

October 30, 2007

PAGE ONE

MURTHA INC.

# How Lawmaker Rebuilt Hometown on Earmarks

Johnstown Gets Billions With Power Broker's Aid; FBI Questions a Contract

By JOHN R. WILKE  
October 30, 2007; Page A1

JOHNSTOWN, Pa. -- If John Murtha were a businessman, he'd be the biggest employer in this town.

The powerful U.S. congressman has used his clout on Capitol Hill to create thousands of jobs and steer billions of dollars in federal spending to help his hometown in western Pennsylvania recover from devastating floods and the flight of its steelmakers.



John Murtha

More is on the way. In the massive 2008 military-spending bill now before Congress -- which could go to a House-Senate conference as soon as Thursday -- Mr. Murtha has steered more taxpayer funds to his congressional district than any other member. The Democratic lawmaker is chairman of the House Appropriations Subcommittee on Defense, which will oversee more than \$459 billion in military spending this year.

Johnstown's good fortune has come at the expense of taxpayers everywhere else. Defense contractors have found that if they open an office here and hire the right lobbyist, they can get lucrative, no-bid contracts. Over the past decade, Concurrent Technologies Corp., a defense-research firm that employs 800 here, got hundreds of millions of dollars thanks to Rep. Murtha despite poor reviews by Pentagon auditors. The National Drug Intelligence Center, with 300 workers, got \$509 million, though the White House has tried for years to shut it down as wasteful and unnecessary. Another

beneficiary: MTS Technologies, run by a man who got his start some 40 years ago shining shoes at Mr. Murtha's Johnstown Minute Car Wash.

A review by The Wall Street Journal of dozens of such contracts funded by Mr. Murtha's committee shows that many weren't sought by the military or federal agencies they were intended to benefit. Some were inefficient or mismanaged, according to interviews, public records and previously unpublished Pentagon audits. One Murtha-backed firm, ProLogic Inc., is under federal investigation for allegedly diverting public funds to develop commercial software, people close to the case say. The company denies wrongdoing and is in line to get millions of dollars more in the pending defense bill.

Mr. Murtha, a gruff, combat-decorated former Marine, was thrust into the national spotlight last year by his opposition to the Iraq war. Yet he has long been known in Washington, where he wields power like an old-fashioned political boss and has become a lightning rod for Republican attacks. With years of strong support for the military, he's also been an important voice for Democrats in battles over war funding and troop withdrawal.

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But for his 33 years in Congress, his overriding focus has been the revival of his hard-luck hometown. In addition to using taxpayer money to build a local defense industry, Mr. Murtha has funded by legislative fiat miles of new roads, water projects, medical facilities and federal offices for his district. He even brought a Marine attack-helicopter squadron here; it's next to the John Murtha Johnstown-Cambria County Airport. Mr. Murtha has steered at least \$600 million in earmarks to his district in the past four years, according to Taxpayers for Common Sense, a nonpartisan Washington group. The nonprofit group estimates he's sent \$2 billion or more to the district since joining the appropriations committee.

Since Democrats took control of Congress this year, they've reversed the huge growth under Republican rule of earmarks -- narrow, special-interest items that are added to the budget with little public scrutiny, sidestepping the usual competitive-bidding process. In the House, the value of earmarks in all pending budget bills is an estimated \$5.6 billion, down by about half from last year, according to Taxpayers for Common Sense. Horse-trading in the House-Senate conference later this week could change the earmark totals.

Mr. Murtha, too, cut his overall earmarks in the House defense-spending bill, a spokesman says. His earmarks in the current bill are \$166.5 million, more than any other House member, Taxpayers for Common Sense says. Mr. Murtha's spokesman did not dispute this year's total, but said without providing details that it is down by half from last year. Prior to this year, earmarks couldn't precisely be counted because Congress didn't release comprehensive figures.

### **'Not Going to Apologize'**

Mr. Murtha defends Congress's right to award such funds. Despite lobbying and earmark scandals of recent years, he argues that local lawmakers are best suited to understand the needs of their district. He says he's backed new research into treating diabetes and breast cancer, largely funded with defense earmarks and steered to Pennsylvania hospitals and institutions.

He's particularly proud of the military contractors that have flocked to his district. "They do their work on time and at a competitive price," he said in an interview, saying earmarks have helped spur economic development. "I'm not going to apologize for that."

Mr. Murtha underscored this point at a breakfast fund-raiser held for him this summer. "This is about jobs," he told hundreds of military contractors and lobbyists at the Johnstown Convention Center downtown. Sponsored this year by defense giant General Dynamics Corp., the event drew more than 800 people, who paid \$25 a head for scrambled eggs and a chance to meet the powerful lawmaker. Working the crowd, he tells a visitor that bringing federal dollars here "is the whole goddamn reason I went to Washington."

Across the street, an Army tank and armored vehicles bristling with guns and satellite dishes were on display, part of a two-day trade show sponsored by the chamber of commerce. It's held each year in War Memorial Arena, an old hockey rink that is home to the minor-league Johnstown Chiefs and the set for the 1977 Paul Newman film "Slap Shot." Inside, military contractors, many of them recipients of Murtha-backed earmarks, show off wares ranging from fighter-jet ejector seats to military mapping software.

In Washington, Mr. Murtha -- Jack, as he's widely known -- is used to getting his way. At 6-feet-6 and 75 years old, he has been known to physically intimidate opponents and fly into a red-faced rage when crossed. (One recent tirade, against a Republican who had tried to cut funding for a Johnstown earmark, found its way onto YouTube.) He curses like the Parris Island drill sergeant he once was, punctuating conversations by punching a finger into the chest of foes and friends alike.

### **Fencing the West**

Much of this money will dry up when Mr. Murtha leaves office, an event local officials fear as much as the next flood. Johnstown, a city of 27,000, sits at the confluence of the Stony Creek and Conemaugh rivers, 60 miles east of Pittsburgh. For a time, it was the world's largest steel producer and made much of the barbed wire that fenced the West. The rivers that fueled its steel and coal industries also were a mortal danger. A dam burst in 1889, destroying the city, and floods again wreaked havoc in 1936 and 1977. Steel mills, most of them

unused, still line the river's banks.

By 1983, Johnstown's unemployment rate was more than 24%. Today it is around 5%. New campuslike brick office and research buildings stand just outside of town, with assembly plants up the hill by the airport.

Mr. Murtha isn't likely to leave office soon. He was re-elected in 2006 with 69% of the vote; in 2002, he won with 74%. Local Republicans didn't field a candidate to run against him in 2004. Part of his support, no doubt, is self-interest: Voters know that no freshman challenger can match Mr. Murtha's ability to bring home bacon.

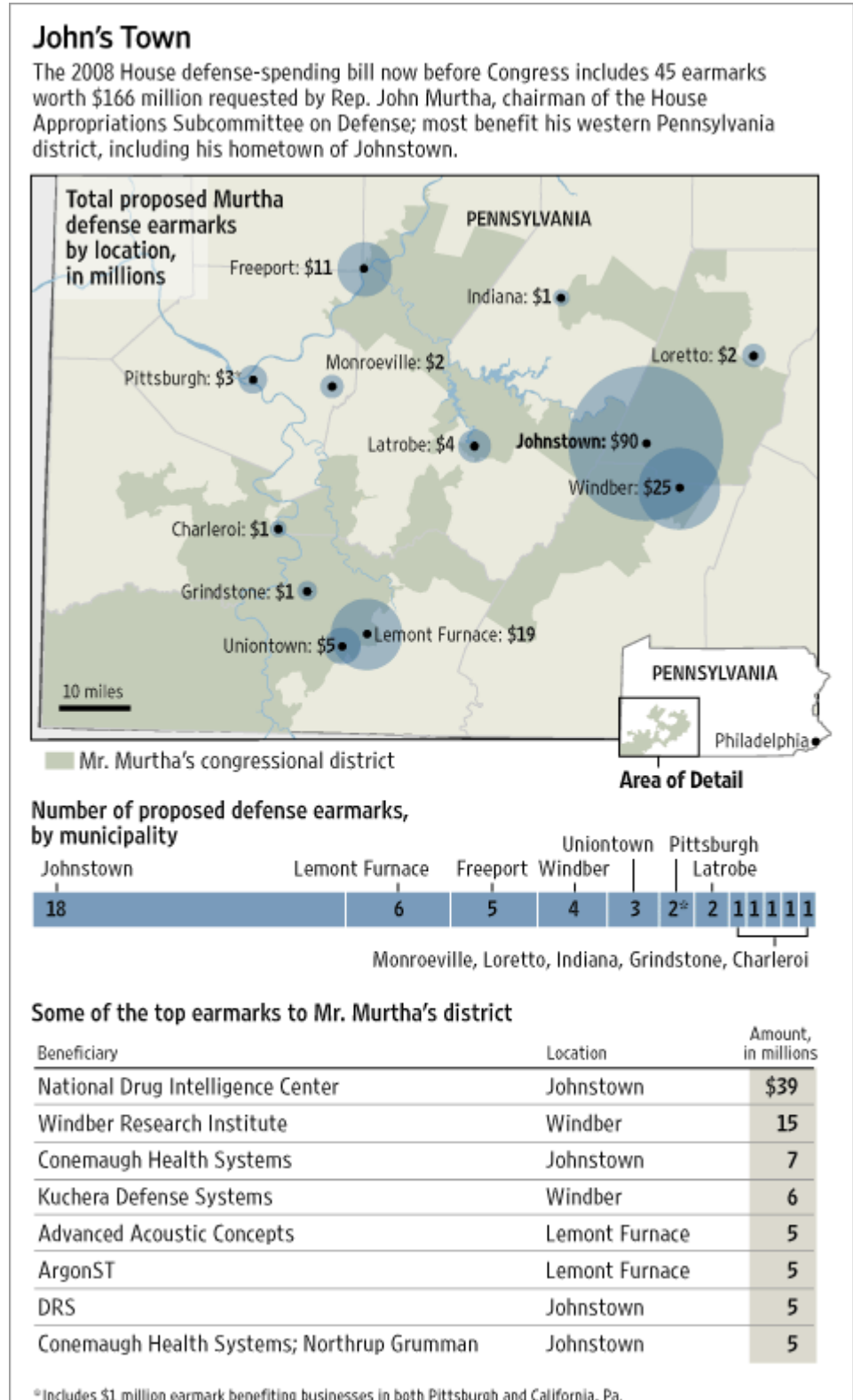
A move into Mr. Murtha's district has become a profitable business model for military contractors. Some are subcontractors for established defense firms; others are home-grown, closely held firms.

Such companies work a well-worn back-channel into the U.S. Treasury. Their executives give generously to members of the congressional appropriations committees, and hire lobbyists who often are former staffers or friends of lawmakers. In turn, the companies seek earmarks inserted into the U.S. budget. The company's name typically isn't listed: Funds are sent instead to a federal agency, such as the Army or the Justice Department, which is then directed to award the contract to the company. (Nonprofit firms can be awarded earmarks directly; one of the largest defense companies in Mr. Murtha's district, Concurrent Technologies, claims nonprofit status.)

### No Pentagon Support

One beneficiary is New Jersey-based DRS Technologies Inc., a multibillion-dollar maker of military electronics. The company entered Mr. Murtha's district a decade ago when it bought a small cable assembler. Since then, the congressman has helped fund nearly \$400 million in contracts for the local DRS unit, building data-display terminals installed in Navy destroyers and submarines.

The Pentagon didn't ask for many of these contracts in its annual budget requests. Mr. Murtha assured the work would be done in his district by earmarking part of the program to DRS.



Paired with prime contractor Lockheed Martin Corp., the DRS unit helped build more than 4,000 display terminals in the past decade, some costing as much as \$240,000 each. A former Murtha staffer, Paul Magliocchetti, helped get the funding through Mr. Murtha's committee. He was paid \$3.2 million by DRS over the period for his lobbying efforts, federal records show. Since 1989, Mr. Magliocchetti and executives of Lockheed and DRS have given more than \$377,000 to Murtha campaign committees.

Mr. Magliocchetti, who has built a lobbying business winning Murtha earmarks for dozens of companies, won't discuss his work. "No comment," he says. "I'm just a former staffer." A spokesman for DRS, Richard Goldberg, also wouldn't comment on Mr. Murtha. "We have a world-class manufacturing facility in Johnstown, and a skilled, reliable work force," he said. A Murtha spokesman says the program has saved money for the Navy by using commercial, off-the-shelf components.

Military officers and agency officials sometimes gripe about congressional orders to spend money on projects they didn't ask for. But the Pentagon tends to go along with Congress to facilitate earmarks, keeping lawmakers happy and ensuring political support for other military programs. T. Michael Mosely, the Air Force chief of staff and a featured guest at this summer's Murtha breakfast, shrugs off the issue. Congressional earmarks for local projects have been in the military budget "for at least 200 years," he says.

### **White Papers**

Concurrent Technologies has been a centerpiece of Mr. Murtha's efforts to build a defense industry in Johnstown. It has gotten at least \$228 million in new earmarks over the past four years, according to a database of defense earmarks created by Taxpayers for Common Sense. Most are in the military-research budget and often fund vaguely worded research, producing white papers or demonstration projects whose worth is hard to quantify.

In budget bills now before Congress, Concurrent stands to gain funding under at least a half-dozen programs. In the House defense-spending bill, it would get \$3 million for "Integrated Mission Critical ESOH Technology and Regional Sustainability," \$2 million for "Advanced Combatant Materials Research" and another \$2 million for "Strategic Logistics Initiatives -- Asset Viability."

Multiyear contracts already awarded to Concurrent yield millions more each year. In June 2003, Concurrent landed a five-year, \$350 million contract from the National Defense Center for Environmental Excellence, which was created by Congress with Mr. Murtha's backing. Its stated mission is to demonstrate and put into use antipollution technologies for military bases and contractors, such as new ways of stripping paint from warships.

But the program wasn't very effective, and there's no way to measure its results, Pentagon auditors determined. A 2001 report found that out of 63 new antipollution technologies, 20 had been tried at a military site and one was successfully in use at more than one installation.

Concurrent also received millions of dollars through another Murtha-funded military program, the Electronic Commerce Resource Centers. Created by Congress in 1991, the program became a conduit for contracts to politically connected companies, congressional records show. The nonprofit company was intended to help small and midsize contractors use emerging Internet and electronic-commerce technology to do business with the armed services, which were increasingly requiring contractors to communicate online. In its earliest review, in 1997, the Pentagon called the program "not efficient or cost-effective," saying it overlapped services, such as providing Internet connections, that were available elsewhere.

With Mr. Murtha's prodding, Congress continued funding and also shifted more control of the program from the armed services to the contractors themselves. Concurrent used this autonomy to set up centers around the country, employing hundreds of people in a half-dozen locations from Bremerton, Wash., to Largo, Fla. That first Pentagon audit "found none of these initiatives to be of significant value."

### **Air Force Is Rebuffed**

The Pentagon's audit, which was previously unreported, describes surprising tension at the time between the Air Force and Concurrent. The Air Force at one point tried to rewrite a contract that it said was "broadly worded with few deliverables." Assured of funding from Mr. Murtha, Concurrent told the Air Force that it "should not attempt to manage" the work, the Pentagon report said, and that the company said it had "no interest in being hired help."

In 2004, the Justice Department's Inspector General found serious problems in Concurrent's handling of a Murtha-backed contract to develop technology for use by police. The audit questioned the company's handling of \$1.8 million, and said that \$647,000 had been improperly charged to general operating expenses.

Since 2000, Concurrent employees have contributed at least \$117,000 to Mr. Murtha's campaigns.

Daniel DeVos, Concurrent's chief executive, said in an interview that the company ironed out its problems with the Justice Department and that its more recent grant programs have run smoothly. He acknowledged past problems in a handful of other programs, some of them reflecting the difficulty of dealing with government bureaucracy, he said.

"All of our programs are audited, and in well over 90% of cases there are no problems at all. In the few cases where issues are identified, we work hard to resolve them," Mr. DeVos said. He added the company was working to wean itself from earmarks, pursuing competitive contracts in environmental services and other areas. "We have gotten a great deal of leverage out of earmark funding, but it's a decreasing percentage of our work."

### **Duplicated Efforts**

Johnstown's National Drug Intelligence Center has cost U.S. taxpayers almost as much as Concurrent's contracts. Since the center opened 13 years ago, Mr. Murtha has steered \$509 million its way. For Johnstown, it has brought 300 federal jobs and the restoration of an abandoned red-brick department store downtown, now its headquarters.

The center, operated as an arm of the Justice Department to provide intelligence and analysis to combat drug trafficking, has been a target for lawmakers opposed to pork-barrel spending. Even before the center opened, the General Accounting Office had called it a waste of money because it duplicated drug-intelligence gathering in Washington and at a center on the Texas-Mexico border. It spent millions on shoddy drug-intelligence reports, and on analytical software that didn't work well, congressional investigators said last year.

For 2008, the White House had proposed spending \$16 million to shut the center down. Mr. Murtha fought back and added \$23 million more to the intelligence bill to save the facility for another year. In a recent letter to the House Intelligence Committee, he called the center "an asset to our intelligence community [and] an effective fighter in the war against drugs."

Other firms have grown rapidly with Mr. Murtha's help. ProLogic, a closely held software and technical-services firm based in Fairmont, W.Va., opened a facility in Mr. Murtha's district two years ago, though its headquarters are less than a half-hour away. The ribbon-cutting by Mr. Murtha and other politicians promised more local jobs, and the congressman's office put out a news release taking credit for recruiting the company; more earmarks were soon steered to ProLogic.

### **FBI Investigates**

Funding for the new facility also helped the chief executive. Local real-estate records show that the building is part-owned by the CEO's family; ProLogic pays a monthly rent higher than prevailing local rates. A ProLogic official said the rent was justified because the building had to have the special wiring and shielding required for classified Pentagon contracts.

Ken Boehm, of the conservative nonprofit National Legal and Policy Center in Virginia, says that county records reveal that ProLogic had similar rental arrangements in other facilities where it carried out defense

contracts. He noted that four of its six locations are in the districts of members of the House appropriations committee.

ProLogic was subpoenaed last year as part of a broader Federal Bureau of Investigation probe of earmarks granted by Rep. Alan Mollohan, a West Virginia Democrat, whose district includes ProLogic's headquarters. Both the congressman and company have denied wrongdoing. More recently, FBI and Defense Criminal Investigative Service agents have begun looking into the alleged illegal diversion of earmarked funds to a commercial ground-radar software project, people close to this inquiry say.

One approach squeezes even more value from earmarks. James Ervin, a retired lieutenant colonel, lobbyist and longtime friend of the congressman, helped found a venture-capital fund, Four Seasons Ventures, that invests in companies that have gotten earmarks and federal contracts. In a confidential document for prospective investors reviewed by The Wall Street Journal, Four Seasons says its principals include people with "long and proven expertise in government acquisitions and appropriations." The firm doesn't disclose its investors.

According to the Four Seasons Web site, portfolio companies include PharmaThene Inc., a biodefense research firm, and Raydiance, a laser maker. Both received Murtha-backed earmarks and are lobbying clients of Mr. Ervin. Mr. Ervin declined to comment.

There's no evidence that Mr. Murtha personally profits from the hometown spending he rams through Congress. He ranked No. 333 in net worth among the 435 members of the House in a 2005 analysis by the nonprofit Center for Responsive Politics. But his campaign coffers have risen since he became chairman of the defense-spending panel. In the first nine months of this year, Mr. Murtha's campaign committees have reported contributions of more than \$1.05 million.

### **Grainy Abscam Video**

Mr. Murtha's devotion to his district became clear 26 years ago, in an infamous encounter that would foreshadow the young congressman's long career. He told an FBI agent -- posing as a lawyer for a rich Arab sheik -- that he was reluctant to take the \$50,000 in cash the agent placed on a desk, supposedly in exchange for help getting the sheik a U.S. visa.

"After we've done some business, I might change my mind," Mr. Murtha said on the grainy black-and-white video shot as part of the FBI's Abscam sting in 1980. The key, he told the undercover FBI agent, was investing in his district. "I think with a tie to the district, there's no problem at all getting this taken care of," he said, referring to helping the sheik enter the country. Mr. Murtha wasn't charged in the case. He cooperated with the government, testifying against two congressmen who were eventually charged and convicted for accepting cash in different meetings.

Seated with the FBI agent, Mr. Murtha also explained why he needed to be more careful than other lawmakers, including the two he later testified against. "I expect to be in the f-ing leadership of the House," he told the agent. "I'm delighted to do business with you. S-, I do business like this all the time to get companies into the area."

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