

## **Fund-raising questions surround DeLay**

Grand jury scrutinizes how his group spent corporate donations

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When U.S. House Majority Leader Tom DeLay attends a fund-raiser in Austin today, the invitations to donate to his re-election campaign will warn, "No Corporate Money." It's a timely reminder.

Just a few blocks from the event at the Inter-Continental Stephen F. Austin Hotel, a Travis County grand jury is investigating whether Texans for a Republican Majority violated state law by using corporate money to help elect state lawmakers during last year's election.

At DeLay's direction, one of his top associates set up the political action committee. DeLay was among the group's advisers and marquee names that drew \$1.5 million in donations, including about \$600,000 from corporations.

State law prohibits corporations or labor unions from making political expenditures, but their money may be used to establish a political action committee and to pay its administrative costs.

At issue before the grand jury is whether some of the activities that DeLay's group used corporate money to pay for -- polling, screening candidates and fund raising -- were part of the committee's administrative costs or political expenditures for candidates.

DeLay, the second most powerful member in the U.S. House, is not commenting on the inquiry. But two key associates at Texans for a Republican Majority are confident that what the group did was legal. They outlined their roles in helping to elect the GOP majority in the state Legislature that, in turn, gave DeLay the new congressional map needed to elect more Republicans to Congress.

In past elections, Texas Republicans had political action committees similar to Texans for a Republican Majority. The groups raised money and backed candidates they thought had the best chance at overtaking Democrats' majority in the House. Since 1998, the state Senate and all 27 statewide offices have been in GOP hands.

In 2002, with new state House districts drawn to favor Republicans, the GOP had the inside track to conquer the last Democratic stronghold in state government. Unlike previous elections, DeLay brought his influence and Washington-style fund raising to bear.

"With the opportunity there in the elections in Texas, it was a good chance to emulate what we had done on the federal level," said Jim Ellis, who runs DeLay's Americans for a Republican Majority. The group, commonly referred to as ARM-PAC, is one of the nation's largest "leadership PACs." It donated \$1.2 million to U.S. House candidates and the national GOP in 2002.

While Ellis set up the Texas group with DeLay's consent -- and helped staff it with DeLay associates -- he and others said the majority leader remained at arm's length. "He didn't raise a nickel personally," said John Colyandro, a Texas political veteran whom Ellis recruited as the group's executive director. "But he gave us instant credibility" with prospective donors.

Soon after the Texas committee was formed, Warren Robold, who already was raising corporate money for Americans for a Republican Majority and for DeLay's charity for abused and neglected children, began raising corporate dollars for the Texas effort. In effect, he offered corporations one-stop shopping for giving money to DeLay's three fund-raising efforts.

Ellis said Robold focused on Washington lobbyists who worked for corporations with Texas ties, although not all the companies that contributed to the Texas committee did business in Texas.

In Texas, DeLay's daughter, Dani Ferro, was paid to organize fund-raisers, including an Austin event headlined by Florida Secretary of State Katherine Harris, who oversaw that state's Bush-Gore recount.

Former state Rep. Bill Ceverha, who works for Louis Beecherl, a Dallas investor and big Republican donor, came aboard as the committee's treasurer. His primary role, Colyandro said, was as the pipeline to big-dollar donors among Texas Republicans.

The efforts worked.

Of the \$1.5 million raised, 10 perennial Republican donors in Texas gave a total of more than \$600,000. Under Texas law at the time, only money raised from individuals had to be reported to the Texas Ethics Commission.

Another \$600,000 came from 33 corporations. Fifteen corporations accounted for more than \$500,000 of that money, including \$100,000 from an alliance of 14 nursing home companies.

The Alliance for Quality Nursing Home Care has focused on the congressional debate over Medicare funding, running television and print advertising in Washington to influence members of Congress.

Steve Guillard, the Boston-based chairman of the alliance, said the group sent \$100,000 to Texas almost three weeks before the election at the request of two Texas-based nursing homes that are members of the group. He said they were interested in what then was a pending legislative debate over limiting the legal liability of companies, including nursing homes.

Former Texas House Speaker Billy Clayton is chairman of the board for Campaigns for People, an Austin group that lobbies for more disclosure in campaign finance. He questions the size of such corporate donations that went unreported in Texas until now.

"Anybody who gives \$100,000 would expect to have some influence," Clayton said.

But it was two smaller donations that landed DeLay in a Washington brouhaha.

Westar Energy in Kansas and Bacardi & Co., the liquor company based in Florida, gave \$25,000 and \$20,000, respectively, to Texans for a Republican Majority.

DeLay's detractors say those two companies gave money to the Texas PAC only to seek favors from DeLay. Bacardi wanted congressional help in a dispute over a rum trademark. Westar sought exemption from specific federal regulations.

One Westar executive questioned in an e-mail why the Kansas company was supporting a campaign effort in Texas, where the utility had no business. The answer, from another executive, was that DeLay's support was crucial in Congress.

"The corporations that gave, based on the Westar memo, thought they were doing what Tom DeLay wanted," said Craig McDonald, executive director of Texans for Public Justice. "They had an interest in pleasing Tom DeLay because they have a congressional agenda to pursue." McDonald filed the complaint that instigated the grand jury investigation into Texans for a Republican Majority.

In Congress, attempts to help both companies were dropped after opponents objected to the special treatment.

Ellis said Bacardi is a longtime supporter of DeLay's, but Ellis wasn't even sure who Westar was when the story broke: "I had to look them up."

He said Americans for a Republican Majority tries to insulate itself from allegations of donors seeking favors from DeLay by taking money from a broad spectrum of contributors.

"Tom DeLay," Ellis said, "does not make decisions based on who contributes money."

DeLay did not comment for this story, but he discounted the Westar allegations to the Houston Chronicle earlier this year: "It never ceases to amaze me that people are so cynical that they want to tie money to issues, money to bills, money to amendments."

Ellis and Colyandro say prosecutors will find that Texans for a Republican Majority didn't do anything other Texas political action committees haven't done. But in a printed pitch to corporate donors, DeLay's committee promised corporations more bang for their bucks.

"Unlike other organizations, your corporate contribution to (Texans for a Republican Majority) will be put to productive use," the pamphlet read. "Rather than just paying for

overhead, your support will fund a series of productive and innovative activities designed to increase our level of engagement in the political arena."

The committee promised to use the corporate donations for "active candidate evaluation and recruitment, monitoring of campaign progress, message development and communications, market research, and issue development."

Not all the corporate money that Robold sent from Washington stayed in Texas.

Texans for a Republican Majority sent \$190,000 to an arm of the National Republican Committee in September 2002. Two weeks later, the national committee sent a total of the same amount on a single day to seven Texas legislative candidates; contributions to the seven ranged from \$20,000 to \$40,000.

Colyandro said the Texas committee sent the corporate money for party-building activities. He said the organization did not coordinate a swap of corporate money, which candidates could not legally accept, for legal donations from the national committee. He called it a coincidence.

In addition to other uses, the corporate donations paid for a small circle of DeLay associates to assist the Texas committee. Ellis and Robold maintained offices at a lobbying firm founded by Ed Buckham, DeLay's former chief of staff.

In Texas, Kevin Brannon, a staffer with former U.S. Sen. Phil Gramm, screened candidates the committee might support and later advised some of the candidates. Austin consultant Susan Lilly was hired to organize breakfasts and luncheons to raise money in Texas.

Colyandro, who ran the committee's day-to-day operations, said corporate cash was kept in a separate account from other donations. He said he tried to be sure the corporate money did not directly benefit a candidate. "The Legislature did not want corporate or labor money to be used as a campaign contribution," he said. "That is unassailable."

To avoid that, Colyandro said he would pay Brannon, for example, from the corporate account when he was screening candidates for the committee to endorse. When Brannon later advised those candidates, Colyandro said he paid him with money donated by individuals.

Likewise, Colyandro said the account from which a pollster was paid depended upon whether the poll was for a candidate or for the committee's strategy purposes.

One firm was used to make phone calls looking for committee members and to make get-out-the-vote calls. Colyandro said the firm, paid from separate accounts depending on the job, called different people to avoid overlap.

The fund-raisers - Robold, Lilly and Ferro - were paid with corporate dollars whether they were soliciting money from corporations or individuals.

Lilly organized events in Texas, which DeLay often headlined. While the events targeted donations from individuals, some of the invitations also solicited corporate money.

They either said, "Corporate checks are acceptable," or gave Robold's phone number for corporate donors to call. Colyandro defended the corporate-financed fund raising because donors did not give money directly to candidates.

"(Lilly) wasn't raising money for a candidate," Colyandro said. "The money eventually went to candidates, but she raised it for Texans for a Republican Majority."

McDonald said that is not what the Legislature intended when it banned corporate and union money as political expenditures: "Just because people like a company's widgets doesn't mean the CEO can take their money and change the political landscape."

(from box)

### **Corporate donors**

Fifteen corporations gave the bulk of the \$600,000 that Texans for a Republican Majority raised from corporations. Six of those also gave to Americans for a Republican Majority, another political committee with ties to U.S. House Majority Leader Tom DeLay.

Corporation	Total donated
Alliance for Quality Nursing Home Care	\$100,000
El Paso Energy	\$50,000
Questerra Corp.	\$50,000
Diversified Collections	\$50,000
Constellation Energy	\$27,500
Burlington Northern Santa Fe	\$26,000
Belmont Oil & Gas	\$25,000
Westar Energy	\$25,000
Sears, Roebuck	\$25,000
Williams Cos. Inc.	\$25,000
Philip Morris Mgmt. Corp./Philip Morris Cos.	\$25,000
Reliant Resources Inc.	\$25,000
Old Country Store Inc.	\$25,000
Bacardi & Co.	\$20,000
AT&T	\$20,000
TOTAL	\$518,500

Source: IRS, Texas Ethics Commission, Public Citizen

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