

LOBBY WATCH



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Legal Restrictions on Speaker Funds May Spawn the Use of Proxies

• TAB & TRM Money Spoke—When and Where Craddick Couldn't

A Travis County grand jury probe of possibly illegal roles that proxy political funds played in Tom Craddick's 2003 election as Speaker has diverted attention from Craddick's official Speaker fund. Yet the legal constraints under which that Speaker fund labored reveal why proxies are tempted to spring up around such Speaker funds.

Anti-bribery provisions of the Speaker's law, which Texas passed after the 1972 Sharpstown scandal, severely limit the money that Speaker funds can raise and spend. Arguably the most important provision of this law is a prohibition on Speaker funds giving House candidates campaign money.

Since successful House candidates elect the speaker, this well intended reform perversely favors speaker candidates who bend or break this law themselves or through political allies. Indeed, the current grand jury probe centers on \$3.4 million in corporate and other funds that the Texas Association of Business (TAB) and Texans for a Republican Majority (TRM) PAC spent in 2002 to benefit 21 key House GOP candidates—16 of whom won.

Speaker fund spending

Craddick's official Speaker fund, which raised \$271,237 in the 2002 election cycle, could not support these candidates who were crucial to his ascent. In fact, Texas law prohibits Speaker funds from spending money on any expenditures other than: rent; phones and mailings; clerical supplies and services; travel and

meetings; advertising and publicity; legal services; and campaign debts.

It is impossible to determine just how Craddick's Speaker fund disposed of all of its money. Speaker funds must report the recipient and general purpose of each expenditure but legal loopholes do not require them to: Itemize expenditure amounts and dates; Report the total amount spent; or to file electronic disclosures. Craddick's Speaker fund reported many expenditures that may go beyond the list of legal expenses. These include spending on: State fair tickets; Flowers; Candy; and 48 meals. The fund also reported two bizarre payments to energy giants Reliant and Valero for "lodging." Ironically, a recurring expense was Austin ethics attorney Ed Shack, who received eight payments from the fund.

Speaker fund contributions

The chief restriction on contributions to Speaker funds is that the money must come from individuals rather than institutional donors such as businesses, unions, PACs or other organizations. In apparent violation of this law, Craddick's Speaker fund reported taking \$5,000 from Midland oil corporation Fasken Management, LLC, in November 2001.

Interestingly, individuals accounted for less than 1 percent of the \$1.1 million that Craddick's regular House campaign raised in the 2002 cycle. This may suggest that individual donors knocking on Craddick's door routinely were directed to his Speaker fund.

Top Donors To Craddick Speaker Fund (Oct. 2001-Dec. 2002)

Contributor	Business	City	Amount
Dallas Smith	Western Casting (oilfield mfg.); ex-Midland Sheriff	Midland	\$37,407
Robert/Janice McNair	Houston Texans; sold Cogen Tech. to Enron for \$1 billion	Houston	\$10,000
Bill Miller	Lobbyist; Speaker transition-team spokesman	Austin	\$10,000
Gary Martin	Rio Nuevo partner (water rights)	Midland	\$8,044
Robert B. Holt	TX Public Safety Commissioner; oil millionaire	Midland	\$6,400
Louis A. Beecherl	Beecherl Holdings; ex-CEO of TX Oil & Gas Corp.	Dallas	\$5,000
Jack E. Brown	Wagner & Brown, Ltd. (oil & gas)	Midland	\$5,000
Kelly Cox	JL Cox Resources (oil & gas)	Midland	\$5,000
J. Ralph Ellis	Belmont Oil & Gas	Irving	\$5,000
*Fasken Management	Fasken Oil & Ranch	Midland	\$5,000
Jack P. Gay	Tanglewood Healthcare Corp. CEO (nursing homes)	Houston	\$5,000
James Mansour	Grande Communications chair; school voucher activist	Austin	\$5,000
Vance C. Miller	Henry Miller Co's COO (real estate)	Dallas	\$5,000
S. Reed Morian	DX Service Co. (chemicals, oil & gas)	Houston	\$5,000
Bob J. Perry	Perry Homes	Houston	\$5,000
†Beverly Pevehouse	Pevehouse Oil Co.; Adobe Oil & Gas	Midland	\$5,000
*†Clarence Scharbauer	Scharbauer Interests (oil & cattle fortune)	Midland	\$5,000
Clayton W. Williams	Clayton Williams Energy	Midland	\$5,000
Cyril Wagner	Wagner & Brown, Ltd. (oil & gas)	Midland	\$5,000

* Family ranked among top 100 landowners in nation in 1997.

† Craddick introduced resolution honoring this family prior to becoming Speaker.

Craddick's traditional Midland and energy donors account for most of the \$271,237 that his Speaker fund raised before his January 2003 election as speaker.

Nineteen donors of \$5,000 or more accounted for 52 percent of the money raised by Craddick's speaker fund. All but five of these big donors come from Midland and/or the energy industry. Major Midland oil fortunes backing the Speaker fund come out of Clayton Williams Energy, Wagner & Brown, Cox Resources, Fasken Oil and Scharbauer Interests.

Another big donor is Midland oil man Gary Martin, a partner in the controversial Rio Nuevo water-rights company that Craddick invested in prior to becoming Speaker. Martin uses the same post office box as the Speaker fund's top donor: ex-Midland Sheriff Dallas Smith. The in-kind "travel" donations of Martin, Smith and oil-rich Texas Public Safety Commissioner Bobby Holt suggest that these men may have provided aircraft to lift Craddick's Speaker campaign.

Energy donors from elsewhere in the state include: Robert McNair, who sold Cogen Technologies to

Enron for more than \$1 billion in 1999; S. Reed Morian of petrochemical DX Service Co.; Ralph Ellis, whose Belmont Oil gave \$30,000 in corporate money to TRM PAC; and Louis Beecherl, whose lobbyist, Bill Ceverha, was TRM PAC's treasurer and a member of Craddick's transition team. Beecherl gave TRM PAC \$26,000.

Led by lobbyist and transition-team member Bill Miller, who donated "in-kind" consulting services, just five big donors to Craddick's Speaker fund lacked connections to Midland or the energy industry. These heavyweight political donors include homebuilder Bob Perry (\$165,000 to TRM), real estate maven Vance Miller (\$10,000 to TRM), nursing home executive Jack Gay and Grande Communications Chair James Mansour (whose school-voucher protégé, James Leininger, gave \$142,500 to TRM).

The grand jury should decide to what extent TAB and TRM PAC served as proxies for this Speaker fund and if they illegally coordinated activities with House candidates—including Tom Craddick. ■

