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Statement of Ranking Member Darrell E. Issa
Full Committee Hearing
“Tracking the Money: Preventing Waste, Fraud
and Abuse of Recovery Act Funding”
July 8, 2009

Mr. Chairman, thank you for holding today’s hearing. In response to the financial crisis, Congress and the Administration have pumped trillions of taxpayer dollars into the economy in the form of bailouts, rescue packages, and government spending. Part of this effort included a \$787 billion make-work “stimulus” effort. In selling the stimulus package, the Administration promised the American people that the legislation would create or save 3.5 million jobs and prevent the U.S. unemployment rate from rising above 8%.

Mr. Chairman, I opposed the stimulus. I thought the outdated and discredited Keynesian economic theory behind the effort was misguided, and I was convinced it wouldn’t work. Unfortunately, recent economic data has validated my opposition. The U.S. economy lost 433,000 jobs in June, bringing the unemployment rate to 9.5%. These job losses come on the heels of other declining economic indicators, and bring the total number of American jobs lost since President Obama took office to over 2.6 million.

As the Committee Democrats rightly noted in their briefing memorandum, the purpose of the stimulus was “putting the unemployed back to work.” Mr. Chairman, these troubling job numbers have shown beyond doubt that so far the stimulus has failed.

When Vice President Biden was asked to justify the Administration’s stimulus job promises in the face of economic reality, he admitted that the Administration “misread the economy.” This misreading, however, didn’t stop the Administration from touring the country hyping the success of the stimulus effort in creating 150,000 jobs. These job claims are based on the same flawed macroeconomic models that the Vice President now admits were incredibly mistaken.

These macroeconomic models also reflected the cleverly unaccountable measure of “jobs saved.” Since no one can possibly disprove a “jobs saved” claim, the Administration has rigged the game in its own favor. As our Senate Democrat colleague Max Baucus said, the Administration has “created a situation where [it] cannot be wrong.”

OMB, in its most recent guidance to stimulus recipients, has proposed an additional method of reporting the employment effects of the stimulus: the counting heads approach. The Administration has directed stimulus recipients to simply “count the people being paid out of Recovery act dollars.” OMB’s guidance is seriously deficient, as it ignores the crucial challenge of understanding whether people employed with stimulus funds were (or would have been) unemployed in the absence of the stimulus, or whether they simply would have been employed elsewhere. Thus, the guidance will likely lead to inflated job reports from stimulus recipients.

In addition, OMB’s guidance fails to include a requirement that recipient reports be accessible to the public as a raw data feed. If a raw data feed were made available for the public to download and subscribe to, the vast army of e-transparency advocates, bloggers, and the watchdog community would use it to produce any number of interesting and informative ways to display the information. The lack of a data feed contradicts another Administration promise: that the stimulus would be implemented with an unprecedented level of transparency and accountability. As one nonpartisan watchdog group pointed out, “This is a significant failure by the Administration to live up to its promise for full and complete disclosure. Significant failure.”

I look forward to discussing these issues today with OMB Deputy Director Rob Nabors, and I thank him for appearing before the Committee. I also look forward to hearing from Mike Pickett, CEO of Onvia, the private-sector provider of Recovery.org, which tracks stimulus spending using proprietary search technology and presents it free of charge to the public. By all accounts, the private-sector Recovery.org is significantly more effective than the public-sector Recovery.gov in accounting for stimulus spending. I look forward to learning about the methods behind the success of Recovery.org, and understanding what lessons learned can be applied to the federal government’s efforts to track stimulus spending.

I would also like to thank the governors of Maryland, Massachusetts, and Pennsylvania for appearing before the Committee today. It is important that many of our states come to grips with their spending problems, and avoid turning to taxpayers in other states (through the federal government) to bail them out. My home state of California is currently suffering through this problem.

It is also important that we learn what the states are doing to prevent and detect waste and fraud in stimulus spending. Earl Devaney, Chairman of the Recovery Accountability and Transparency Board, suggested to the Committee in March that \$55 billion of stimulus funds will be wasted. I look forward to learning what the governors are doing to prevent the waste of taxpayer money, and whether the guidance they’ve received from the federal government is sufficient.

Mr. Chairman, thank you again for calling this hearing.