

AMERICANS FOR PROSPERITY

Senate Hearing
Committee on Deficit Reduction
Topic: Education
Testimony filed by:
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Mr. Chairman and members of the committee, I wish to thank you for inviting me to speak on the issue of fiscal discipline.

I also wish to commend the general assembly for working in a bipartisan effort towards understanding and hopefully fixing the many structural problems we are facing in Illinois government today.

My name is Joe Calomino and I am the state director for the Illinois chapter of Americans for Prosperity.

For those of you that don't know, Americans for Prosperity is a national grassroots citizen lobbyist organization with over 450,000 members nationwide.

The Illinois chapter of AFP was formed in late 2006 and we currently have over 20,000 members in Illinois.

I want to be clear - AFP is not a think tank. There are many great think tanks throughout the nation. Organizations such as the Cato Institute, the Heartland Institute, and the Heritage Foundation come to mind. I encourage you to work with these organizations as well as those Illinois based think tanks that you'll be hearing from today.

AFP is a grassroots - government watchdog organization - whose mission is educating and empowering citizens to have their voices heard as it specifically relates to free-market, limited government issues - such as budget reform, government transparency and holding elected officials accountable for how they spend our hard earned tax dollars.

My testimony presupposes that there is a need for fiscal discipline specifically as it relates to the states educational system.

State and local governments are on the horns of a dilemma. Whether they respond to revenue shortfalls by increasing taxes or by cutting spending - the result is a great deal of volatility in the short run, and unconstrained growth in government in the long run.

Illinois uses the traditional incremental approach to budgeting. This approach assumes that existing programs and services are always necessary and therefore deserving of continued public funding.

The legislature and governor often begin the budget process by starting with the appropriations - each department received in the previous year's budget and then they choose to increase, maintain or minimally decrease funding levels.

This system is not effective nor is it responsible.

There are alternative approaches to budgeting that AFP supports that can reduce the volatility in revenue and spending over the business cycle, and constrain the growth of government in the long run.

Whether it is the model where constitutional provisions limit the growth of state expenditures to the sum of inflation and population growth, a zero-based budgeting system, or following the Lock Foundations 9 R theory of budgeting discipline, - make no mistake - constraining the growth **in revenue and spending** is no easy task, even in the states that do impose effective budgetary models.

It's really not so surprising, when you consider that when legislators do attempt to impose these types of fiscal discipline, they are often overwhelmed by special interests demanding increased spending for their interest group.

Thus, when legislators do cave into the special interests by mandating and earmarking funds for those groups, the outcome is unconstrained growth in spending that exceeds any prudent limits. This is especially true in recent years of the education lobby.

For example, the Illinois teachers' union has decried the zero-based budget plan for years, fearing that such a plan would mean budget cuts for schools. They instead call for hundreds of million dollars in new revenue enhancements and fees on businesses with little to no measures for accountability.

The education lobby has been successful in creating the myth that no viable alternative education model can work other than continued tax increases. Subsequently, the state continues to muddle along with the current failed education model.

AFP implores this committee and lawmakers as a whole to have the courage and leadership to impose an effective budget constraint in the face of opposition from special interests, bureaucrats, judges, and legislators who oppose such fiscal discipline.

Another fatal flaw in the states budget process is the lack of transparency and accountability.

For example, there should be no off-budget revenue and expenditures that are **not** subject to review by the entire legislature. Citizens have heard a great deal about earmarks reform at the federal level, but Illinois has their own earmark/pork barrel-spending problem.

Earmarks are usually off budget expenditures for pet projects that are tacked onto bills, usually at the end of the budget process. This pork barrel spending usually benefits constituents in a politician's district.

Because earmark spending is off budget, the spending is often not subject to a critical review as part of the standard budgetary process.

Over the past two and a half years AFP has joined forces with Washington DC based Judicial Watch in filing hundreds of FOI requests in an attempt to identify this type hidden spending. I can tell you from first hand experience, this has been a frustrating process to say the least.

Over the course of time, AFP has accumulated partial data highlighting this hidden spending from both the FY 2007 and 2008 budgets. I've included portions of this data in the packet of information submitted to this committee.

For the purposes of brevity we have identified hundreds of millions of dollars that have been appropriated as either member initiatives, add-ons, and/or MOU's specifically earmarked for education funding.

For the most part these dollars have been earmarked for afterschool and social service programs throughout the state. They are clearly appropriated as pet projects of lawmakers and/or special interest groups.

There are no open debates and/or justification for this type of spending. To compound the problem, once these dollars are appropriated there is very little oversight, which means it is wide open to waste and abuse.

In Fiscal-Year 2007 alone there was \$36,305,000 in academic pork including items like:

- \$13.4 million for construction at Harry S. Truman University
- \$600,000 for track and field updates at Saint Xavier University
- \$9 million for a science center at DePaul University
- \$150,000 for clinical mannequins at Parkland Community College

In 2008, a \$100,000 was appropriated to Dr. Rev. Jeremiah Wright Jr. at the Trinity Higher Education Corporation for what can be described as field trips to targeted colleges

And of course there is the well-documented pork received by Chicago State University at the behest of past Senate President Emil Jones.

Also, in Fiscal-Year 2007, \$11.9 million was delivered to over 100 non-profit groups. Many of these recipients received taxpayer dollars even though they had not filed grant applications or had their credentials checked.

These grants circumvented the State Board of Education's rigorous application process and included such questionable expenditures as:

- A certain Senator's sister was given \$25,000 to run a drama program with only four students.
- A Chicago women and her son received \$30,000 to teach 12-20 students a hip-hop exercise class at a shopping mall.
- A religious group was awarded \$30,000 to conduct an arts program at an elementary school, but never did. Instead, two group members patrolled the lunchroom.

I strongly encourage the committee to review and support some of the comprehensive government transparency language that will be debated in your chambers over the next several weeks.

I also suggest that this committee take the time to review the a pattern of spending too much on capital improvements to classrooms thus shortchanging students in the classroom.

There is a national movement that would require state school systems to spend at least 65 percent of their budget on teachers, students and supplies in the classroom.

This would probably mean that superintendents and maintenance unions would get a smaller piece of the pie, but the portion going to teachers and students would increase. Good for the students; bad for the status quo.

The Capital Development Board (CDB) receives between \$500 million and \$1 billion each year to spend on grants to school districts building new schools. But there is very little oversight of this process, which means it is wide open to waste and abuse.

For instance, many of the schools receiving large school construction grants in 2003 were schools that were declining in enrollment even though rapidly increasing enrollment is supposed to be one of the conditions of CDB school construction grants.

One example is Princeton Township High School, which received \$6 million in matching funds in 2003 from the state for a new addition to its high school, even though enrollment was declining and has continued to decline since.

In closing:

It is clear that learning to live with a hard budget constraint requires an entirely different approach to state budgeting than traditional budgeting. A number of states have now introduced priority budgeting. In priority budgeting, budget allocations are based on a careful evaluation of how programs fit into the state's priorities, and how well those programs are working.

Administrations work with a guidance team composed of leaders of the public, private, and nonprofit sectors. The guidance team is given the task of overseeing the prioritization process, and reviewing the budget with experts drawn from the different government agencies.

I strongly encourage you to take the time to review Americans for Prosperity's policy paper on budget discipline written by our Distinguished Scholar and Advisor, Dr. Barry Poulson. That report is included in the packet I supplied to the committee.

I want to once again thank the chairman and the committee for allowing me to speak today. I am happy to help answer any questions and work with this chamber in the future if a need arises in the future.

Respectfully Submitted,

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