

DeLay PAC Is New Focus Of Texas Probe

Prosecutors Examine Possible Illegal Use of Funds by GOP

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After Republicans rolled to victory in Texas in 2002, winning every statewide elective office plus the state House for the first time in 130 years, it did not take long for their triumph to reverberate in Washington. Within months, they launched a successful campaign to redraw the state's congressional map, an effort that is expected to yield as many as seven more seats for the GOP in this fall's elections.

In recent weeks, however, Texas prosecutors have broadened a year-old grand jury investigation into the possibly illegal use of corporate funds to benefit the Republicans in the 2002 elections. They are now concentrating on a political action committee set up by House Majority Leader Tom DeLay that was a critical factor in the GOP's 2002 sweep: Of the 21 GOP candidates it backed in key races for the Texas House, all but three won.

One focus, prosecutors said, is whether the committee -- Texans for a Republican Majority, known as TRMPAC -- laundered \$190,000 in corporate donations through the Republican National Committee and illegally used other corporate funds for political campaigns.

Under Texas law, political action committees are prohibited from using corporate or labor union donations for helping individual candidates; they can be raised, but only for administrative costs such as rent, phone bills and utilities. Also under Texas law, outside money and gifts of all kinds are barred from the race for the state House speaker, who wields more power in Texas than the governor.

Prosecutors have cited documents showing that TRMPAC spent about \$400,000 in corporate contributions on political consultants, pollsters, telemarketers and fundraisers whose work on behalf of the Republicans, they say, was political and, therefore, prohibited. Lawyers for the Republican defendants say the polling and other work were not given directly to Republican candidates and, therefore, were permissible under Texas law.

Republicans have portrayed the investigation as a vengeful political witch hunt by Ronnie Earle, the Democratic prosecutor whose office is leading the investigation.

"The district attorney has a long history of being vindictive and partisan," DeLay said this week. "He's done it to other people and only to get press, and he doesn't even follow through and file charges."

Earle, the district attorney of Travis County since 1976, responded in kind. "Being called partisan and vindictive by Tom DeLay is like being called ugly by a frog," he said in an interview. He noted that, in his years as a prosecutor, he has investigated 15 elected officials -- 11 Democrats and four Republicans -- and that all have asserted they were the victims of partisanship.

Another focus of the investigation is whether one of DeLay's main allies in Texas, Republican state Rep. Tom Craddick, illegally distributed \$152,000 in TRMPAC funds to 14 Republican candidates as part of his successful campaign to become speaker of the Texas House after the GOP sweep in 2002. Craddick worked closely with DeLay to draw new congressional districts designed to capture more seats for the Republicans.

Craddick says that he already had the speaker's race wrapped up before he mailed the checks in mid-October 2002, and that, therefore, there was no quid pro quo.

As the investigation has widened, it has encompassed much of the Republican establishment in the country's second largest, and arguably most Republican, state. This week, prosecutors filed dozens of new subpoenas in the case -- the latest of 58 made public to date. Among the recipients were top lobbyists, political operatives and Danielle Ferro, DeLay's daughter, who was paid by TRMPAC to organize events.

The investigation began within weeks after the November 2002 elections, when the Texas Association of Business, which functions as the state's chamber of commerce, publicly boasted of its success in fundraising and took credit for the sweeping Republican victories. In particular, it cited its \$2 million mailing campaign, which targeted crucial swing districts where most of the Republican candidates won.

That drew the attention of prosecutors, who were soon saying publicly that the business association had illegally coordinated its campaign efforts with the Republicans in violation of state law.

The association acknowledged frequent contact with the Republicans but denied coordinating its mailings, strategy or literature with them. The mailings, which attacked Democrats' voting records and promoted Republicans, were voter-education drives protected as free speech, the association said.

The business association went to six courts, including the U.S. Supreme Court twice, in a concerted effort to block access to its records and stymie the prosecution; it lost.

The investigation was broadened to include TRMPAC after a complaint filed with prosecutors last year by Texans for Public Justice, a campaign finance watchdog group. The complaint contended that TRMPAC spent about \$600,000 in corporate funds for purposes that went beyond administrative expenses -- to pay pollsters, fundraisers and political consultants.

"We have never seen in Texas -- and we've monitored money here for 10 years -- such an influx of corporate contributions," said Craig McDonald, director of Texans for Public Justice. "I

don't think we've seen widespread election cheating on this level in a long, long time, and Tom DeLay's people were certainly helping to coordinate it."

Much of TRMPAC's corporate money was raised from Washington lobbyists by a fundraiser for DeLay, Warren Robold. The largest donors were major corporations, including nursing home companies, railways, oil and gas firms, electricity concerns, and cigarette and liquor companies.

In some cases, the committee used corporate money to raise money from individuals, which was then distributed to Republican candidates in key races.

"It became apparent that TRMPAC had been accepting and using large amounts of corporate money for questionable purposes," said prosecutor Gregg Cox, who is director of the public integrity unit in Earle's office.

At one point shortly before the elections, TRMPAC sent \$190,000 in corporate funds to the Republican National Committee; the money was conveyed by Jim Ellis, a top political aide of DeLay. A few weeks later, the RNC's state election committee sent the same amount back to Texas, divided among seven Republican candidates for the state House of Representatives.

Prosecutors said they are interested in whether the transactions amounted to laundering of the corporate money. Some lawyers for the Republicans have said it was a coincidence that the amounts were the same; other lawyers noted that, coincidence or not, the transactions were aboveboard and legal.

"It was not corporate money; it was RNC money from a completely separate account," said Terry Scarborough, an attorney representing Bill Ceverja, who was treasurer of TRMPAC, in a civil case brought by some of the Democratic candidates who lost. "We feel strongly that we complied with not only the spirit of the law but with the intent of it," Scarborough said.

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