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## Fact Sheet

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# GAO Finds Federal Departments Spent More Than \$1.6 Billion in Public Relations and Advertising Contracts

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On February 13, 2006, Rep. Henry A. Waxman, Democratic Leader Nancy Pelosi, Rep. George Miller, and other senior Democratic leaders released a new Government Accountability Office study that identifies more than \$1.6 billion in public relations and media spending by the Bush Administration over the last two and a half years.

The members requested the GAO study a year ago following revelations that the Bush Administration had hired public relations firms to produce “covert propaganda” to influence public opinion in the United States. The revelations that triggered the GAO request included the disclosure that the Department of Education had paid a conservative columnist and commentator, Armstrong Williams, to editorialize in favor of the No Child Left Behind Act; that the Department of Health and Human Services had hired a public relations firm to develop “video news releases” promoting the Medicare Modernization Act that looked like independent newscasts; and that the Department of Education and the Office of National Drug Control Policy had also hired public relations firms to develop similar video news releases promoting Administration policies.

To conduct its study, GAO surveyed seven federal departments, obtaining information on their contracts with public relations firms, advertising agencies, media organizations, and individual members of the media during 2003, 2004, and the first two quarters of 2005.<sup>1</sup> GAO did not evaluate in its report whether these media contracts complied with federal law, including the prohibition on covert propaganda.

## GAO Findings

Key findings from the report and GAO investigation include the following:

- Over two and a half years, the Bush Administration spent more than \$1.6 billion in taxpayer dollars on 343 contracts with public relations firms, advertising agencies, media organizations, and individual members of the media.
- The Administration spent \$1.4 billion on 137 contracts with advertising agencies, \$197 million on 54 contracts with public relations firms, \$15 million on 131 contracts with media

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<sup>1</sup> GAO surveyed the Departments of Commerce, Defense, Health and Human Services, Homeland Security, Interior, Treasury, and Veteran’s Affairs.

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organizations, and almost \$100,000 on eight contracts with individual members of the media.

- \$50 million worth of media spending, on 76 contracts, was not awarded through the competitive bidding process.
- The six biggest recipients of these contracting dollars were Leo Burnett USA Inc. (\$536 million), Campbell-Ewald Company (\$194 million), GSD&M (\$179 million), J. Walter Thompson Company (\$148 million), Frankel & Company (\$133 million), and Ketchum Inc (\$78 million). Together, these six companies received more than \$1.2 billion in media contracts.
- The Department of Defense spent the most on these media contracts, with contracts worth \$1.1 billion. The Department of Health and Human Services spent more than \$300 million on these contracts, the Department of Treasury spent \$152 million, and the Department of Homeland Security spent \$24 million during this period.

### Examples of Public Relations and Advertising Contracts

The public relations and advertising contracts spanned a wide range of issues. Several relate to Administration priorities, including a contract to “provide expert advice and support in the development of several marriage-related research initiatives,” an education campaign regarding the “Medicare Modernization Act, and its coverage and benefits,” and a contract regarding “message development that presents the Army’s strategic perspective in the Global War on Terrorism.” An FDA contract had the objective of warning the public about the “consequences and potential dangers of buying prescription drugs from non-U.S. sources.”

Within the Department of Defense, which had the largest budget for public relations and advertising contracts, the Air Force provided the most detailed list of its contracts. The Air Force contracts ranged from a \$179 million contract for a “National/Local Advertising Partnership ... in support of Air Force recruiting programs” to a \$288 contract to “embroider logo on bowling bags.” The list of over 100 Air Force contracts reveals that the Air Force spent hundreds of thousands of dollars on promotional materials, including \$10,212 for “prize giveaways, such as cruises to Mediterranean and to Canada/New England”; \$10,152 for “Coca-Cola logoed items, including portable radios, victory t-shirts, hats, coolers”; and more than \$35,000 for multiple contracts for promotional materials for a golf program, including “golf towel with embroidered design and golf tees with imprint.” It was beyond the scope of the GAO report to evaluate the reasonableness of these contracts or other contracts included in the report.

GAO lists 14 contracts, worth a combined \$1.2 million, that call for the development of video news releases. These contracts were entered into by six federal agencies: the Census Bureau, the Food and Drug Administration, National Institutes of Health, the Transportation Safety Administration, the National Park Service, and the U.S. Mint. GAO did not evaluate the legality of these contracts in this report. However, prior GAO reports have found that the production of video news releases

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by federal agencies violate the ban on covert propaganda if those video news releases are broadcast to the public without identifying the role of the federal government.<sup>2</sup>

### **An Incomplete Inventory**

GAO's accounting of Bush Administration contracts with public relations firms, advertising agencies, and media companies is limited. GAO surveyed only seven of the 15 cabinet-level departments and did not survey any independent agencies. GAO relied on self-reported information from the agencies. And GAO did not include subcontracts, task orders on existing contracts, or public relations and media work done by government employees.

The limitations are evident from examples of known public relations initiatives that did not make it into the report. Because the report did not cover all federal agencies, it missed one of the most highly publicized public relations contracts: the Department of Education contract with Ketchum Communications, and its subcontract with Armstrong Williams, to promote the No Child Left Behind Act.<sup>3</sup> The report also omitted the costs of video news releases produced by the State Department promoting progress in Afghanistan that made it on to local TV news programs.<sup>4</sup>

### **Growth in Public Relations**

The GAO report does not examine trends in spending on public relations and advertising contracts. However, a prior study by the minority staff of the Government Reform Committee found that spending on public relations contracts has risen rapidly under the Bush Administration. That report found that spending on contracts with public relations firms had increased from \$39 million in 2000 to \$88 million in 2004, an increase of 128%.<sup>5</sup>

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<sup>2</sup> See U.S. Government Accountability Office, *Prepackaged News Stories* (Feb. 17, 2005) (B-304-272). See also U.S. Government Accountability Office, *Office of National Drug Control Policy — Video News Release* (Jan. 4, 2005) (B-302710); U.S. Government Accountability Office, Department of Health and Human Services, Centers for Medicare & Medicaid Services — Video News Releases (May 19, 2004) (B-302710).

<sup>3</sup> See e.g., *White House Paid Commentator to Promote Law ; Pundit Got \$240,000 to Pitch Education Reform*, USA Today (January 7, 2005); *TV Host says U.S. Paid Him to Back Policy*, New York Times (January 8, 2005); *Tax Funded White House PR Effort Questioned*, Los Angeles Times (January 8, 2005).

<sup>4</sup> *Under Bush, a New Age of Prepackaged TV News*, The New York Times (March 13, 2005).

<sup>5</sup> Minority Staff, Committee on Government Reform, *Federal Public Relations Spending* (January 2005).