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CONGRESS ENACTS REVOLUTIONARY TRANSPARENCY TOOL

by

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Revolutionize - as to make drastic change in (WEBSTER'S DICTIONARY)

On September 26, 2006, President Bush signed into law the Federal Funding Accountability and Transparency Act (Federal FAT Act) of 2006 (PL #109-282, 120 Stat. 1186). Through this legislation, U.S. taxpayers – individual and corporate – will be empowered by knowledge of the U.S. Budget unlike at any time in history. At a time of increasing federal budgets, the Federal FAT Act will enable taxpayers to “Google” federal expenditures and to determine “in real time” where the federal government spends approximately \$2.9 trillion annually. This search ability is a truly revolutionary step towards public knowledge and next-generation budgeting transparency.

The Federal FAT Act requires the Office of Management and Budget (OMB) to establish a publicly accessible and user-friendly website by January 1, 2008 which allows taxpayers to see where and how their dollars are being spent. The OMB has taken implementation of the Federal FAT Act very seriously. Already, OMB developed an organizational structure to help federal agencies comply. The fruits of this early labor were born on February 15, 2007, when OMB Director Rob Portman announced the launch of a preliminary test website to solicit and capture public comment as to the mechanics and abilities of the future website. See http://www.whitehouse.gov/omb/pubpress/2007/021507_fed_spending.pdf.

The process for passage of the Federal FAT Act was also truly historic. Senators Tom Coburn (R-OK), Barack Obama (D-IL), Tom Carper (D-DE) and John McCain (R-AZ) introduced the legislation on April 6, 2006. Companion legislation was introduced in the House of Representatives by Rep. Tom Davis (R-VA) and Representative Roy Blunt (R-MO). From introduction to final passage, the legislation was passed and signed by the President in the span of five months.

The “blogosphere” is cited with helping pass the Federal FAT Act. In addition to over 100 organizations of different ideological stripes supporting the Federal FAT Act, the blogosphere emerged and embraced the legislation. In fact, *National Journal* recently reported that the Federal FAT Act was the “#2 most blogged story of 2006.” (Beltway Blogroll, *Blog Power: The Top 10 Blog Stories of 2006*, Jan.12, 2007). Much of the blog activity centered on Senate passage and the “breaking of holds” that prevented final floor consideration.

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During passage, most of the debate focused on the treatment of disclosure for contract versus grant expenditures. As the legislation steamrolled through Congress, amendments were made and accepted to allow some flexibility, based on existing law, as to the treatment of contract reporting versus federal agency grant reporting and to allow more time to collect information on “Sub-Awards,” or sub-grants.

The issue of Sub-grantee reporting is critical. Most often, federal grants are made to states, institutions of higher learning, and various others, and then the money flows in a Byzantine manner throughout the United States. The intent of the Federal FAT Act was to require immediate disclosure of sub-grantees. There were concerns raised within the sub-grantee community and an accommodation was reached. In order to assess compliance-related issues for sub-grantees, the OMB is directed to launch a Pilot Program of sub-grantee reporting to commence July 1, 2007 and to conclude no later than 18 months thereafter. Many agencies have volunteered to conduct the pilot, and many believe that the U.S. Department of Health and Human Services (HHS) has the inside track. HHS is viewed to have strong capabilities with regard to expenditure tracking and monitoring and would be the best agency to test for sub-grantee reporting.

As federal implementation continues, state legislation has been introduced, modeled off the Federal FAT Act, to establish similar state websites to track state spending. One state where the idea is being widely debated is Oklahoma. During an Oklahoma House Committee debate, a state FAT proponent, State Representative Randy McDaniel (R-Oklahoma City) stated, “At the end of the day, I think every taxpayer in Oklahoma is entitled to have a full accounting....I think this just adds to openness.” Associated Press, Feb.15, 2007. Similar state legislation is under active consideration in Texas, New York and other states.

The Federal FAT Act is historic and revolutionary. Full implementation will enable a variety of stakeholders, including American corporations, states, and individual citizens, to better understand how federal resources are spent.

For corporations, the ability to better track federal expenditures for research will provide a better understanding of where critical analysis is being formulated that will affect commercial products and litigation in the future. Oftentimes, an industry under public siege can trace the germination of their current dilemma to one single source: “Research, Inc.”, federally funded government research. Research funded by taxpayers of today becomes the weapon of commercial destruction in the future. Having a greater capacity to understand and determine early funding of such research will allow industry players a better roadmap for future defenses.

For the states, Governors and budget officials will get better “real-time” information on federal funds flowing to the states and, therefore, will allow for better forecasting and budgeting at the state level. Governor Mitch E. Daniels, Jr., (R-IN), and former OMB Director, wrote in support of the Federal FAT Act:

Without timely information on federal grants making, it is difficult to prove outcomes ... As stewards of the hard earned dollars sent to Washington by Hoosiers, Congress has taken the right direction with S. 2590, the Federal Funding Accountability and Transparency Act. I urge you to support this legislation which would provide Indiana with still another tool to increase the number of federal grants we pursue and win.

Gov. Mitch Daniels letter to Sens. Lugar (R-IN) and Bayh (D-IN), Aug. 2, 2006.

For “John Q Citizen,” we can simply log on and “Google” whatever we wish to know as to how our taxpayer dollars are being spent. Whether issue-oriented or ideology-oriented, taxpayers – singular and collective – will be a better and more empowered citizenry to “follow the money” and engage in a greater, more knowledgeable public debate on taxpayer spending.

The U.S. Budget meets public disclosure, accountability, and transparency in Cyberspace and homes across America.