced. The Founders' Constitution strengthened the power of the federal government—that is, made government more competent—in order better to secure individual liberty.

In this light, recognition of the primacy of liberty in our constitutional order dispels the notion that a state's intervention in its political subdivisions is "hypocrisy." As Bolick states it, "For the rule of law to effectively protect individual rights, the framers of both [the U.S. and Arizona] constitutions recognized the need for checks and balances at every level of government." If individual liberty is to receive the protection it deserves, "no government at any level should operate free from scrutiny or constraint."

A more recent effort to combat the "hypocrisy" charge was offered by Texas State Senator, Konni Burton. In "Local Control: A Tool, Not a Rule," Burton, like Bolick, laments the fact that "the role of the state and its political subdivisions is misunderstood by many, and this misunderstanding affects how they view policy decisions by state lawmakers." Burton begins by recounting some of the present conflicts between the state government and local governments, among them "the growth of the local property tax burden on Texas families and businesses, restrictive ordinances killing innovation and driving out businesses, or even who goes to the bathroom where on public and private property."

To resolve properly such apparently perennial disputes requires first understanding that "we live in a nation with a federated government, which means that the individual states are equal governing partners with the federal government." The states, argues Burton, "created the federal government, giving it a particular and limited set of responsibilities, powers, and restrictions." Hence, no state is "subordinate to the federal government." Neither is the federal government "subordinate to the states."

However, "no such equality exists between the state and its own political subdivisions," all of which are "creations of the state government. They exist at the sole discretion of the state; receive their responsibilities, powers, and restrictions from the state; and are subject to the direction of the state." To claim otherwise, and to label a state's leaders as "'hypocrites' for pushing back against the federal government while intervening in their own affairs" is, Burton claims, "hollow and disingenuous" in its attempt to "obscure the state's preeminent role in governing."

On this reasoning, a "home-rule city" (a municipality with a population of at least 5,000 residents that has issued a "charter for self-governance") is free to legislate and/or regulate as it will, but only so long and only so far "as it does not violate the Texas Constitution or state law." The threshold question for policy makers, then—whether the issue is "a state law prohibiting sanctuary cities, or a state law preempting onerous business regulations, or a state law overriding texting-while-driving bans"—should look to the "merits of the policies themselves" rather than to the "merits of their impact to 'local control.'"

Burton concludes her article with a quotation from Christine Sandefur, executive vice president of the Goldwater Institute, in Arizona. According to Sandefur, "We don't promote local control as an end in itself. We promote it as a means to achieve liberty. When it becomes destructive of those ends, when it's in fact being oppressive, then absolutely we believe in state control."

In sum, all of the above rejoinders to the charge of state government "hypocrisy" stress the primacy of individual liberty in deciding conflicts between and among different levels of government. All officeholders, at every level of government, writes Burton, should claim their "rightful place as the promoters and defenders of liberty against all encroachments, even if they come from our own political subdivisions."

After the Fall: How Can States Prepare for Coming Cuts in Federal Funding? Recommendations

> *We all know that federal spending is not sustainable and federal funding to the states will be cut. The major question for states is whether they will plan ahead for this inevitability.*
>
> –Bob Williams, 2014.

> *States are far too dependent on federal dollars. It would be financial malpractice for states not to create fiscal emergency plans to prepare for the inevitable time when those federal funds dwindle or disappear.*
>
> –Utah state Sen. Deidre Henderson, 2014.

As discussed earlier, with the national debt continuing to skyrocket, state legislatures continue to depend substantially on federal funds to balance state budgets. A recent study by State Budget Solutions discloses that states received 31.6 percent of their total revenue from federal funds in 2012. According to the study, the federal share of state budgets varies widely—from 20 percent of Alaska's annual budget to 45 percent of Mississippi's. The report also calls readers' attention to the fact that these funds are far from "free." In fact, federal "maintenance of effort" regulations generally last considerably longer than the federal funds to which they were initially attached, thereby impairing the ability of state legislatures to budget in a prudent manner. What can be done?

Utah's Efforts to Make Its State Legislature "Financial Ready"

The Utah legislature passed H.B. 138, The Federal Receipts Reporting Requirements Act, in 2011. The bill mandates that "all state agencies report total federal receipts, including the percentage of their respective budget, and also to disclose what their specific contingency plan is if federal receipts are diminished."

H.B. 138 gave birth to "Financial Ready Utah" (FRU), which attempts to ready the state to withstand the coming downturn in federal funds. FRU calculates the danger of a substantial reduction in funds coming from the federal government. It also crafts a plan for dealing with the retrenchment when it occurs and requires all state agencies to report on the money that they have received from the federal government. Some budget analysts hold that FRU has helped "earn the state strong bond ratings from the Fitch, Standard & Poor's, and Moody's Investors Service rating agencies."

However, FRU does not address the issue of the size, number, purposes, and economic effects of federal funds that go directly to political subdivisions rather than through the various state agencies (the latter are required to report all federal funds). To grasp fully the state of the states regarding their dependence on federal funds, a more thorough accounting is necessary, which can be named "Financial Ready 2.0."

Financial Ready 2.0: Transparency, Analysis, and Democratic Accountability for Federal Grants to Texas Political Subdivisions

Financial Ready 2.0 (FR2) has been formulated with four chief goals in mind:

1. Promote liberty and financial transparency in Texas.
2. Increase visibility into federal government activities in Texas political subdivisions.
3. Increase state policymaker awareness of federal government subversions of state policy decisions.
4. Reduce federal interference with the state and local governments.

The need for the greater accountability (and with it, increased transparency, on which democratic accountability ultimately depends) advanced by FR2 has been discussed previously. In sum, reductions in federal funds to state and local governments are inevitable and imminent due to the federal government's deteriorating fiscal condition. When these federal funds to local governments are cut, local governments have in the past often turned to the state to backfill their losses. However, there is currently no reliable repository of data on federal funds given directly to local governments, which would indicate potential state obligations in the event of a cut in federal funds.

The need for FR2 is heightened further when we consider the following: As states like Texas have begun to push back against the conditions attached to federal grants and even reject some grants on policy grounds, the federal government has attempted to strike deals directly with local governments, which subverts the policy decisions made by state legislatures. The federal government has used conditional federal grants to deputize state and local governments to perform tasks beyond the authority of the federal government and the means of state and local governments.

Primary Components of the Proposed Model: Transparency, Analysis, and Democratic Accountability

Transparency: Because Texas state legislators currently have no formal mechanism through which to attain a greater awareness of attempted federal/local circumventions of state policy decisions, transparency is the paramount component of FR2. To achieve this, all political subdivisions in Texas should be required to report in real time to a state fiscal entity all federal funds received directly from the federal government that have not been passed through by a state agency. (All funds passing through a state agency are deemed to have been sufficiently vetted by the Governor's Office and/or Texas Legislature.) The state fiscal entity should then produce an annual report detailing, at a minimum, the amount, purpose, and policy conditions attached to such federal funds.

Analysis: If a political subdivision receives federal grant funds passed through by a state agency, those funds may be spent immediately. If, however, a political subdivision receives grant funds directly from the federal government, those funds should be placed in escrow until completion of a state review process.

During the review process, the political subdivision would submit information on the grant to a state fiscal entity. Once the state fiscal entity receives the grant information from the political subdivision, it would have ten business days to complete an analysis of the grant. As part of this analysis, the state fiscal entity should request from the office of the attorney general a review of the compatibility of the grant's policy conditions with existing state law, the Texas Constitution, and the Tenth Amendment of the United States Constitution.

Democratic Accountability: Once the state fiscal entity completes the grant analysis, it should transmit the analysis to a panel of designated state elected officials, who would have ten business days to register an objection to the political subdivision's receipt of the grant funds. If an objection is raised within the ten business days, the grant funds would remain in escrow until the objection is withdrawn or the political subdivision returns the grant funds. If no objection is raised within the ten business days, the grant would be considered approved and the political subdivision may immediately spend those funds for their intended purpose.

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Appendix A

"Facts about the US National Debt"

The US National Debt matters because higher debt results in: higher taxes, reduced 'benefits' and programs, higher interest rates, and a weak dollar. All of which will make the United States a much weaker and less free nation. It is stealing from the future by spending their money today and reducing growth now which hurts everyone in coming years.

1. On January 1, 1791, the US National Debt was $75 million. It increases by that amount every hour today (2010).
2. $1 trillion = $1,000 billion or $1,000,000,000,000 (that's 12 zeros).
3. In 2010 the United States issued nearly as much debt than the rest of the world governments combined.
4. The budget deficit for 2011 alone will end up being well over 10 percent of GDP. A very dangerous level.
5. For 2010, debt as a percentage of GDP was 94.3% in the United States. For Greece, who is having massive problems, the figure was 115.1% (see here). Increasing at 10% per year (see above) means we will hit the Greece level in 2012 or 2013. [2011: Some estimates put it at 150% of GDP now, which the US could reach at 10% growth per year just a few years from now.]
6. The World does not have enough money to lend the United States so for the nine months ending June 2011, the Federal Reserve purchased nearly all the debt issued by the United States Government. It did this by printing money out of thin air, "quantitative easing" in Washington double-speak.
7. The U.S. government currently has to borrow approximately 41 cents of every single dollar that it spends.
8. During President Obama's first two years in office, the U.S. government added more to the U.S. national debt than the first 100 U.S. Congresses combined.
9. Just before the start of President Bush's term, at end of calendar year 2000, the debt stood at $5.629 trillion. Eight years later, the federal debt stood at $9.986 trillion.
10. For President Obama, the debt started at $9.986 trillion in January 2009 and increased to $13.7 trillion, a 38 percent increase over two years, by January 2011. By May 2011 it stood at $14.3 Trillion - $600 Billion in 4 months.
11. Spending one dollar per second, it would take twelve days to spend $1 million. It would take more than 31000 years (31709.792 years) to spend one trillion. The deficit presently stands around $1.5 Trillion per year. If you were alive when Christ was born and you spent $1 million every single day since that point, you still would not have spent $1 trillion dollars by now - you would have spent about $734 Billion.

Appendix B

Top 100 Federal Beneficiaries in Texas*

	Institution	Dollars Received	Add'l. Funds
1	Baptist Child and Family Services, HHS	$288,801,735	
2	Houston MTA	$278,271,547	
3	Baylor College of Medicine	$220,055,735	$22,600,000
4	Southwest Key Programs, Inc.	$181,099,091	
5	Dallas Area Rapid Transit	$149,330,765	
6	Texas Department of Public Safety	$104,834,105	
7	Texas Migrant Council	$104,363,045	
8	International Educational Services, Inc.	$64,567,314	
9	Charcot-Marie Tooth Association	$62,196,054	
10	William Marsh Rice University	$46,432,935	
11	FWTA	$39,900,690	
12	Headstart of Greater Dallas, Inc.	$37,752,923	
13	Region XIX Education Service Center	$32,525,667	
14	Texas Biomedical Research Institute	$26,908,220	
15	SER-Jobs for Progress National, Inc.	$24,499,839	
16	Texas A&M Engineering Extension Service	$23,393,631	
17	Methodist Hospital Research Institute	$22,607,268	
18	Advance, Inc.	$21,017,767	
19	Southwest Research Institute	$20,999,719	
20	Neighbors in Need of Services, Inc.	$20,909,593	
21	Texas A&M Health Science Center	$20,800,384	
22	Neighborhood Centers, Inc.	$20,553,614	
23	Gulf Coast Community Services Association	$17,020,580	
24	Community Action Corporation of South Texas	$15,758,898	
25	Texas Tech Health Science Center	$15,729,787	
26	Advance-San Antonio, Inc.	$15,446,416	
27	CHILD, Inc.	$15,340,506	
28	Women's Health and Family Planning Association	$14,772,200	
29	Bell Helicopter Textron, Inc.	$14,389,690	
30	Region VII Education Service Center	$14,144,009	
31	Rice University	$14,047,260	
32	Lutheran Social Services of the South, Inc.	$13,639,206	
33	Corpus Christi Regional Transportation Authority	$13,263,587	
34	Family Service Association of San Antonio	$12,437,913	
35	Region XVI Education Service Center	$12,098,379	
36	WM Smith Sr Tri County Child Dev Council Inc.	$11,573,589	
37	Texas Children's Hospital	$10,177,324	
38	Port of Houston Authority	$10,048,375	
39	Methodist Healthcare Ministries of South Texas	$10,000,000	
40	South Plains Community Action Association	$9,987,409	
41	Southwest Educational Development Corporation	$9,884,903	
42	Texas Neighborhood Services	$9,753,453	
43	Motivation Education and Training, Inc.	$9,637,576	$8,201,963
44	Centro Del Barrio, Inc.	$9,401,067	
45	Cliffside Refiners LP	$9,025,000	
46	Region X Education Service Center	$8,960,272	
47	Nuestra Clinica Del Valle, Inc.	$8,889,379	
48	Hill Country Community Action Association	$8,750,947	
49	Su Clinica Familiar	$8,477,813	

50	Southern Methodist University	$7,734,524
51	American Heart Association	$7,472,514
52	Economic Opportunities Advancement Corporation	$7,267,262
53	Barrio Comprehensive Family Health Care Centre	$6,955,083
54	Dallas County Hospital District	$6,549,889
55	TAPS	$6,527,844
56	Region XIV Education Service Center	$6,471,665
57	Catholic Charities of the Diocese Galvesto	$6,356,790
58	Centro de Salud Familiar	$6,334,359
59	Children's Medical Center of Dallas	$6,203,364
60	Baylor Research Institute	$6,120,075
61	Children's Center, Inc.	$5,995,048
62	Community Action Services of Nacogdoches	$5,934,347
63	Hays Caldwell & Blanco Counties Community Action	$5,917,934
64	Region XX Education Service Center	$5,765,421
65	Tri County Community Action, Inc.	$5,339,714
66	Parent & Child, Inc.	$5,178,043
67	RBF Port Neches, LLC	$5,076,892
68	Advocacy, Inc.	$5,030,532
69	Texas A&M Agrilife Research	$5,028,318
70	Regence Health Network	$4,778,855
71	AVX Corp.	$4,659,728
72	Breedlove Foods, Inc.	$4,500,000
73	Memorial Hermann Health System	$4,175,843
74	University of the Incarnate Word	$4,165,105
75	West Texas Opportunities, Inc.	$4,162,752
76	Region IX Education Service Center	$4,018,720
77	Cen-Tex Family Services, Inc.	$3,940,232
78	Millennium Water Alliance	$3,940,043
79	Westchase	$3,920,870
80	Community Services Agency of Dimmit, Lasalle, and Mave	$3,875,504
81	UT Health Science Center	$3,848,543
82	Martin Luther King, Jr, Family Clinic, Inc.	$3,733,755
83	Community Council of Cass-Marion-Morris-Counts	$3,616,044
84	South Central Houston Action Council	$3,590,748
85	Atascosa Health Center, Inc.	$3,518,097
86	National Math and Science Initiative, Inc.	$3,348,022
87	South Texas Rural Health Services, Inc.	$3,344,276
88	Seton Home	$3,301,062
89	ChildCareGroup	$3,213,704
90	Project Vida Health Center	$3,200,416
91	Lone Star Circle of Care	$3,168,684
92	Legacy Community Health Services, Inc.	$3,130,172
93	Community Health Service Agency, Inc.	$3,093,870
94	Gulf Coast Health Center, Inc.	$3,033,223
95	Caris Foundation International	$3,000,000
96	Sheetak, Inc.	$2,998,961
97	South Plains Rural Health Services, Inc.	$2,912,038
98	Heart of Texas Community Health Center, Inc.	$2,883,530
99	Cross Timbers Health Clinics, Inc.	$2,847,615
100	Community Health Development, Inc.	$2,840,657

State of Texas Legislative Code, Sec 2101.011: "Not later than November 20 of each year, a state agency shall submit an annual financial report regarding the agency's use of appropriated money during the preceding fiscal year."

Sec. 2101.0115: "A state agency's financial report must include a detailed statement of all assets, liabilities, and fund balances, including (6) all money due to the agency from any source."

Appendix C

National Effort to Deal with Debt

Summary: H.R.50 — 114th Congress (2015-2016)

Passed House amended (02/04/2015)

Unfunded Mandates Information and Transparency Act of 2015

(Sec. 2) States as the purposes of this Act to: (1) improve the quality of the deliberations of Congress with respect to proposed federal mandates by providing Congress and the public with more complete information about the effects of such mandates and by ensuring that Congress acts on such mandates only after focused deliberation on their effects; and (2) enhance the ability of Congress and the public to identify federal mandates that may impose undue harm on consumers, workers, employers, small businesses, private property owners, and state, local, and tribal governments.

(Sec. 3) Amends the Congressional Budget Act of 1974 to: (1) require the Congressional Budget Office (CBO), at the request of the chairman or ranking member of a congressional committee, to conduct an assessment comparing the authorized level of funding in legislation to the prospective costs of carrying out any changes to a condition of federal assistance being imposed on state, local, or tribal governments participating in the federal assistance program; (2) modify the definition of "direct costs" to require CBO to consider, in accounting for the costs of federal mandates, forgone business profits, costs passed onto consumers and other entities, and behavioral changes; (3) eliminate the exemption of independent regulatory agencies (except the Board of Governors of the Federal Reserve System or the Federal Open Market Committee) from reporting requirements under the Unfunded Mandates Reform Act of 1995 (UMRA); and (4) make the raising of points of order in the consideration of congressional legislation applicable to legislation that would increase the direct cost of private sector mandates beyond limits established by UMRA.

(Sec. 6) Amends UMRA to: (1) transfer certain responsibilities under such Act from the Director of the Office of Management and Budget to the Administrator of the Office of Information and Regulatory Affairs; (2) set forth detailed criteria to guide agencies in assessing the effects of federal regulatory actions on state, local, and tribal governments and the private sector; (3) revise requirements for agency statements accompanying significant regulatory actions to require an analysis of the annual effect of a proposed final rule on state, local, or tribal governments or the private sector, including private property owners, and to require all statements and summaries under UMRA to be detailed; and (4) extend to the private sector (including small business) the requirement for consultation with agencies in the development of regulatory proposals containing significant federal mandates and set forth detailed guidelines for such consultation.

(Sec. 11) Revises UMRA reporting requirements to require: (1) the Administrator of the Office of Information and Regulatory Affairs to provide guidance and oversight so that agency regulations are consistent with the principles and policies of UMRA and do not conflict with the policies or actions of another agency; and (2) agencies to include in their annual compliance statements an appendix detailing consultation activities with state, local, and tribal governments and the private sector.

(Sec. 12) Amends UMRA to require an agency, at the request of the chairman or ranking member of a standing or select House or Senate Committee, to conduct a retrospective analysis of an existing regulation promulgated by such agency and submit to the chairman of the relevant committee, Congress, and the Comptroller General a report on such regulation.

(Sec. 13) Expands judicial review under UMRA to include review of provisions of such Act relating to agency assessment of the effects of the regulatory process and agency selection of the least costly or least burdensome alternative to a regulatory mandate. Grants courts expanded powers to compel agencies to comply with UMRA reporting requirements.

(Sec. 14) Limits the amount that the Director of the Consumer Financial Protection Bureau (CFPB) may request during FY2016 to carry out CFPB functions.

Press Advisory from the office of Congresswoman Virginia Foxx:

H.R. 50 – The Unfunded Mandates Information and Transparency Act

Purpose:

The Unfunded Mandates Information and Transparency Act (UMITA) aims to increase transparency about the costs of unfunded federal mandates and hold the federal government accountable for considering those costs before passing them on to local governments and the private sector.

What's next?

In order to gain the momentum needed to move through committee and onto the Senate floor, we need a Democrat Senator to sign on as a cosponsor. UMITA has bipartisan foundations, and we are asking state and local leaders who know first-hand the problems created by unfunded mandates to contact their Senators and request that they sign on to cosponsor the bill (H.R. 50 / S. 189).

Specifics:

- **The legislation imposes stricter and more clearly defined requirements for how and when federal agencies must disclose the cost of federal mandates**:
    - Under H.R. 50 agencies must conduct UMRA analyses unless a law "expressly" prohibits them from doing so.
    - Under H.R. 50 agencies must measure a proposed rule's annual effect on the economy, not just "expenditures" as is currently required.
- **The legislation ensures those affected have the opportunity to weigh in on proposed mandates**:
    - H.R. 50 requires UMRA analyses for all final rules, regardless of whether or not the regulation was subject to a notice of proposed rulemaking (NPRM). Currently, agencies can avoid conducting UMRA analyses if they decide a particular regulation is not subject to a NPRM. This creates an incentive for agencies not to seek public comments on regulations.
    - H.R. 50 directs agencies to consult with private sector entities, such as small businesses, that will be directly impacted by proposed regulations in the same way they currently do with state, local and tribal governments.
- **The legislation equips Congress and the public with tools to determine the true costs of regulations**:
    - H.R. 50 codifies the CBO practice of accounting for specific costs of federal mandates such as forgone business profits, costs passed onto consumers and other entities and behavioral changes.
    - H.R. 50 grants committee chairmen and ranking members the authority to request that the CBO perform analyses comparing the authorized levels of funding in bills or resolutions with the potential loss of federal aid dollars when mandate compliance is a condition for financial aid.
- **The legislation ensures accountability for adhering to its provisions and those set forth by UMRA:**
    - H.R. 50 designates the Office of Information and Regulatory Affairs (OIRA) as responsible for determining whether agencies have satisfied UMRA's cost disclosure requirements.
    - H.R. 50 allows the judicial branch to place a stay on regulations or invalidate rules if the originating federal agency fails to complete statutorily required UMRA analyses.
    - H.R. 50 requires agencies to include in their annual reports to Congress an appendix detailing their regulatory consultation actives with state, local and tribal governments and the private sector.

About the Author

Thomas K. Lindsay, Ph.D., is director of the Foundation's Center for Higher Education. He has more than two decades' experience in education management and instruction, including service as a dean, provost, and college president.

In 2006, Lindsay joined the National Endowment for the Humanities (NEH) staff as director of the agency's signature initiative, We the People, which supports teaching and scholarship in American history and culture. He was named Deputy Chairman and Chief Operating Officer of the NEH in 2007.

Lindsay received his B.A., *summa cum laude*, in Political Science, and went on to earn his M.A. and Ph.D. in Political Science from the University of Chicago. Oxford University Press published Lindsay's American Government college textbook, *Investigating American Democracy* (with Gary Glenn). He has published numerous articles on the subject of democratic education, many of which have appeared in the world's most prestigious academic journals, including *American Political Science Review*, *Journal of Politics*, and *American Journal of Political Science*.

Lindsay has published articles on higher-education reform in *Real Clear Policy, Los Angeles Times, National Review, Inside Higher Ed, Washington Examiner, Knight-Ridder Syndicate, Dallas Morning News, Houston Chronicle, American Spectator*, and *Austin American-Statesman*, among others. He has just accepted an offer to become a contributor to *Forbes*.

In recognition of his scholarship on democratic education, Lindsay was made the 1992-93 Bradley Resident Scholar at the Heritage Foundation in Washington, D.C.

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The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute.
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