

LOBBY WATCH



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‘K Street Project’ Delivered For DeLay’s Indicted PAC

- DeLay-Linked Lobby Firms Represented Multiple TRM PAC Donors.

“If anybody is trading on my name to get clients or to make money, that is wrong and they should stop it immediately.” –Tom DeLay, September 2004

Eleven Beltway lobby firms—including some with close ties to House Majority Leader Tom DeLay—lobbied in 2002 for more than one corporation that contributed to DeLay’s indicted Texans for a Republican Majority (TRM) PAC. Recent indictments charge DeLay’s TRM PAC cronies with illegally using and laundering corporate money to influence Texas’ 2002 state elections.

Tom “the Hammer” DeLay forged his extraordinary rise from bug exterminator to U.S. House Majority Leader by relentlessly pounding special interests for money. Long before DeLay, the lobby functioned as a market where money-hungry politicians and wealthy interests settled on a price. But DeLay and conservative activist Grover Norquist organized the “K Street Project” in the late 1990s to capitalize on the fact that relatively few lobby shops broker the needs of a staggering number of special interests. The K Street Project corralled more special interests into the Republican column by threatening trade groups and corporations with reprisals if they hired Democrats as top lobbyists.

The House Ethics Committee admonished DeLay in 1998 for delaying an intellectual-property vote sought by the Electronic Industry Association—which had hired a Democratic director. Back home, the state of Texas sparked a controversy in 2002 by awarding a \$360,000 contract to lobby the federal government to a

firm headed by ex-DeLay Chief of Staff Drew Maloney.¹ Ethical sparks notwithstanding, the K Street Project has been lucrative for politicians and lobbyists close to DeLay, especially DeLay’s “kitchen cabinet” of trusted lobbyist advisors.

Given this background, *Lobby Watch* reviewed the 2002 lobby registrations of companies that made corporate contributions to TRM PAC that same year. Lobby filings of nursing-home companies affiliated with the Alliance for Quality Nursing Home Care, Inc. also were reviewed. TRM PAC’s largest corporate contribution—delivered via Rep. Tom Craddick’s courier service—was a \$100,000 check from this nursing-home trade group.

In reviewing these filings, *Lobby Watch* found 11 lobby shops that represented more than one corporate TRM PAC donor. These 11 firms reported receiving more than \$2 million in 2002 federal lobby income from 10 different corporations that gave a total of \$327,500 to TRM PAC. These contributions account for 54 percent of all the corporate money that the indicted PAC raised.

Except for Questerra Corp., which has sought to sell homeland-security software to the federal government, all of these lobby shops’ TRM-contributing corporate clients are in the highly regulated nursing home, HMO, tobacco or energy industries. For their part,

TRM PAC donors El Paso Corp., Williams Companies and Reliant Energy have settled a staggering number of post-Enron allegations that they defrauded deregulated energy markets and cooked their books.

Many of the 11 firms identified have close ties to Representatives Tom DeLay or Joe Barton, who collaborated on two TRM-related controversies. Official calendars of Governor Rick Perry, Lieutenant Governor David Dewhurst and Speaker Tom Craddick show DeLay, Barton and their aides huddled repeatedly with these state leaders in 2003, as they drafted new congressional districts.

DeLay and Barton also had leading roles in the Westar Energy scandal. In 2002 Barton introduced ultimately unsuccessful legislation to let Westar saddle its utility customers with \$1 billion in non-utility debts. Internal company documents suggest that Westar was directed to channel \$56,500 to GOP candidates and committees promoted by four key Republican members of Congress: Representatives DeLay, Barton and Billy Tauzin, as well as Senator Richard Shelby.² Westar, which faces an Austin indictment, gave \$25,000 of this money to TRM PAC.

Lobby Firms With Multiple TRM PAC Donors

Lobby Firm	Corporate Client In 2002	Value of '02 Fed'l Lobby Contract	Amount Client Gave To TRM PAC
<i>Alexander Strategy Group</i>	AT&T	\$40,000	\$20,000
	†Questerra Corp.	<\$10,000	\$50,000
<i>Alpine Group</i>	AT&T	\$100,000	\$20,000
	*El Paso Corp.	\$80,000	\$50,000
<i>*Barbour Griffith & Rogers</i>	†AQNHC	\$260,000	\$100,000
	Kindred Healthcare	\$160,000	(AQNHC member)
	*Reliant Energy	\$20,000	\$25,000
<i>*BKSH & Associates</i>	AT&T	\$100,000	\$20,000
	Philip Morris	NA	\$25,000
<i>*Dutko Group</i>	AT&T	\$60,000	\$20,000
	*Maxxam	<\$10,000	\$5,000
	PacifiCare	\$105,000	\$2,500
<i>Federalist Group</i>	*El Paso Corp.	\$60,000	\$50,000
	*Reliant Energy	\$75,000	\$25,000
<i>OB-C Group</i>	AT&T	\$20,000	\$20,000
	†Sears Roebuck	\$140,000	\$25,000
<i>Palmetto Group</i>	AT&T	\$90,000	\$20,000
	*El Paso Corp.	\$80,000	\$50,000
<i>*Patton Boggs</i>	†AQNHC	\$270,000	\$100,000
	*HCR Manor Care	\$100,000	(AQNHC member)
<i>Ryan Phillips Utrecht</i>	*Reliant Energy	\$160,000	\$25,000
	†Williams Co's	\$10,000	\$25,000
<i>Wexler & Walker</i>	PacifiCare	\$120,000	\$2,500
	†Williams Co's	<\$10,000	\$25,000
TOTALS:		>\$2,050,000	\$327,500

AQNHC = the Alliance for Quality Nursing Home Care, Inc.

* Company produced one or more elite Bush donors in 2000 or 2004.

† Corporation indicted in TRM PAC scandal.

DeLay, Inc.

Alexander

Former DeLay Chief of Staff Ed Buckham founded Alexander Strategy Group, a lobby firm that represented TRM PAC donors AT&T and Questerra Corp. in 2002. Other Alexander lobbyists include ex-DeLay aides Tony Rudy and Karl Gallant, the former director of TRM's federal cousin: Americans for a Republican Majority (ARM) PAC. Enron helped launch Alexander in 1998, when it agreed to pay DeLay staffers Buckham and Gallant \$750,000 to fund a "grass-roots" campaign for electricity deregulation called "Americans for Affordable Electricity." The *Fort Worth Star-Telegram* reported in 2002 that DeLay's personal financial disclosures for Congress reported that Alexander Strategy Group paid DeLay's wife \$40,000 a year. A DeLay spokesperson told the *Star-Telegram* that Christine DeLay actually was paid for running ARM PAC—an Alexander Group client.

Federalist

Former DeLay aides Drew Maloney and Chris Lynch are principals at the Federalist Group--which represented corporate TRM PAC donors El Paso Corp. and Reliant Energy in 2002. Federalist lobbyist Stewart Hall, is an ex-legislative director for Senator Richard Shelby, one of the Westar Four. This year the Federalist Group was hired by the Texas Energy Center, which recently won a \$3.6 million state grant from Governor Rick Perry to help build a research facility in DeLay's backyard at the University of Houston Sugar Land campus.

Preston Gates Ellis & Rouvellas

While Preston Gates Ellis & Rouvellas Meeds, LLP just represented one *corporate* TRM donor in 2002, this lobby firm itself contributed \$25,000 to TRM. Preston Gates employed two DeLay confidantes who recently gained notoriety. Former DeLay aide Michael Scanlon registered in 2002 as a Preston Gates lobbyist working on the account of TRM donor Burlington Northern Santa Fe. Another Preston Gates lobbyist active in DeLay's K Street Project, Jack Abramoff, left the firm a year earlier to join rival Greenberg Traurig—bringing many of his lucrative Indian-casino clients with him. Greenberg Traurig fired Abramoff earlier this year, after learning that he and Scanlon secretly charged Indian tribes tens of millions of dollars in lobby and public relations fees that they did

not disclose to the firm. Around the time TRM PAC was launched in late 2001, Abramoff and Scanlon teamed up with Ralph Reed to generate public support for then-Texas Attorney General John Cornyn's efforts to close the Tigua tribe's El Paso casino, the *Washington Post* reported last week. After Cornyn shut the casino in February 2002, Abramoff convinced the tribe (which he privately ridiculed as "moronic") to pay him and Scanlon \$4.2 million to try to reopen the casino that they helped shut down. DeLay confidantes Abramoff and Scanlon now are under investigation by Congress, the FBI and a federal grand jury.

Barton, Inc.

The *Washington Post* reported earlier this year that relatively few former staffers of House Energy and Commerce Chair Joe Barton have joined the lobby. Nonetheless three revolving-door Barton aides lobby at firms that represented multiple TRM PAC donors.

Alpine

After stepping down as Barton's legislative director, Stephen Waguespack joined Alpine Group, which lobbied for TRM PAC donors AT&T and El Paso Corp. Another Alpine lobbyist, Dan Brouillette, hit the revolving door in the other direction. President Bush appointed this lobbyist as his assistant secretary of energy for congressional and intergovernmental affairs.

Dutko

Barton's ex-legislative counsel, Stephen Sayle, heads the energy practice at Dutko Group, which lobbied for three TRM PAC donors: AT&T, PacifiCare and Maxxam. Dutko Senior Managing Partner Ronald Kaufman is an elite Bush fundraiser who married the sister of Bush Chief of Staff Andy Card.

Ryan Phillips Utrecht & MacKinnon

An ex-legislative director for Rep. Barton, Jeffrey MacKinnon, became a name partner at Ryan Phillips Utrecht & MacKinnon, which lobbied for TRM PAC donors Reliant and Williams Companies.

Bush, Inc.

Several other firms with multiple TRM-donor clients have close ties to the first or second President Bush.

Barbour Griffith & Rogers

Barbour Griffith & Rogers (BGR) represented Reliant Energy, the Alliance for Quality Nursing Home Care and a member of that trade group, Kindred Healthcare. BGR's Haley Barbour was one of the advisors whom the first President Bush summoned to Camp David in 1991 to plan his failed reelection campaign. After Barbour led a campaign to slash Medicare spending as chair of the Republican National Committee in the mid 1990s, he then became a lobbyist for nursing home interests that sought those policies. Another related BGR client was the Coalition for Affordable and Reliable Health Care (CARHC), which sought to limit the medical malpractice limits of its hospital and nursing-home members.

A BGR lobbyist who worked the CARHC and Reliant accounts was Dianne Allbaugh, the wife of President George W. Bush's director of the Federal Emergency Management Agency. Before joining BGR, Dianne Allbaugh lobbied independently for Reliant while her husband, Joe Allbaugh, was Bush's gubernatorial chief of staff. In 2003, Barbour was elected governor of Mississippi and BGR partners Lanny Griffith and Ed Rogers, who worked in the first President Bush's administration, helped Joe Allbaugh start a lobby firm that specializes in contracting in U.S.-occupied Iraq.

BKSH

Part of public relations giant Burson-Marsteller, BKSH & Associates lobbied in 2002 for TRM donors AT&T and Philip Morris. BKSH Chair Charles Black and senior counselor J. Warren Tompkins were political advisors to President Reagan and the first and second President Bush. Both men are elite George W. Bush fundraisers, as is Black's lobbyist wife, Judy Black. BKSH and Stonebridge International recently launched a joint venture, Civitas Group LLC, which specializes in homeland security consulting. Joe Allbaugh and Jim Francis, one of Bush's Texas Public Safety Commissioners, sit on the group's advisory board.

OB-C

Immediately after serving as the first President Bush's House lobbyist, Nick Calio started the O'Brien-Calio lobby firm (now OB-C Group) in 1993. The firm, which lobbied for TRM donors AT&T and Sears, rode Calio's GOP connections until 2001, when Calio became legislative lobbyist to the second President Bush. Upon leaving that post in 2003, Calio became a

top staff lobbyist at Citigroup, which had come under K Street Project pressure for having excessive Democratic influence in its lobby shop. OB-C Group's Linda Tarplin also was a legislative lobbyist for the first President Bush.

Patton Boggs

Patton Boggs represented TRM PAC donor Alliance for Quality Nursing Home Care and group affiliate HCR Manor Care. Patton Boggs Partner Benjamin Ginsberg was national counsel for George W. Bush's 2000 and 2004 campaigns and advised the campaign on the Florida recount. Ginsberg resigned from Bush's reelection campaign in August 2004 after reports that he simultaneously served as legal counsel to John Kerry attack group Swift Boat Veterans for Truth. Keith Weikel, the Chief Operating Officer of Patton Boggs client HCR-Manor Care, is an elite Bush fundraiser. Fred Malek, who managed the first President Bush's 1992 campaign, sits on the board of parent company Manor Care, Inc.

Wexler & Walker

Wexler & Walker Chair Bob Walker served as the GOP's chief deputy whip under Newt Gingrich. Thanks in part to surplus campaign cash that he spread around, Tom DeLay beat out Walker to become Republican whip in 1994. After serving as a science advisor to George W. Bush's 2000 campaign, President Bush appointed Walker chair of the Presidential Commission on the Future of the U.S. Aerospace Industries. Wexler & Walker President Jack Howard served as a legislative lobbyist under both Presidents Bush. Wexler and Walker represented TRM donors PacifiCare and Williams Companies.

Other TRM-Donor Lobbyists

Palmetto

In an apparent exception to the rule, no close ties were found between the Palmetto Group and the Bush dynasty or Congressmen DeLay or Barton. Palmetto lobbied for TRM donors AT&T and El Paso Corp. Palmetto lobbyist David Rudd served in the Texas House before becoming an aide to U.S. Senator Fritz Hollings. Rudd was named executive director of the Democratic Senatorial Campaign Committee earlier this year.

Partner Daryl Owen was an aide to Senator J. Bennett Johnston and the Senate Energy Committee until 1990.

Owen is best known in Texas for his 1995 contract to lobby for Waste Control Specialists (WCS) on a contingency basis that would pay him anywhere from nothing to as much as \$18 million, depending on whether or not the company won a permit to dump nuclear waste in West Texas. WCS had a reputation for hardball lobbying. State Rep. Robert Talton alleged in 1995 that WCS lobbyists tried to buy his support for legislation with offers of campaign money and a possible job. Media also reported that Senator Richard Shelby of the Westar Four helped kill Mary Anne Sullivan's nomination for Energy Department general counsel in 1997, shortly after Shelby received \$16,500 in contributions from owners and executives of WCS, which opposed the Sullivan nomination. Charlie Black and Jim Francis also lobbied for WCS.

During the height of TRM PAC fundraising in mid-2002, Reliant lobbyist Debra Whiddon hosted a baby shower for TRM PAC fundraiser and DeLay daughter

Danielle Ferro at Reliant's Washington offices. Attendees included Tom DeLay lobby cronies Jack Abramoff and Tony Rudy. Whiddon's latest gig is running the newly formed Team Texas PAC, which has close ties to subpoenaed lobby firm Loeffler Jonas & Tuggey. Rep. Joe Barton's Texas Freedom Fund is a top donor to the new PAC.

Lobbyist Terral Smith, who was Governor George W. Bush's legislative director, was a 2002 federal lobbyist for TRM donor Burlington Northern. Smith registered that same year as a Texas lobbyist for Mesa Water, Inc., headed by TRM PAC donor Boone Pickens.

Bracewell & Patterson had two notable revolving-door lobbyists on its Burlington Northern account in 2002: ex-Congressman Jim Chapman and Quin Dodd, a former aide to Senator Kay Bailey Hutchison. Ex-Texas Railroad Commissioner Barry Williamson also lobbied for this client in 2002.

¹ Texas Governor Rick Perry took an education-funding junket to the Bahamas this spring with "K Street Project" founder Grover Norquist and Perry political advisor David Carney. Political expenditures by Carney's Americans for Job Security prompted another complaint pending before Travis County prosecutors.

² Then-Rep. Billy Tauzin was Barton's predecessor as House Energy and Commerce Chair. Like Barton and DeLay, Tauzin visited Austin to meet with state Republican leaders during redistricting in 2003.