EXPOSED: America's Highest Paid Government Workers*

They're not who you think they are

Center for Media and Democracy

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EXPOSED: America's Highest Paid Government Workers

Lavish salaries. Platinum health care and retirement plans. Job security despite massive screw ups. These are the hallmarks of America's highest paid "government workers" – and they cost taxpayers millions of dollars. But these well-paid workers aren't the local teachers, social workers and corrections officers that Americans were told are responsible for state and local budget woes. Rather, they are the corporate executives who worked hard to privatize public services and who use taxpayer dollars to enrich themselves with outlandish salaries and benefits.

After a review of shareholder lawsuits, criminal investigations, U.S. Securities and Exchange Commission (SEC) sanctions and court settlements, the Center for Media and Democracy (CMD) is exposing some of the highest paid "government workers" in this report, including:

- Ron Packard, of K12 Inc., America's highest paid "teacher." As CEO, Packard made more than $19 million in compensation between 2009 and 2013, despite the alarming fact that only 28 percent of K12 Inc. schools met state standards in 2010-2011 compared to 52 percent of public schools. K12 reportedly reached a $7 million agreement to settle a class action suit bought by shareholders over the firm's failure to disclose its high dropout rates and poor performance.

- George Zoley, America's highest paid "corrections officer" and CEO of private prison giant GEO Group. To help Zoley rake in $22 million in compensation between 2008 and 2012, GEO Group writes language into private prison contracts that force taxpayers to keep prisons full or else pay for empty beds. GEO Group has faced hundreds of lawsuits over prisoner deaths, assaults, excessive force and more, which result in secret court settlements.

- Richard Montoni, America’s highest paid “caseworker.” As CEO of Maximus, a firm that handles government services for poor and vulnerable residents, Montoni made more than $16 million off of taxpayers between 2008 and 2012. In 2013, Maximus landed in hot water for improper billing in Wisconsin. In 2007, Maximus paid $30 million to settle a U.S. Department of Justice criminal investigation into fraudulent billing.

These and other “government workers” who head big firms in the fields of education, corrections, waste management, water treatment, transportation and even social services make billions off of taxpayers, but muddy accountability, and cut corners when it comes to public health and safety.

This report by CMD highlights just six of these “government workers” who, between them, raked in more than $100 million from taxpayers in personal compensation during the past few years alone.

Given these astronomical salaries, and evidence of higher prices, poor service and at times outright malfeasance, taxpayers have every right to be concerned whether their outsourced dollars are spent efficiently and effectively.

“EXPOSED: America’s Highest Paid Government Workers” is part of CMD’s OutsourcingAmericaExposed.org project, which focuses on how outsourcing public services to for-profit corporations – often to Wall Street banks and foreign companies – hinders transparency and shortchanges taxpayers.

Ron Packard

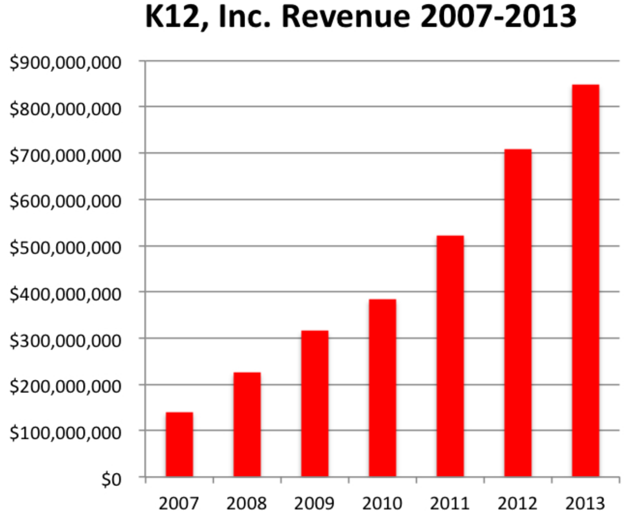
America's Highest Paid "Teacher"

Meet Ron Packard, of K-12 Inc., America's highest paid "teacher."

K12 Inc. is a publicly traded (NYSE: LRN) for-profit, online education company headquartered in Herndon, Virginia. On its own and as a member of the American Legislative Exchange Council (ALEC), K12 Inc. pushed a national agenda to replace brick and mortar classrooms with computers and to replace actual teachers with "virtual" ones. As K12 Inc. notes in its most recent SEC Form 10-K, "most of (its) revenues depend on per pupil funding amounts and payment formulas" from government contracts for virtual public charter schools and "blended schools" (combining online with traditional instruction), among other products.

In 2013, K12 Inc. took in $848.2 million from its business, with $730.8 million coming from its "managed public schools" and thus the U.S. taxpayer. In other words, more than 86 percent of the company's profits are due to taxpayer funds siphoned away from traditional schools and sent to cyber schools.[1]

What does K12 Inc. do with all that money? According to new data, it does not educate children very well; only 28 percent of K12 Inc. online schools met state standards in 2010-2011, compared to 52 percent of public schools.[2] However, K12 Inc. does pay its executives very well. From 2009-2013, Packard made more than $19 million in compensation. Compensation to his top executives skyrocketed from $10.8 million in 2012 to $21.3 million in 2013 or 96 percent.[3]



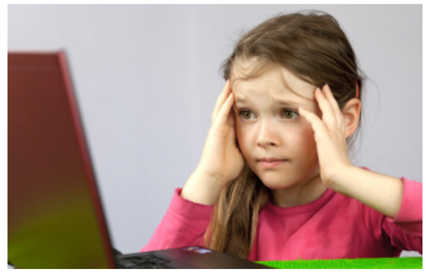
Center for Media and Democracy, 2013. Source: SEC filings.

Not bad for a novice "teacher" and former Goldman Sachs executive who started K12 Inc. with a $10 million investment from convicted junk-bond king Michael Milken (his boss at Knowledge Learning) and $30 million more from other Wall Street investors.

K12 Inc. was born on Wall Street, and it might meet its end there as well. Some big-name investors are shorting the stock amidst allegations that K12's educational model is a sham and K12 reached a tentative settlement to pay $7 million to settle a class action brought by shareholders.[4] Packard recently stepped down as CEO, but remains on the board.

Like the ubiquitous email scammers that promise great things as long as you pay them in advance, evidence builds that some full-time cyber schools charge state taxpayers big bucks for students who may only spend a few days or a few weeks in front of a computer before they decide that "virtual" education is not for them – but the cyber schools keep the cash anyway.

Here is the trick. In many states, there is an annual "count date" where heads are counted and state funding is distributed per child. Evidence mounts that cyber schools spend a massive amount on advertising to pack in students before the count ("enrollment bursts," one education expert called it), but once they get the cash, things fall apart.



A 2012 *USA Today* exposé revealed that "virtual, for-profit K-12 schools spent millions in taxpayer dollars on advertising" – $94.4 million from 2007 to 2012. K12 Inc. spent some $21.5 million in just the first eight months of 2012. Worse, K12 Inc. targets kids with huge ad buys on Nickelodeon, The Cartoon Network, and on teen sites such as MeetMe.com and Vam-pireFreaks.com.[5]

But once the kids sign up for classes, K12 doesn't keep track of them very well. One former teacher from K12 Inc.'s Colorado Virtual Academy said, "Three-quarters of my credit recovery kids never logged in, never completed any work, never answered their emails or phone calls, yet they remained on my class rosters. I began wondering about the state-mandated hours for students at the high school level. No one is monitoring this as far as I can see."[6]

"The kids enroll, you get the money, the kids disappear," Gary Miron of the National Education Policy Center (NEPC) and Western Michigan University told the *New York Times*.

In a few states, regulators are starting to catch on. According to the *New York Times*, a Colorado state audit found that K12 Inc.'s Colorado Virtual Academy received money for 120 students whose enrollment could not be verified. The state ordered the school to reimburse $800,000 dollars.[7]

Learn more about K12 Inc. Read CMD's article "From Junk Bonds to Junk Schools: Cyber Schools Fleece Taxpayers for Phantom Students and Failing Grades" and see K12's corporate profile at OutsourcingAmericaExposed.org.

George Zoley

America's Highest Paid "Corrections Officer"

Meet George Zoley, CEO of GEO Group, and America's highest paid "corrections officer."

GEO Group is one of America's largest for-profit prison firms providing services to states and the federal government. GEO Group's revenue in 2012 exceeded $1.4 billion and CMD estimates that 86 percent of this money came out of the pockets of taxpayers.[8] CMD's investigation of GEO Group unearthed how the company's cost-cutting strategies lead to a vicious cycle where lower wages and benefits for workers, high employee turnover, insufficient training, and under-staffing results in poor oversight and mistreatment of detained persons, increased violence and riots.

But according to SEC filings, top officials at the firm are doing just fine. From 2008-2012 George C. Zoley raked in $22 million in compensation.[9]

Since its founding nearly 30 years ago, GEO Group profited from federal and state policies that led to a dramatic rise in incarceration and detention in the United States – an increase of more than 500 percent during the past three decades. In recent years, with crime rates dropping and sentencing reform spreading, GEO Group found a new way to keep its profits high: many of its contracts contain bed guarantees or "lock up quotas" that require the state keep prisons full, and put taxpayers on the hook for empty beds.[10]

For many years GEO Group participated in the task force of the American Legislative Exchange Council (ALEC) that pushed bills that lengthened time in prison, such as

so-called “truth-in-sentencing” and “three strikes” legislation, as models for states to adopt across the nation. Today, locking up non-violent illegal immigrants is a new profit center for the firm.

There is no doubt that GEO rakes in the big bucks for its executives. But what do the for-profit prisons deliver for these big bucks? GEO’s cost-cutting measures were criticized for their relationship to inmate-on-inmate and guard-on-inmate (and vice-versa) violence, which are many times a result of inadequate training, low pay and high turnover of corrections staff and chronic understaffing. Further allegations of civil rights abuses resulted in hundreds of individual and class-action lawsuits brought against the company. The suits range from allegation of inmate death and abuse, excessive force, medical neglect as well as allegations of employment discrimination.[11]

To take just one example: in May 2013, inmates at East Mississippi Correctional Facility (EMCF) sued the state in U.S. District Court alleging “barbaric and horrific conditions” at the facility. GEO ran the facility from 1999 to 2012.

The American Civil Liberties Union (ACLU) reports: “EMCF is a cesspool. Prisoners are underfed and routinely held in cells that are infested with rats and have no working toilets or lights. Although designated as a facility to care for prisoners with special needs and serious psychiatric disabilities, ECMF denies prisoners even the most rudimentary mental health care services. Many prisoners have attempted to commit suicide; some have succeeded. One prisoner is now legally blind after EMCF failed to provide his glaucoma medications and take him to a specialist, and another had part of his finger amputated after he was stabbed and developed gangrene."[12]

According to Gabriel Eber, staff counsel with the ACLU National Prison Project, "When you combine solitary confinement, abuse, lack of basic medical and mental health care, and denial of basic human needs, it's a recipe for disaster."

Learn more about GEO Group prisons. See CMD's article "Violence, Abuse, and Death at For-Profit Prisons: A GEO Group Rap Sheet" and read the GEO Group corporate profile at OutsourcingAmericaExposed.org.

David Steiner

America's Highest Paid "Sanitation Worker"

Meet David Steiner, president and CEO of Waste Management and America's highest paid "sanitation worker."

Waste Management, Inc. is a publicly traded (NYSE: WM) for-profit waste management company headquartered in

Houston, Texas. It is the largest waste collection corporation in North America, where waste management services were traditionally provided as a public service. Waste Management is a driving force in the privatization of these services.

In 2012, Waste Management generated $13.65 billion in total operating revenue.[13] Approximately 50 percent of this revenue comes from taxpayers in thousands of municipalities across the country, according to Goldman Sachs.[14]

U.S. taxpayer dollars contribute to making Steiner "America's Highest Paid Sanitation Worker." Steiner made an eye-popping $45,581,052 in compensation from 2006 to 2012. Waste Management's top executives combined made $119,201,381 from 2006 to 2012.[15]

Prior to Steiner's tenure, Waste Management was embroiled in one of the worst accounting scandals in U.S. corporate history. In 2002, the SEC brought a lawsuit against the founder and five other former top officers of Waste Management Inc., charging them with "perpetrating a massive financial fraud lasting more than five years." Waste Management settled the case with the SEC for a whopping $30 million in 2005.[16] Waste Management continues to come under fire by municipalities for its billing practices.

Learn more about Waste Management. Read CMD's article, "Waste Management Reaps Treasure from Your Trash and Taxes." and the Waste Management corporate profile available at OutsourcingAmericaExposed.org.

Richard Montoni

America's Highest Paid "Caseworker"

Meet Richard Montoni, CEO of Maximus, Inc, and America's highest paid "caseworker."

MAXIMUS, Inc., based in Reston, Virginia, is a publicly traded (NYSE:MMS), for-profit corporation that receives government contracts to provide "business process services" to government health and human services agencies in the United States and abroad. The company focuses primarily on operating government-sponsored programs for vulnerable populations, such as Children's Health Insurance Program (CHIP), Medicaid, Medicare, welfare-to-work and child support services.

The chief executive officer of Maximus is Richard Montoni. Montoni received $19 million in total compensation from 2009 to 2013, according to Morningstar, making him America's Highest Paid "caseworker." Maximus' top executives make a fortune off of vulnerable populations as well; they received cumulative compensation of $49 million during the same period.[17]

The outsourcing of health and human services functions to private, for-profit firms raises significant concerns. According to non-profit research group In the Public Interest, "many children and adults rely on government-provided health and human services. The ability of these programs to deliver services efficiently and appropriately often is a matter of life and death. Numerous state and local governmental entities are finding that turning over these programs to private contractors not only fails to achieve projected cost savings but also decreases access to these important services, hurting many vulnerable families. In many cases, the service quality declines dramatically and many sick or at-risk people are left with substandard care."[18]

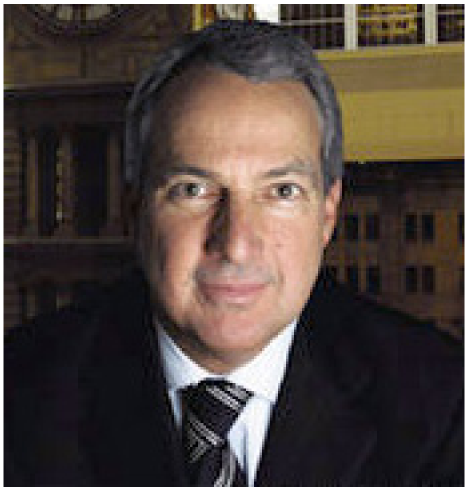
In addition to these concerns, Maximus has a history of improper billing. In 2004, the state of Wisconsin entered into a contract with Maximus to ensure the state received as much federal funding as possible for a mental health program serving young people, and paid Maximus a contingency fee for all the Medicaid money it garnered for the state. In September 2013, a federal audit charged that the state, acting on Maximus' advice, engaged in improper billing and as a result the state may have to return some or all of the funding it received. Wisconsin improperly claimed $19 for every $20 reported and now taxpayers may be on the hook for tens of millions.[19]

That was not the first time Maximus landed in hot water for improper billing. In July 2007, Maximus, Inc. agreed to pay $30 million to settle a criminal investigation regarding falsified Medicaid claims.[20] The U.S. Department of Justice alleged that Maximus colluded with the District of Columbia's Child and Family Services Agency to help it falsify claims to Medicaid for services provided to children in the district's foster care program.

Learn more about Maximus. Read CMD's article "Profiting from the Poor: Outsourcing Social Services Puts Most Vulnerable at Risk" and visit the Maximus corporate profile at OutsourcingAmericaExposed.org.

Nicholas Moore
America's Highest Paid "Road Worker"

Meet Nicholas Moore, managing director and CEO of the Australian infrastructure firm Macquarie and America's highest paid "road worker."



Macquarie Group Limited is a publicly traded banking, financial, advisory, investment and fund management service provider headquartered in Sydney, Australia. In the United States, it pushed for the privatization of public infrastructure and assets and operates major toll roads including Chicago's Skyway, Indiana's Toll Road, and the Dulles Greenway in Virginia, where area residents complain that higher tolls push traffic into residential areas. The firm also owns a stake in Acquarion, a private, for-profit water service provider in New England, and is a major investor in K12 Inc., the for-profit provider of "cyber schools" that makes 86 percent of its revenue from taxpayers.

Although Macquarie is based in Australia, U.S. taxpayers and toll payers contribute to the outsized salaries of the firm's top executives. Moore made $8.8 million in compensation in fiscal year 2013, according to Bloomberg BusinessWeek.[21] Macquarie's top executives are also well compensated making an estimated $53 million in combined compensation in fiscal year 2013. In the fiscal year ending March 31, 2013, Macquarie reported $6.7 billion in revenue (this amount converted from Australian to U.S. dollars).[22]

For a number of years, Macquarie funded and led ALEC's efforts to promote privatization of U.S. services. For instance, when Macquarie's Geoff Segal was the private sector chair of ALEC's Transportation and Infrastructure subcommittee in 2011, he introduced the "Establishing a Public Private Partnership (P3) Authority Act" as a "model" bill to promote the privatization of public assets. The bill calls for an unelected committee to serve as a one-stop-shop for the privatization of any public service.

The consumer group USPIRG studied the privatization of America's roadways: "Though these privatization deals seem to offer state officials a quick fix, [to budget shortfalls] they often pose long-term threats to the public interest. By privatizing roadways, officials hand over significant control over regional transportation policy to individuals who are accountable to their shareholders rather than the public. Additionally, the economics of these deals are such that the upfront concession payments are unlikely to match the long-term value of the higher tolls that will be paid by future generations and not collected for public uses," USPIRG reports.[23]

When a Macquarie subsidiary entered into a contract with California's transportation agency to build and run the 10-mile South Bay Expressway in San Diego, California, it was heralded as a landmark project that would prove for-profit companies could successfully play a major role in American infrastructure.

But when the road opened in 2007, the company quickly hiked toll fees on the expressway, pushing many commuters onto roads in residential neighborhoods. The economic downturn further contributed to lower driving rates, and just three years later, the Macquarie subsidiary filed for bankruptcy, with 32 years left to go on its 35-year contract. After the bankruptcy restructuring, federal taxpayers were left "with a package of debt and equity worth only 58 percent of the original investment," according to a Congressional Budget Office report.[24]

Learn more about Macquarie. Read CMD's article "Corporate Expressways, Brought to You by Macquarie and Transurban" and the Macquarie corporate profile, both available at OutsourcingAmericaExposed.org.

Jeffry Sterba

America's Highest Paid "Water Worker"

Meet Jeffry Sterba, president and CEO of American Water Works Company and America's highest paid "water worker."

American Water Works Company, Inc., known as American Water, is a publicly traded (NYSE: AWK) water utilities and sewage treatment company headquartered in Voorhees, New Jersey. It is the largest for-profit provider of water and wastewater services in the United States, where 86 percent of consumers receive their water services from publicly owned water systems. American Water is a major force behind the privatization of water services and came under fire from communities across the country for charging high rates and providing poor services.

In 2012, American Water generated $2.9 billion in total operating revenue. CMD estimates that approximately 89 percent of this revenue came from taxpayers.[25]

Sterba made $8,311,925 in the three years that he was a top executive at the company.[26] And other executives at the company are rolling in dough as well. From 2008 to 2012, American Water's key executives made $32,232,667.[27]

Previously, Sterba worked in senior executive positions at PNM Resources, an energy holding company based in Albuquerque, New Mexico. While Sterba was chairman, president and CEO of PNM, the company was involved in litigation concerning the manipulation of energy prices during the 2001 energy crisis in California. In 2005, PNM agreed to pay $1 million to end a federal investigation of its practices during the California energy crisis.[28]

Tired of paying executives in New Jersey to mismanage scarce water resources, communities in the dry West fought to retain or establish public control over scarce water resources. The process is called “municipalization.” In 2008, citizens in the town of Cave Creek, Arizona, took control of their water system, which had always been privately owned and operated. Monterey, California, will vote in June 2014 whether or not to take public control of American Water’s Cal Am subsidiary as did other Californian communities.

Learn more about American Water. Read CMD’s article “Monterey Peninsula Fights For-Profit American Water for Public Control” and visit American Water’s corporate profile at OutsourcingAmericaExposed.org.

CONCLUSION

American taxpayers are right to be outraged over paying lavish salaries and platinum health and retirement benefits for corporate CEOs who make millions by taking over public services and cutting corners to maximize their profits. CMD hopes this report puts a face on those CEO “government workers” so that taxpayers can hold them accountable.

For further information about the high price of outsourcing public services to for-profit corporations, visit OutsourcingAmericaExposed.org.

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