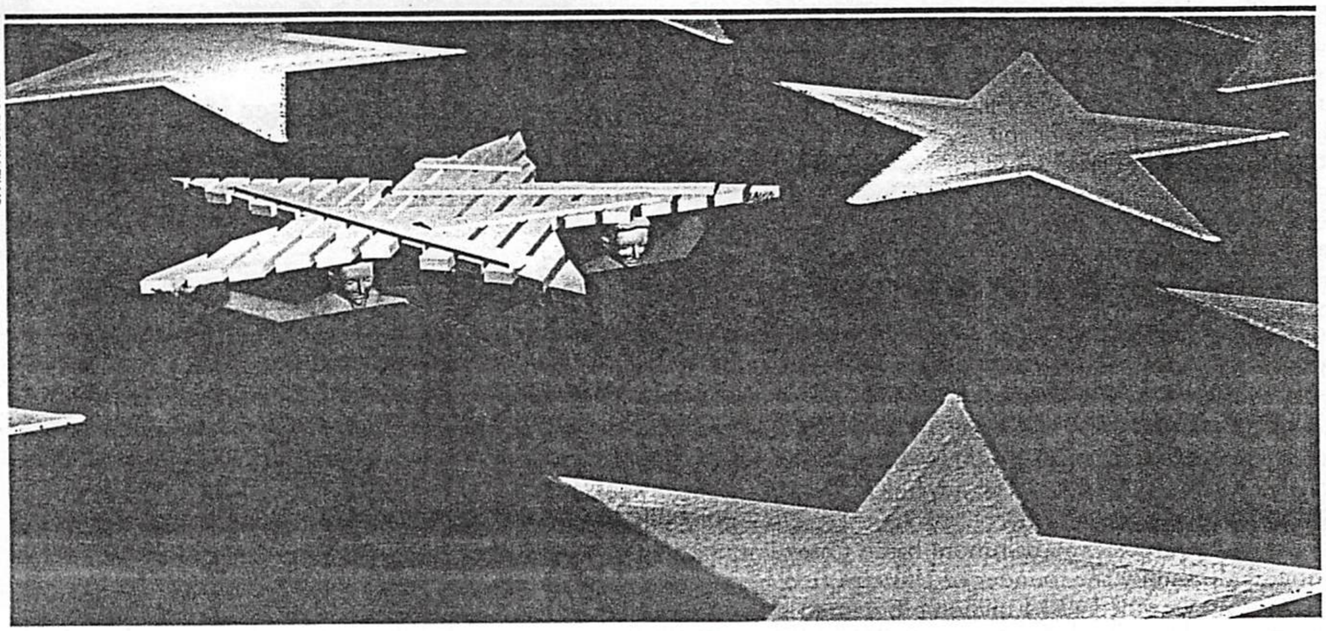
Big foundations are imposing their private agendas on state governments. How? By thinly disguised bribery.

Trojan horse money

By Brigid McMenamin

ILLUSTRATIONS BY SLIM FILMS



IN THE SUMMER OF 1993 Betsy Grice of Owensboro, Ky. took her 11-year-old daughter to the local elementary school for the checkup she needed before starting sixth grade. Grice was shocked to learn that the doctor intended to give the child a genital examination. Turns out it's required by the Department of Education. Why? "The reason they said was to catch abuse at an early age," recalls Grice (not her real name.) Who authorized the intrusive program? Not the state legislature. The program, imposed by state bureaucrats, was bankrolled by a private foundation, the Annie E. Casey Foundation.

"They abuse them [the girls] to see if anybody else is abusing them?" asks Camille Wagner, leader of a grassroots movement of Kentucky parents and teachers opposed to school officials usurping parents' rights.

Last fall researchers at the University of Pittsburgh's Western Psychiatric Institute and Clinic convinced Monroeville, Pa. school superintendent Wayne Doyle to let them use some 900 elementary schoolchildren as guinea pigs in a series of psychological tests and experiments. Who paid for this nonsense? A private foundation whose identity is known only to the psychiatric institute.

Among other things, teachers were required to report how frequently each 6-to-10-year-old child tended to use obscene language, "con" other people, forge signatures, break into houses or force sexual activity on others. Teachers also rated each child as to how "normal" he or she seemed. When parents found out what was going on, school officials pulled the plug. But parents haven't been able to retrieve their children's records, which are being held at the psychiatric institute until the school board can figure out what to do with them.

U. S. charitable foundations dole out about $100 million each year to state and local governments. Today virtually every state accepts social agenda grants from private foundations.

"They bribe governments to take on projects they would not otherwise do," says Kim Dennis, until recently executive director of the Philanthropy Roundtable, an Indianapolis-based trade association for grantmakers.

Bribe may not be too strong a word. "The government's for sale," says attorney Kent Masterson Brown, who is suing on behalf of Kentucky citizens to void the state's $299,500 contract with the Robert Wood Johnson Foundation.

The 1994 contract provided that the foundation would fund the design of a comprehensive health care program for the state. The foundation, pursuing its own longstanding agenda, steered the state toward an ambitious health care reform plan that's a virtual copy of Hillary Clinton's failed program.

"Clearly the money provided by [the Johnson Foundation] is in exchange for 'influence,' in explicit violation of Kentucky bribery laws," says lawyer Brown. After accepting the money, he charges, the state permitted the foundation to influence the direction of its health care regulations. Kentucky has moved to dismiss the action, which is pending in state court.

In order to get the foundation money, former Kentucky governor Brereton Jones gave the foundation rights to use and even sell all of the data to be collected from patients, doctors and hospitals. Think about that for a moment: In a very real sense the state was selling confidential data about its citizens to a private foundation in return for a grant.

Former governor Jones says he doesn't recall seeing that provision in the contract when he signed it in 1994.

Carpetbagger Robert Van Hook, a longtime Johnson Foundation operative, headed up the state's new Health Policy Board—at a salary of $80,000 a year, $20,000 of which was paid by the Johnson Foundation. Presumably he would see to it that the board carried out the foundation's big-government agenda. Less than a year later Van Hook moved, back to Maryland, but the foundation's legacy lives on in Kentucky.

Also in Kentucky, the Baltimore-based Casey Foundation, endowed by the founder of United Parcel Service, James Casey, seeded a $74 million program to put social workers in every public school. Among other things, the workers train new parents and make sure the children get all the health and social services they need, including referrals to get pregnancy tests and condoms. Some local officials initially balked at making referrals for contraceptives without parental consent. But Kentucky educrats cracked down, telling them they had no choice. Thus, without debate, an important new policy was imposed on the state's students.

The manager of the program at the time was Ronnie Dunn, author of *The Factory Fable*, a screed that compares children to the "raw materials used in the manufacturing process." Dunn made her bent for social engineering even blunter when she added: "When all citizens 'own' the children and work together to support and empower families, our society becomes a better place." Better for whom? By what standard? The state never asked. It just took the money.

Kentucky bureaucrats recently imposed emergency regulations permitting schools to treat children for both mental and physical ailments and bill everything to Medicaid, all expected to cost taxpayers another $80 million a year.

"They abuse them [the girls] to see if anybody else is abusing them?" asks concerned parent Camille Wagner.

Wait a minute. Isn't this lobbying by private foundations—a practice prohibited by federal law? Can't a foundation be fined or lose its Internal Revenue Code Section 501(c)(3) tax-free status if the IRS thinks it's getting too cozy with a government?

Yes, but six years ago—after listening to the pleas of the big foundations—the Treasury Department relaxed the lobbying rules to permit virtually everything short of actually buttonholing a legislator or voter to support a certain bill.

That change in the law opened the doors to every foundation with an agenda it wishes to impose. Swooping to take advantage was Lauren Cook, director of state technical assistance at Washington, D.C.-based, foundation-sponsored Council of Governors' Policy Advisors. In November 1991 Cook organized a weekend mixer at the Wingspread Center in Racine, Wis. for foundation leaders eager to meet and mingle with state officials.

James Joseph, then president of the left-leaning Council on Foundations, fired the starting gun. He proclaimed that "We now stand ready to 0.. . . usher in a new era of collaborative efforts to form a more perfect union and promote the general welfare." The general welfare? By whose definition?

The states eagerly took the bait. After the meeting Robert Haigh, special assistant to the secretary of Pennsylvania's Department of Public Welfare, organized a

Even after conservative Governor Pataki took office, state officials continued to do the bidding of liberal foundations.

teamed up with the Johnson Foundation to offer state policymakers $24.25 million to come up with new ways to "transform and strengthen the public health infrastructure." Sounds innocent, but no one is fooled. The whole purpose is to lure states into expanding their bureaucracies and increasing spending, all in the name of improving public health.

Sometimes states bend the rules in order to get the grants. Pennsylvania welfare official Haigh says he was applying for a Casey Foundation grant in 1992 to reform foster care. But there was a hitch. The foundation required that the state's welfare department enter into a contract with a specific county—Philadelphia.

That would have been a violation of Pennsylvania laws that require competitive bidding. No problem. Then-Secretary of Public Welfare Karen Snider just decided to skip the competitive bidding process by pretending there was no other possible bidder.

Four years ago the Pew Charitable Trusts set out to induce states to overhaul all health and social services so as to track all children from birth to adulthood. The Children's Initiative, it was called.

The competition began with states applying for $100,000 "planning grants," followed by another $250,000 for the states whose plans best met Pew's biases in favor of expanding and enlarging government programs. Pew's charter doesn't permit grants to state governments. Again, no problem. Pew simply laundered the planning grant money though a Bala Cynwyd, Pa. not-for-profit outfit called the Center for Assessment and Policy Development. No matter that this subterfuge was an obvious violation of the intent of Pew's founders. Five states won the planning grants.

Pew later canceled the Children's Initiative program when it became clear it would take decades and cost billions to implement, but Casey, Johnson and Kellogg were already beginning similar programs. These folks have never seen a government program they don't like, and you can count on them to try to keep this one alive.

As anyone knows who has ever paid the least attention to government, a program once launched has a tendency to go on forever; so it is with these foundation-financed projects, which tend to go on with taxpayer money long after the foundation tap has been turned off.

In New York, for instance, in the final years of Mario Cuomo's administration, money poured in from left-leaning foundations determined to promote socialized medicine in the fertile soil of this most liberal of states. Projects under way included Johnson Foundation plans to set private doctors' fees, pool information on patients and even cap private spending on health care

Now that Republican George Pataki is governor, are those liberal plans shelved? No way. Pataki's health commissioner, Barbara DeBuono, who had enjoyed a generous Johnson Foundation grant in Rhode Island, supplements her $102,335 annual salary with an extra $50,000 from a state agency, Health Research, Inc., supported almost entirely by private foundation and federal grants.

Since Pataki took office, DeBuono and other health officials have accepted millions more in grants from the foundations—always for projects aimed at getting the state government deeper into people's private lives.

New York deputy health commissioner, Judith Arnold, recently wrote to the Johnson Foundation's grant administrator. Arnold promised that even if the legislature stops funding health care reform, Johnson-seeded reforms will continue. She didn't specify where the money would come from, but the implication was: We bureaucrats will find a way.

To understand what is going on here, it is important to recognize that bureaucrats have an all-too-human tendency to enhance their importance by spending more money. More often than not, too, they are recruited from the ranks of people committed to using governments to redistribute the wealth by raising taxes. Consider, for example, Brian Roherty, former Minnesota budget officer, now president of the National Association of State Budget Officers. He has called on state budget officers all over the country to bend the law as far as possible to advance a liberal agenda. Roherty complains that the top 20% of households own 85% of the nation's wealth.

Roherty is at least refreshingly frank: "How things are distributed will become the next battleground in American politics," he says on the trade association's Web site.

Roherty proceeds to throw down the gauntlet to those who think it is time to roll back or at least stabilize the government's grab at the taxpayer. "State budgets will be the primary vehicle for this change, which will be directed by men and women of courage who are prepared to 'go where no one has ever gone.'" With a little help, of course, from tax-exempt private foundations.

committee of Pennsylvania officials and grantmakers that in turn enlisted foundation-junkie Cook. Her job: Advise Pennsylvania how to tap the foundations. Cook's matchmaking paid off. Since 1990 Haigh has hauled in some $75 million in private foundation grants to Pennsylvania and state-sponsored social projects.

The money comes with ideological strings attached. Pennsylvania was one of 15 states selected by the Johnson Foundation in 1993 to receive money to craft schemes to push primary medical care. In order to get the $100,000 seed money, Governor Robert P. Casey and state health officials had to agree to buy certain computer equipment from a Johnson shill, collect and input information about hospitals, doctors and patients, and give Johnson the right to use and even sell those data. If the Johnson Foundation liked the plan, the state could get another $2.4 million more, plus a $4.2 million loan to implement the plan.

Six weeks after Pennsylvania applied, Governor Casey called a special session of the legislature and passed a law providing for free or cut-rate medical care for children whose families are too affluent to get Medicaid but have no insurance—a typical Johnson ploy. The Pennsylvania health department then set up a new bureaucracy called the Bureau of Primary Care Resources & Systems Development to carry out Johnson's agenda, with seven new positions, two paid out of foundation funds.

In April 1994 Governor Casey wrote to Johnson boasting that he'd spent some $4.4 million in taxpayer dollars and would spend at least $5.6 million more on the foundation's agenda, which included putting health clinics in public schools. For his efforts the foundation gave Pennsylvania another $874,505.

Governor Casey boasted that he'd spent $4.4 million on the Johnson Foundation's agenda and promised $5.6 million more.

Today Pennsylvania boasts 38 full-service school clinics. Health department officials are pushing for more. And Pennsylvania requires schools to see that every child gets everything from dental exams to complete physicals. Worst of all, the folks at the Johnson Foundation showed them how to get virtually all schools designated Medicaid providers so they can bill everything to taxpayers.

Result? Pennsylvania officials can just keep imposing more and more intrusive medical and psychological procedures without getting authorization from parents or the legislature.

Smelling a rat, the Pennsylvania legislature recently appointed a commission to investigate. Last spring it came to light that in March 11-year-old girls at East Stroudsburg's J.T. Lambert Intermediate School were pulled out of class and required to submit to genital exams as part of routine physicals. Outraged, parents have already filed a lawsuit charging assault, battery, invasion of privacy and intentional infliction of emotional distress. The school district insists the exams are required by Pennsylvania law.

State Representative Sam Rorer is introducing a bill to make it harder for state agencies to accept grants without legislative approval.

In 1991 the folks at the Casey Foundation decided that states should do more to make sure children grow up mentally healthy. Whatever that means. They invited state health officials to compete to come up with clever new ideas for helping children who are abused, neglected or in trouble with the law. Each of the top seven would receive a $150,000 "planning grant," with the promise of up to $3 million if their plans pleased the foundation. In effect, the Casey Foundation was paying state officials to lobby for new government programs.

Virginia was one of the states that received a planning grant. In 1992 Virginia bureaucrats got the legislature to pass the Comprehensive Services Act for At-Risk Youth & Families. The act set up a new bureaucracy to monitor children and coordinate all kinds of money and services.

Foundation officials claim they don't meddle with policy. But consider the letter the Casey Foundation wrote to Virginia Governor Lawrence D. Wilder in 1993 telling him his modest demonstration plan for monitoring children was barely adequate. Come up with a more ambitious plan and commit some taxpayer money, the Casey Foundation's executive director, Douglas Nelson, threatened, or he would give Virginia no more foundation money.

The governor snapped to attention. The legislature earmarked $60 million to do what the Casey Foundation wanted done. Placated, the foundation has given Virginia about $3 million to set up community centers to monitor children and figure out how to shift the entire cost to taxpayers once the grant money runs out next year. Last year alone, the tab for all this was up to $90 million. In other words, an ideologically driven foundation plan quickly becomes an embedded state bureaucracy that nobody voted for.

In 1995 the Kellogg Foundation hired as its new president William Richardson, a 56-year-old former Maryland bureaucrat. Since then, Kellogg, too, has started bribing more state agencies to adopt its agenda. This year Kellogg