



August 7, 2009

The Honorable Brian Schweitzer
The Honorable C.L. "Butch" Otter
Western Governors Association
Attn: Patrick Cummins
Via Email: pcummins@westgov.org

Dear Governor Schweitzer and Governor Otter:

I am in receipt of your letter, written by Western Governors' Association (WGA) staff, responding to the concerns raised by the National Taxpayers Union (NTU) over the possible intermingling of public and private funds in the Western Climate Initiative (WCI) program. As I bear full responsibility for the contents of our original communication to you, I will in turn respond to your concerns.

As Governor Otter should especially understand from his tenure in the U.S. Congress, National Taxpayers Union's mission is to advocate for limited and accountable government at all levels – a government that is less of a burden upon the American people. Indeed, Governor Otter received no fewer than four annual Taxpayers' Friend Awards from NTU for consistently voting in favor of lower taxes and less wasteful expenditures.

That is why we are surprised and disappointed that you and other Governors allowed such a communication to be sent on WGA letterhead to NTU without first requesting that an independent audit be conducted of the complicated web of funding that currently supports the WCI process. Your response contains allegations that we:

- "[S]uggested that general membership contributions of Western Governors have been used to support the activities of the WCI;"
- "[Made] false accusations and innuendo [that] recklessly defame the reputation of WGA;"
- "[I]nsinuated taxpayer expense and action by WGA without the knowledge of Western Governors;" and
- "[P]ublicly spread accusations you knew to be false."

It is regrettable that you have chosen to react to our letter and news release in this manner, especially since both were drafted to carefully avoid drawing any such conclusions. Indeed, the entire purpose of this effort was, in our words, to "suggest that both WGA and WCI release to the public all relevant legal, operational, financial and supporting documents relevant to WCI's activities and any support WGA gave them."

The information given us was to the best of our knowledge true and reliable, and none of the points we made based on this information (which you call accusations) were knowingly or deliberately false. As I shall explain in this letter, however, the records you provided to Mr. Chesser raised many more questions than they answered.

I can only conclude that the harsh rhetoric in your letter – rhetoric which was absent from our own communications to you – is an indication of anger on your part. For that reason, I am truly sorry if the issues we raised have caused you or your staff distress. That was certainly not our intention, as we respect the reputation of WGA.

In any case, I will respond to the various points you raised, quoting from your letter where necessary.

1) “...WCI is an independent project affiliated with the WGA. This is common practice for the WGA, as indeed it is for associations of governments throughout the world. In its 25 years, WGA has worked on a variety of separately funded projects with a subset of Western Governors. In addition to the WCI, the following organizations and projects are currently affiliated with the WGA:

- Western Interstate Energy Board
- Western Regional Air Partnership
- Western States Water Council
- Western Interstate Commission for Higher Education
- Western Renewable Energy Generation Information System
- Western Forestry Leadership Coalition

WCI was undertaken as an independent yet affiliated organization of WGA, and some WGA staff also worked on the WCI project on a contractual basis.”

According to the facts made available to us, WGA’s annual reports for 2007 and 2008 do not identify or provide information on WCI, as they do for some of the other initiatives listed above. One would think that WCI might receive some kind of prominent mention if indeed it closely resembles those other initiatives. We could not even find a reference to Patrick Cummins as the Project Manager for WCI in the reports.

Elsewhere in your letter, you state that:

[W]hether or not some of our Governors agree with a WGA-affiliated project is beside the point. Each of us gladly supports the right of any of our colleagues to organize themselves to discuss and develop responses to the pressing issues of the day, and we are pleased if WGA can provide a forum for independently funded efforts to this end.

Yet, WCI isn’t even mentioned on WGA’s “Climate Change” page, where one of the entities you described above – the Western Regional Air Partnership – is prominently mentioned. We contend that to an outside observer, these facts might indicate that either WGA does not wish to give the impression of associating itself with WCI, or that some WGA members are uncomfortable with discussing WCI. After all, several of the Governors you mention as “Observers” for WCI have publicly stated their opposition to cap-and-trade schemes – schemes that are being actively developed under WCI.

2) “[Y]ou suggested that general membership contributions of Western Governors have been used to support the activities of the WCI, despite the fact that WGA has voluntarily provided detailed records to specifically, categorically, and conclusively show that all monies

used to support WCI have been earmarked specifically for this project. At no time have WGA dues or any other WGA funds been used to supplement this work ...”

“WGA provides organizational support services to WCI on a contractual basis. Staff, overhead, and other costs are strictly segregated and separately funded through WCI-specific sources. As was shown in the records provided, no WGA member dues have ever been used to support WCI. It is unfortunate that you find it ‘difficult to see how tax dollars from non-WCI states did not subsidize this process.’ Nevertheless, this is the case.”

The analysis NTU conducted of the financial records released by WGA staff shows clearly, in our view, that WGA staff spent an extraordinary amount of time promoting the agenda of the WCI. The records that you provided do NOT confirm whether WGA was completely “reimbursed” for that time, nor can they answer other legitimate questions raised by NTU’s analysis. For example:

- Did the WGA staff’s participation in WCI projects deprive non-WCI-partner states of work on issues of greater concern to them?
- According to Mr. Chesser, Patrick Cummins of your staff expressed concern over the amount of time that might be involved in producing the materials he requested. Was this an indication that WGA staff was already being taxed in performing regular duties as well as WCI support?
- Did the WGA Board approve the use of WGA as a conduit for outside funds by the specific advocacy organizations of WCI? No documentation from board meetings or other proceedings was provided that could answer this question.

We raise these concerns not out of disrespect for the integrity of WGA, but rather our past experience with the interplay of funds in other organizations. As Governor Otter well knows, for example, the Conservation and Reinvestment Act he opposed while in Congress provided some \$60 million in taxpayer funding each year to environmental groups supposedly for official activities and purposes only. Back then there was an obvious concern that organizations with left-leaning agendas could be playing fast and loose with taxpayer dollars.

Indeed, we find it ironic that Governor Otter would sign such an inflammatory letter against National Taxpayers Union’s questions about WGA possibly associating its good name with a project backed by groups that have a radical environmental agenda. After all, as the Governor should remember, he was a founder in the fall of 2001 of Greenwatch, which he described then as a database to “monitor and keep the extremists in check.” Greenwatch went on to criticize a report by the Pew Center on Global Climate Change in the following manner:

The Pew Center on Global Climate Change recently released its agenda to combat so-called global warming in a report entitled ‘Agenda for Climate Action.’ Like most left-wing environmentalists’ call to arms, it is a mish mash of bad science and economics....

As you know, the Pew Center on Global Climate Change has entered into agreements with WGA to support the Center’s “extensive involvement in the WCI.” Knowing this, we would hope you have at least some concern over the growing trend of WGA associating itself with organizations and foundations whose agendas seriously clash with those of taxpayers in other states. Apparently this is not the case.

3) “[A]ll Governors, acting as the WGA Board of Directors, were of course made fully aware of all contracts that WGA entered into. As with any such organization, the Board of Directors has a legal and fiduciary responsibility to be informed of all such relationships, and to suggest that they did not perform this responsibility is a serious matter.”

Your own accusation – that NTU suggested the Board of Directors did not perform its legal and fiduciary responsibilities – is the false one here. We simply asked the question, “Were all Western governors made fully aware of the contracts and financial agreements WGA entered into, including the public relations contract engaged to help ‘shape public opinion’ to support WCI?”

In any event, apparently the answer to this question may very well be “no.” The *Wall Street Journal*’s John Fund, who many of your member Governors know to be an excellent journalist with high integrity, elicited the following quotation for a story he wrote that appeared on June 12:

One Governor I spoke with points out that the WGA is supposed to operate on a consensus basis. He says the WGA’s involvement in planning climate change proposals is serious overreach. ‘The dues states give WGA come from tax money and I was surprised to learn just how much the WGA seems to be getting ahead of many of the states on carbon regulation,’ he told me.

It is quite possible that other organizations and individuals will request or review WGA’s records, and perhaps they will find answers to the perfectly legitimate questions that have been asked about its arrangement with WCI. I can assure you, however, that NTU considers its own involvement in this issue to be concluded.

In closing, I would remind Governor Otter of his wise words, spoken earlier this year regarding transparency and openness of public finance:

We need to make sure safeguards are in place and that every ‘i’ is dotted and ‘t’ is crossed. This is taxpayer money, and all of us are committed to seeing it used in the most effective and efficient way possible.
News release, 2/17/2009

Being good and accountable stewards of public resources requires nothing less than our best efforts.
News release, 1/21/2009

These principles were our only motivation in making our original inquiry and call for disclosure of WGA, an organization that receives public funds. Based on your reply, WGA does not seem interested in providing such disclosure proactively.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Sepp", with a stylized flourish at the end.

Pete Sepp
Vice President for Policy and Communications