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FIRST GENERAL COUNSEL'S REPORT

SENSITIVE

MUR: 4953
DATE COMPLAINT FILED: 12/08/99
DATE OF NOTIFICATION: 12/15/99
DATE ACTIVATED: 04/06/01

EXPIRATION OF STATUTE OF
LIMITATIONS: 10/20/04

COMPLAINANT:

David Plouffe, Executive Director
Democratic Congressional Campaign Committee

RESPONDENTS:

National Republican Congressional Committee
and Christopher J. Ward, as treasurer¹
U.S. Family Network
Republican Majority Issues Committee, Inc.
Americans for a Republican Majority Political
Action Committee and Corwin Teltschik, as
treasurer
Americans for Economic Growth
Representative Tom DeLay
Ed Buckham
Bob Mills
Dan Mattoon
Jim Ellis
Karl Gallant
Representative Tom Davis
Dick DeVos
Betsy DeVos
Representative Dennis Hastert
Representative Dick Armey
Representative J.C. Watts, Jr.

RELEVANT STATUTES:

2 U.S.C. § 431(4)(A)
2 U.S.C. § 433(b)(2)
2 U.S.C. § 441a
2 U.S.C. § 441b
11 C.F.R. § 100.5(g)(4)(ii)

¹ Donna M. Anderson was the treasurer of the National Republican Congressional Committee at the time the respondents were notified of the complaint.

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1 11 C.F.R. § 102.5(a)(1)
2 11 C.F.R. § 106.5(c)
3 11 C.F.R. § 106.5(g)(1)(i)
4 11 C.F.R. § 110.3(a)

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6 INTERNAL REPORTS CHECKED: Disclosure Reports

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8 FEDERAL AGENCIES CHECKED: Internal Revenue Service

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10 **I. INTRODUCTION**

11 The complaint in this matter alleged violations based on affiliation, allocation and
12 political committee theories. First, the Democratic Congressional Campaign Committee
13 (“DCCC”) alleged that the National Republican Campaign Committee (“NRCC”) was
14 “affiliated” with the U.S. Family Network (“USFN”), the Republican Majority Issues
15 Committee, Inc. (“RMIC”),² and Americans for Economic Growth (“AEG”) within the meaning
16 of 11 C.F.R. § 110.3(a), and therefore these organizations had a single contribution limit.
17 Second, the DCCC alleged that, even if the groups were not affiliated with the NRCC, the NRCC
18 transferred \$500,000 in non-federal funds to the USFN for the purpose of avoiding compliance
19 with the Commission’s allocation regulations. Finally, the complainant alleged that the USFN,
20 the RMIC, and AEG were political committees, which should have registered with and reported
21 to the Commission. Based on all the available information, this Office recommends that the
22 Commission find reason to believe that the NRCC violated the Federal Election Campaign Act
23 of 1971, as amended (“the Act”) and Commission regulations by failing to allocate its donation
24 to the USFN, but does not recommend that Commission find reason to believe that the NRCC,
25 the USFN, the RMIC, and AEG were affiliated or that the latter three groups were political
26 committees.

² The complaint identified this organization as the Republican Majority Issues Conference in error. That the proper name is the Republican Majority Issues Committee is confirmed by the respondent and other information gathered thus far.

1 The complaint also alleged that Americans for a Republican Majority Political Action
2 Committee ("ARMPAC"), Representative Tom DeLay, Ed Buckham, Bob Mills, Dan Mattoon,
3 Jim Ellis, Karl Gallant, Representative Tom Davis, Dick DeVos, Betsy DeVos, Representative
4 Tom Davis, Representative Dennis Hastert, Representative Dick Armey, and Representative J.C.
5 Watts, Jr., all of whom had some connection to one or more of the respondent organizations,
6 violated the Act. This Office recommends that the Commission find no reason to believe that
7 ARMPAC and these individuals violated the Act because the DCCC failed to present sufficient
8 facts or offer viable theories supporting their possible liability.

9 **II. FACTUAL AND LEGAL ANALYSIS**

10 **A. Affiliation**

11 1. The Complaint and Responses³

12 The complaint presented a "hub and spoke" scenario of affiliation. Citing a *Roll Call*
13 article, the DCCC alleged that the USFN, the RMIC, and AEG, non-profit corporations, were
14 tied to the NRCC through Representative Tom DeLay, who was said to serve "both as the
15 NRCC's primary fundraiser and as one of its top strategists." Jim VandeHei, *NRCC's \$500,000*
16 *Donation Linked to DeLay Advisors*, *Roll Call*, Dec. 6, 1999 at A1 ("12/6/99 *Roll Call* article").
17 See Attachment 1. Contending the "facts show that" the USFN, the RMIC, and AEG "are
18 established, financed, maintained and controlled by the very same individuals who run the
19 NRCC," the complaint claimed that several of the possible tests for affiliation set forth in the
20

³ All the respondents in this matter, with the exception of Representative Tom Davis, who was then serving as the NRCC's Chairman, submitted a response.

1 Commission's regulations at 11 C.F.R. §100.5(g)(4)(ii)⁴ are met by these four organizations,
2 each of which, it asserts, "is effectively run by Tom DeLay."

3 The DCCC, again citing the 12/6/99 *Roll Call* article, alleged that Ed Buckham, who was
4 described in the article as "a political consultant" to the USFN and "DeLay's top political
5 associate and former chief of staff," reportedly solicited \$500,000 in non-federal funds for the
6 USFN from the NRCC on October 20, 1999. *Id.* The DCCC further alleged that, despite
7 Mr. Buckham's attempts to characterize himself to *Roll Call* as being an independent fundraiser,
8 he was deeply involved with the USFN and even shared office space with the USFN during the
9 relevant time period.

10 According to the DCCC, Mr. Buckham helped create the RMIC, an organization it
11 alleged was nominally run by Karl Gallant, a former DeLay fundraiser. Relying on the 12/6/99
12 *Roll Call* article, the DCCC alleged that the RMIC was thought by "GOP insiders [to be] a
13 DeLay operation, top to bottom." *Id.*

14 The third organization, AEG, was, according to the DCCC and again based largely on the
15 12/6/99 *Roll Call* article, reportedly under the "complete control" of Jim Ellis, who allegedly
16 managed Tom DeLay's "so-called 'leadership PAC'" (ARMPAC), and was also a paid NRCC
17 consultant. *Id.* The complaint, citing to the article, stated that ARMPAC shared office space
18 with Mr. Buckham and the USFN during the relevant time period. Referring to the 12/6/96 *Roll*
19 *Call* article as well as two other news articles (*See Attachment 1*)⁵ as its sources, the DCCC

⁴ The circumstantial factors of affiliation listed at 11 C.F.R. §§ 100.5(g)(4)(ii) and 110.3(a)(3)(ii) are identical. The regulation at 11 C.F.R. § 100.5 defines and relates to political committees, whereas the regulation at 11 C.F.R. § 110.3(a) extends affiliation to non-political committees. This report cites to 11 C.F.R. § 110.3(a)(3)(ii) because it does not recommend a finding that the non-profit organizations are political committees. *See discussion infra.*

⁵ The two other news articles are: Jim VandeHei and Ethan Wallison, *DCCC Blasts Radio Ads*, *Roll Call*, Nov. 4, 1999; and Dave Boyer, *GOP Ad Blitz Proves Edge in Budget Battle*, *Washington Times*, Oct. 29, 1999 at A1.

1 claimed that AEG had already sponsored advertisements attacking Democrats, which bore “a
2 stark similarity to ads that were run by the NRCC itself and masterminded by DeLay.” *Id.*

3 Based on the allegations set forth above, the DCCC claimed that the NRCC, the USFN,
4 the RMIC, and AEG met several possible tests for affiliation set forth in 11 C.F.R. § 100.5(g)(4).
5 More specifically, the DCCC alleged that the organizational respondents were affiliated within
6 the meaning of the Act as each of them was “effectively run by Tom DeLay,” and that the NRCC
7 derived its authority to control the USFN, the RMIC, and AEG through Mr. DeLay and
8 consultants tied to him, such as Messrs. Buckham and Ellis. Moreover, according to the DCCC,
9 the NRCC’s transfer of \$500,000 to the USFN and its alleged “apparent practice” of directing
10 Republican congressmen to contribute to and raise funds for the RMIC demonstrated the
11 NRCC’s pattern of providing funds in significant amounts to these organizations.

12 In its response, the NRCC stated that the NRCC “did not establish or authorize the
13 creation” of the USFN, the RMIC, or AEG. The NRCC also stated that affiliation is not
14 automatic merely because a member of the Republican leadership, who therefore played a role at
15 the NRCC, had a hand in creating one of the section 501(c) groups. Even if there was affiliation,
16 according to the NRCC, there was “no evidence of any activity” by the USFN, the RMIC, or
17 AEG that would make affiliation “relevant” under the Act or the Commission’s regulations.⁶

18 The NRCC acknowledged that it gave funds to the USFN but stated that the contribution
19 was fully reported and not “*per se* illegal.” The NRCC stated that there is nothing in the Act or
20 the regulations that prohibits a political party committee from donating to a section 501(c)(4)
21 organization like the USFN.

⁶ The NRCC’s statement that affiliation would not be “relevant” apparently relies on its contention that, although affiliation results in shared contribution limits, the USFN, the RMIC, and AEG did not make or receive any “contributions” within the meaning of the Act.

1 The RMIC and the USFN participated with Messrs. Mills, Buckham, Gallant, and Ellis
2 and Dick and Betsy DeVos in submitting a joint response. The response stated that the RMIC
3 was incorporated in 1999. According to the group's bylaws, provided as Attachment 2 to the
4 joint response,⁷ the RMIC promoted public support for conservative issues, policies, and
5 programs and engaged in non-partisan voter education, as well as GOTV activities, but did not
6 engage in express advocacy. The by-laws also indicated that the RMIC intended to conduct its
7 electoral activities in conformance with the Internal Revenue Service's requirements for section
8 527 corporations and was thus barred from making any contributions or coordinated
9 expenditures with any political party, party committee, or federal officeholder or candidate.

10 The USFN, according to the response, was incorporated in 1996 as a "nonprofit
11 ideological corporation." According to its articles of incorporation, provided as Attachment 3 to
12 its response, the USFN's purpose was to "conduct research and studies programs, a public
13 information/education program and a legislation support program."

14 The joint response asserted that the DCCC's theory that the RMIC and the USFN were
15 under the direction and control of the NRCC and Representative DeLay relied solely on the fact
16 that Messrs. Buckham and Gallant once worked for Representative DeLay. The response
17 asserted that the claim of affiliation must fail because the law required that one organization
18 must have actual authority over the other, and that the USFN and the RMIC were each governed
19 exclusively by its own board of directors. Pointing to each organization's bylaws, the response
20 stated that neither group had any formal or informal relationship with "the NRCC, any political
21 party or Member of Congress, either in its establishment, maintenance, financing or operation."
22 Finally, the respondents contended that even if there were "affiliation," there would be no

⁷ The copy of the RMIC's bylaws provided by the respondents was unsigned and the spaces for the names of the corporate Co-Chairmen and Secretary-Treasurer were left blank.

1 violation, as the USFN and the RMIC did not make "contributions" or "expenditures" as those
2 terms are defined under the Act. *See* footnote 5, *supra*.

3 In its response, AEG, a section 501(c)(4) organization with the Internal Revenue Service
4 since May of 1994, stated that it was an "advocacy organization" engaged in activities such as
5 lobbying and the publication of pamphlets and academic studies. According to the response,
6 AEG also sponsored "radio ads for and against particular legislation." AEG refuted the DCCC's
7 contention that "Jim Ellis, a paid NRCC consultant," controlled it. According to AEG, the board
8 of directors, of which Mr. Ellis is not a member, controlled the corporation. AEG stated that it
9 had engaged Mr. Ellis as a consultant on several past projects, including its fiscal year 2000
10 projects. AEG asserted, however, that its hiring of a "consultant who has proven effective at
11 legislative activity in the past" did not confer affiliation with any other group pursuant to the Act.

12 ARMPAC's response stated that it was a multicandidate committee, which had been
13 registered with the Commission since 1994, but denied that it was connected to or affiliated with
14 any other organizations or campaign committees. The group denied that it had any control or
15 authority over the NRCC, the RMIC or AEG or that it had received funds from these other
16 organizations. In addition, ARMPAC stated that it had no knowledge of Representative DeLay
17 forming any other organizations, apart from his re-election committee. According to the
18 response, the only facts proffered by the DCCC to support its claim that ARMPAC was linked
19 with the other respondent groups were that Jim Ellis was a paid consultant for ARMPAC and
20 that ARMPAC shared office space with AEG. The respondent confirmed that Mr. Ellis, as a
21 paid consultant, had provided fundraising services for the organization. However, ARMPAC
22 stated that it did not concern itself with any other professional arrangements its consultants had

1 with other organizations so long as they did not affect ARMPAC's receipt of services.

2 ARMPAC also denied that it shared office space with AEG.

3 In his response, Representative DeLay contended that the complaint relied solely upon
4 the 12/6/99 *Roll Call* article to assert that Representative DeLay "effectively runs" the USFN,
5 the RMIC, and AEG. According to the response, "Such an assertion does not constitute, in and
6 of itself, evidence of a violation" of the Act.

7 Representative Dick Arney's response denied that he had any association with the
8 USFN, the RMIC, or AEG. He stated that, as a member of the Republican leadership in the
9 House of Representatives, he was "an ex-officio member" of the NRCC, but was not involved in
10 its day-to-day administration. Representative Arney further denied that he had prior knowledge
11 of any donation to any of the groups mentioned in the complaint, and that he first learned of the
12 \$500,000 donation by the NRCC to the USFN through press accounts. Representatives Dennis
13 Hastert and J.C. Watts, Jr. both asserted in their responses that, beyond their attendance at a
14 RMIC fundraiser, the complaint failed to assert that either participated in any of the activities
15 that form the basis for the DCCC's claim.

16 2. Law

17 All committees established, financed, maintained, or controlled by the same person or
18 group of persons are affiliated, and share a single contribution limit. 2 U.S.C. § 441a(a)(5) and
19 11 C.F.R. §§ 100.5(g)(2), 110.3(a)(1) and (2). When registering with the Commission, a
20 political committee must include in its Statement of Organization "the name, address,
21 relationship, and type of any connected organization or affiliated committee." 2 U.S.C.
22 § 433(b)(2).

1 In determining whether committees established, financed, maintained, or controlled by
2 the same person or group of persons are affiliated, the Commission examines several factors in
3 the context of the overall relationship between them. Such factors include: whether a committee
4 has the authority or ability to direct or participate in the governance of another committee
5 through provisions of constitutions, bylaws, contracts, or other rules or through formal or
6 informal practices or procedures; whether a committee has the authority or ability to hire,
7 appoint, demote or otherwise control the officers, or other decision-making employees or
8 members of another committee; whether committees have common or overlapping officers,
9 members, or employees, which indicates a formal or ongoing relationship between the
10 committees, or which indicates the creation of a successor entity; whether a committee provides
11 funds or goods, or arranges for funds, in a significant amount or on an ongoing basis to another
12 committee, such as through direct or indirect payments for administrative, fundraising, or other
13 costs, but not including the transfer to a committee of its allocated share of proceeds jointly
14 raised pursuant to 11 C.F.R. § 102.17; whether a committee or its agent had an active or
15 significant role in the formation of another committee; and whether the committees have similar
16 patterns of contributions or contributors which indicates a formal or ongoing relationship
17 between them. 11 C.F.R. §§ 100.5(g)(4)(ii) and 110.3(a)(3)(ii).

18 3. Analysis⁸

19 In asserting violations based on an affiliation theory, the DCCC first claimed that through
20 Representative DeLay, the NRCC had “the authority or ability to direct or participate in the
21 governance of” the USFN, the RMIC and AEG “through informal practices or procedures,”
22 11 C.F.R. § 110.3(a)(3)(ii)(B) and “the authority or ability to . . . control [their] officers or other

⁸ Because the DCCC mentioned ARMPAC as being affiliated with these groups in only the most oblique terms, this allegation is not discussed in the analysis of the affiliation theory. See discussion of ARMPAC *supra*.

1 decision-making employees.” 11 C.F.R. § 110.3(a)(3)(ii)(C). With respect to the DCCC’s claim
2 that Representative DeLay “effectively runs” the NRCC, according to the NRCC’s website, the
3 NRCC is governed by its chairman and an executive committee composed of Republican
4 members of the House of Representatives. <<http://www.nrcc.org/about/overview.htm>> (last
5 visited May 14, 2003). Representative DeLay, along with the seven other elected members of
6 the House Republican Conference, serves as an ex-officio member of the NRCC’s executive
7 committee.⁹ Even assuming that Representative DeLay is influential with others at the NRCC,
8 that would not mean that he, as a single individual, “effectively runs” the NRCC, such that he
9 places the NRCC, through him, in a position to direct or participate in the governance of, or
10 control the decision-making employees of, the USFN, the RMIC, and AEG. Neither the
11 complaint nor the public record present any information indicating that the NRCC itself has or
12 exercises this kind of authority with respect to these organizations.

13 Moreover, the allegation that Representative DeLay (and through him, the NRCC) has
14 the ability to direct any of the three organizations or control their officers or decision-makers,
15 appears to be based entirely on the existence of past professional associations between
16 Representative DeLay and persons alleged to be involved with the USFN, the RMIC, and AEG.
17 However, the mere fact that certain persons had professional relationships with Representative
18 DeLay does not, standing alone, support his ability to direct or control the organizations with
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⁹ The available information does not reveal whether ex-officio members of the NRCC executive committee have voting rights. According to the NRCC website, the NRCC’s day-to-day operations are run by an Executive Director, who “oversees a staff of over 50 professionals with expertise in campaign strategy development, planning and management, research, communications, fund raising, administration, and legal compliance.” <<http://www.nrcc.org/about/overview.htm>> (last visited May 14, 2003).

1 which they are or became associated.

2 The complaint also alleged that the NRCC has “a common or overlapping membership”
3 or “has common or overlapping officers or employees” with the USFN, the RMIC or AEG
4 “which indicates a formal or ongoing relationship between” them, or “which indicates the
5 creation of a successor entity.” *See* 11 C.F.R. §§ 110.3(a)(3)(ii)(D)-(F). The complainant
6 attempts to satisfy these tests by again basing them on Representative DeLay, this time by
7 alleging that Representative DeLay himself “effectively runs” the NRCC, the USFN, the RMIC,
8 and AEG. However, the complaint offers no support for this allegation and this Office has not
9 uncovered any information indicating overlapping personnel or membership between the NRCC,
10 the USFN, the RMIC and AEG.¹⁰

11 The complaint additionally alleged that the NRCC or its agent¹¹ “had an active or
12 significant role in the formation of” the USFN, the RMIC, and AEG, and therefore met this test
13 of affiliation. Other than the allegation, there is no information in the complaint or in the public
14 record showing that the NRCC or its agents played a role in establishing the USFN or AEG.
15 AEG was incorporated in 1993 in North Carolina as Citizens' Alliance for Business and Jobs

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¹⁰ The regulations relating to “affiliation” do not appear to encompass membership in the same political party, a circumstantial factor of affiliation that would appear to be overbroad and unworkable.

¹¹ The only circumstantial factors of affiliation to specifically mention an “agent” are 11 C.F.R. §§ 100.5(g)(4)(ii)(I) and 110.3(a)(3)(ii)(I).

1 and has been registered as a 501(c)(4) organization since 1994.¹² According to its Articles of
2 Incorporation filed with its response, the USFN was incorporated in Virginia in 1996.¹³ The
3 information in hand does not indicate that any of the individuals referenced therein as the initial
4 registered agent, incorporator, or initial member of the board of directors was an agent of the
5 NRCC.

6 The RMIC was incorporated in Virginia in May of 1999 and is registered as a section 527
7 organization. The press reported that Mr. Buckham was "instrumental" in the creation of the
8 RMIC and that he discussed its creation with Representative DeLay and Mr. Gallant. Jim
9 VandeHei, *NRCC's \$500,000 Donation Linked to DeLay Advisors*, Roll Call, Dec. 6, 1999 at
10 A1. Even if Representative DeLay played a role in the formation of the RMIC, however, there is
11 no information that he did so as an agent of the NRCC.¹⁴ To the contrary, the sworn affidavit of
12 the NRCC's deputy director averred, "The NRCC did not establish or authorize the creation of
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¹² AEG's stated purpose is "to educate and inform the general public about policies pertaining to the reduction of government regulation and taxation of business entities and their employees." James W. Ellis is listed as one of the incorporators and as the registered agent for the group. In May of 1996, articles of amendment were filed, changing the name of the organization to Americans for Economic Growth. Mr. Ellis, who apparently continued as the registered agent until June 2000, filed papers with the state in June of 1996 designating the group's principal office as being located on Leesburg Pike in Falls Church, VA. Mr. Ellis, who is described in various press reports as having close ties with Representative DeLay, reportedly has also served as a consultant to the NRCC, ARMPAC, and the Alexander Strategies Group. Greg Hitt, *Group with DeLay Ties Pay for Ads Pressing Democrats on Social Security*, The Wall Street Journal, Nov. 4, 1999, A32; James VandeHei and Greg Hitt, *Democrats Sue GOP's DeLay, Claim He Extorted Donations*, The Wall Street Journal, May 4, 2000, A28.

¹³ There is a discrepancy between the Articles of Incorporation provided in the response of the USFN and the Articles of Incorporation on file with the Virginia State Corporation Commission. The initial board of directors listed in the articles provided by the response consists of Christopher Geeslin, Len Phelps, and Brett Leonard, whereas the articles provided by the Virginia State Corporation Commission did not mention Christopher Geeslin but did list William Dahlgren as a member of the board of directors. Both articles listed the incorporator of USFN as John S. Miles and the initial registered agent as William J. Olson.

¹⁴ By analogy, even in the circumstances involving possible affiliation between authorized candidate committees and candidate PACs or leadership committees, where the candidate has certainly played a role in the formation of the latter committees, the Commission has concluded that it would consider the possibility of "affiliation" on a case-by-case basis, and would examine the relationships between the committees. See Explanation & Justification for 11 C.F.R. § 110.3(a), 54 Fed. Reg. 34101 (1989).

1 any of the three committees named in the complaint.”

2 Stripped of the alleged linkage of the NRCC through Representative DeLay, the
3 complaint's only remaining basis for affiliation rests on the allegation that the NRCC “provides
4 funds . . . in a significant amount” or “causes or arranges for funds in a significant amount . . . to
5 be provided to another.”¹⁵ See 11 C.F.R. §§ 110.3(a)(3)(ii)(G)-(H). At most, this might provide
6 a single link between the NRCC and the USFN, and a possible indirect link between the NRCC
7 and AEG, because the NRCC provided \$500,000 in non-federal funds to the USFN in 1999, and,
8 as discussed *infra*, may have been involved in the USFN's transfer of \$300,000 to AEG.¹⁶

9 Although the fact that one organization contributed or donated money to another does not suffice
10 to establish that the organizations are affiliated under 2 U.S.C. § 441a(a)(5) or that the donor
11 “established, financed, maintained or controlled” the recipient within the meaning of 11 C.F.R.
12 § 110.3(a), evidence that a potential sponsoring organization “provides funds . . . in a significant
13 amount” or “causes or arranges for funds in a significant amount . . . to be provided to another,”
14 11 C.F.R. §§ 110.3(a)(3)(ii)(G)-(H), are circumstantial factors that indicate that the potential
15 sponsoring organization may have “financed” the recipient.

16 The law states that if the NRCC “financed” the USFN and AEG within the meaning of
17 the Act and the regulations, without anything else, these entities would be “affiliated” because
18 the affiliation concept is defined in the disjunctive (“established, financed, maintained or
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¹⁵ This Office was not able to corroborate the DCCC's unsupported assertion that the NRCC had “an apparent practice” of directing Republican Members of Congress to contribute to and fundraise on behalf of the RMIC.

¹⁶ There is no information showing that the NRCC made any other donations to the USFN or any other direct or indirect donations to AEG. This Office has found no evidence contradicting the statement made in the NRCC's sworn affidavit that it did not give any donations to the RMIC.

1 controlled"). 11 C.F.R. § 100.5(g)(2). However, proving the circumstantial factor of affiliation
2 in the regulations that a committee provided funds in a significant amount to another entity does
3 not, by itself, necessarily establish that the sponsoring committee "financed" the other entity.
4 This is because the circumstantial factors of affiliation are examined "in the context of the
5 overall relationship between" the entities "to determine whether the presence of any factor or
6 factors is evidence of one of the" entities "having been established, maintained, financed or
7 controlled," by the other. 11 C.F.R. § 110.3(a)(3)(ii). In essence, the Commission performs a
8 "totality of the evidence" analysis.

9 The information in hand indicates that the NRCC's donation constituted a large
10 percentage of the USFN's and AEG's receipts in 1999.¹⁷ There could be circumstances in which
11 funds provided in a significant amount, without more, could reach the level of "financing" and
12 hence "affiliation," such as a case where the receiving entity is dependent on the sponsoring
13 committee's funding for its initial existence or there is ongoing funding to permit the continuing
14 functioning of the entity. However, "in the context of the overall relationship" between the
15 NRCC and the USFN or the NRCC and AEG, the presence of this one circumstantial factor of
16 "financing" would not appear to result in the NRCC having established, financed, maintained or
17 controlled these other entities. 11 C.F.R. § 110.3(a)(3)(ii).

18 Here, the USFN was established in 1996, three years before the transfer at issue. The
19 attachments to the response of NRCC show that prior to the receipt in 1999 of the NRCC's
20 \$500,000 donation, the USFN was actively pursuing a varied agenda and had published a
21 newsletter called *Today's Family*, issued talking points on legislative issues, and mailed

¹⁷ The press reported that the USFN's 1999 yearly receipt total was \$1.1 million, which appears to include the \$500,000 donation from the NRCC. Damon Chappie, *AEG Documents Reveal Transfer*, Roll Call, March 8, 2001. If the report is accurate, the NRCC's donation constituted approximately 45% of the USFN's 1999 receipts. The press also reported that the \$300,000 transferred to AEG from the USFN was over 75% of AEG's 1999 funding. *Id.*

1 numerous letters to Congress on legislative issues. Likewise, the corporation that became AEG
2 was incorporated in North Carolina in 1993, six years before the transfer of \$300,000 to AEG.
3 AEG's response stated that it had lobbied on legislative issues, published pamphlets and
4 academic studies, and ran ads on particular legislation since its recognition as a 501(c)(4)
5 organization in 1994. Thus, each of these organizations had an independent existence and
6 agenda prior to, as aside from, the receipt of the NRCC's funds.

7 Although the one-time donation from the NRCC may have involved a pre-arrangement
8 through which the NRCC intended that the funds be used for specific allocable activity desired
9 by the NRCC, *see discussion infra*, there is no information indicating that such a possible
10 arrangement was one the NRCC could have legally enforced or one which gave the NRCC
11 control over the other entities either then or in the future. Under these circumstances, the
12 importance of the NRCC's donation, for purposes of an affiliation analysis, is significantly
13 diminished. In the context of the overall relationship between the NRCC and the USFN and
14 AEG, it does not appear that the NRCC established, maintained, financed or controlled either
15 entity.

16 Based on the above, it appears that the National Republican Congressional Committee,
17 the US Family Network, the Republican Majority Issues Committee and Americans for
18 Economic Growth are not affiliated within the meaning of 2 U.S.C. § 441a(a)(5) and 11 C.F.R.
19 § 100.5(g)(2). Therefore, this Office recommends that the Commission find no reason to believe
20 that the National Republican Congressional Committee, the US Family Network, the Republican
21 Majority Issues Committee and Americans for Economic Growth violated 2 U.S.C.
22 §§ 441a(a)(1) or 441a(f).

23

1 **B. Allocation**

2 1. The Complaint and Responses

3 The DCCC asserted that even if there were no affiliation, the NRCC's \$500,000 transfer
4 to the USFN violated the Commission's allocation rules. The DCCC alleged that the NRCC
5 transferred the money to the outside group so that it could conduct allocable activities "entirely
6 with soft money." Citing the 12/6/99 *Roll Call* article, the DCCC quoted, as support, reported
7 statements of Dan Mattoon, who was then Deputy Chairman of the NRCC, that the NRCC was
8 "disappointed and frustrated that the conservative base was not energized to turn out [voters] for
9 our candidates. So we thought that in 1999 that it made sense that we help these groups"
10 The DCCC asserted that the NRCC donated the funds to the USFN because Mr. Buckham, who
11 allegedly solicited them, could be "relied upon" to use the money to promote Republican
12 Congressional candidates. The DCCC quoted language from the 12/6/99 *Roll Call* article,
13 reporting that Dan Mattoon said that, because of its affiliation with Mr. Buckham, the USFN
14 would have "an important impact in the elections, favorably for Republicans." *Id.*

15 In his response, Mr. Mattoon denied having any role in the NRCC's October 20, 1999
16 transfer of funds to the USFN.¹⁸ According to the response, he was not employed by the NRCC
17 during the relevant time period and therefore "had no responsibility for or knowledge about the
18 funds sent to the USA Family Network." Referencing the 12/6/99 *Roll Call* article, Mr. Mattoon
19 asserted that the comments alleged to have been made by him were "taken out of context" and

¹⁸ At the time of the submission of his response in February 2000, Mr. Mattoon held the position of Deputy Chairman of the NRCC. The complaint apparently was in error when it referred to Mr. Mattoon as holding the position of Executive Director.

1 did not “accurately” reflect his “knowledge about these funds, about which [he] had no first-hand
2 knowledge.”¹⁹

3 Although it acknowledged its \$500,000 donation to the USFN, *see* discussion *supra*, the
4 NRCC contended that it had no control over how the USFN was going to spend the money but
5 believed that the funds were going to be used in a manner consistent with certain materials
6 provided by the USFN and not for any “electioneering purposes.” These materials, which were
7 enclosed with the NRCC’s response, included: the USFN’s mission statement; a USFN
8 Legislative Report dated August 6, 1999; and several issues of the group’s newsletter, *Today’s*
9 *Family*. *See* NRCC Response, Attachment B. According to the NRCC, none of the activities
10 described in those materials falls under the Act.

11 Relying on statements reportedly made to the press by Bob Mills²⁰ and the NRCC’s
12 Deputy Chairman, Dan Mattoon, the USFN’s joint response contended that “these public
13 statements indicate” that the NRCC donated \$500,000 to the USFN in a non-election year
14 because the NRCC wanted to “associate with and to support a group it agrees with on the
15 issues.”

16 With respect to the advertisements run in 1999 by AEG, which the complaint alleged
17 “attacked Democratic candidates while bearing a stark similarity to ads run by the NRCC itself,”
18 AEG’s response asserted that these “were issue advocacy, directed at particular widely-

¹⁹ Likewise, the NRCC response made the point that Mr. Mattoon joined the NRCC “long after these contributions were made . . .” and that he had “no first-hand knowledge about the contribution at issue or the reasons behind it.”

²⁰ Mr. Mills was the Executive Director of the USFN. According to the 12/6/99 *Roll Call* article, Mr. Mills stated that the \$500,000 donation from the NRCC would be used to lobby GOP leaders and members to support a pro-family bill of rights and that future radio advertisements and mass mailings were likely.

1 recognized legislation to protect Social Security, and were bipartisan, in that they addressed both
2 Democratic and Republican officeholders.”²¹

3 2. Law

4 To ensure compliance with the Act's contribution limits and with the prohibition on
5 corporate and labor union contributions, Commission regulations require that political
6 committees that finance activities in connection with both federal and non-federal elections
7 either: 1) establish separate federal and non-federal accounts, with the federal account consisting
8 only of funds subject to the Act's limitations and prohibitions; or 2) establish a single account to
9 finance federal and non-federal activities, which shall receive only contributions subject to the
10 limitations and prohibitions of the Act. 11 C.F.R. § 102.5(a)(1).²² Committees that have
11 established separate federal and non-federal accounts must make all disbursements, expenditures,
12 and transfers in connection with any federal election from their federal account. 11 C.F.R.
13 §§ 102.5(a)(1)(i) and 106.5(a)(1). Where a committee has violated section 102.5(a)(1) by
14 disbursing funds from its non-federal account in connection with a federal election, the
15 committee has also violated 2 U.S.C. §§ 441a and 441b(a) if the non-federal account contained
16 excessive and corporate or labor organization funds at the time of the disbursement. *See*
17 MUR 3670 (California Democratic Party) (“CDP”), MUR 3774 (National Republican Senatorial
18 Committee) (“NRSC”), and MUR 4709 (Democratic County Executive Committee of
19 Philadelphia).

²¹ AEG did not provide copies of the scripts for these advertisements nor did the respondent identify which officeholders were highlighted in the advertisements or how the advertisements were funded.

²² Pursuant to BCRA, the Commission promulgated new regulations under which the national party committees are prohibited from soliciting, receiving, directing to another person or spending non-federal funds, that is, funds that are not subject to the limits, prohibitions and reporting requirements of the Act, 11 C.F.R. § 300.10, and the allocation provisions were revised to sunset as to the national party committees as of December 31, 2002. *See* 11 C.F.R. § 102.5(c).

1 Party committees with separate federal and non-federal accounts must allocate expenses
2 for certain categories of shared activities between their federal and non-federal accounts. *See*
3 11 C.F.R. §§ 106.5(a) and 106.5(g)(1)(i). House campaign committees of national parties must
4 allocate costs of non-fundraising allocable activities based on the ratio of federal expenditures to
5 total federal and non-federal disbursements made by the committee during the two-year federal
6 election cycle, with a minimum of 65% to be allocated to the federal accounts each year.
7 11 C.F.R. §§ 106.5(c)(1) and (2). A party committee must pay “the entire amount of an allocable
8 expense from its federal account and [then] transfer funds from its non-federal account to its
9 federal account solely to cover the non-federal share of that allocable expense.” 11 C.F.R.
10 § 106.5(g)(1)(i). Allocable activities include, *inter alia*, the costs of generic voter drive
11 activities. 11 C.F.R. § 106.5(a)(2). “Generic voter drives” are defined as “including voter
12 identification, voter registration, and get-out-the-vote drives, or any other activities that urge the
13 general public to register, vote or support candidates of a particular party or associated with a
14 particular issue, without mentioning a specific candidate.” 11 C.F.R. § 106.5(a)(2)(iv). The
15 Commission has long recognized that get-out-the-vote (“GOTV”) drives have an impact on
16 federal elections. *See Methods of Allocation Between Federal and Non-Federal Accounts;*
17 *Payments; Reporting*, 55 Fed. Reg. 26058, 26065 (June 26, 1990) and Advisory Opinions
18 1978-10, 1978-28, and 1978-50 (explaining that voter drives have a direct impact on federal
19 elections and should be allocated between federal and non-federal accounts). *But see McConnell*
20 *v. FEC*, Civ. No. 02-0582, slip op. at 26-37 (D.D.C. May 2, 2003) (Leon, J.) (Judge Leon
21 concluding that such activities “only indirectly” affect federal elections).

22 The Commission also has acknowledged the impact of other political party committee
23 activity on both federal and non-federal elections, specifically, so-called party “issue

1 advertisements.” In Advisory Opinion 1995-25, the Commission concluded that party-financed
2 advertisements that focused on national legislative activity and promoted a national political
3 party should be considered as having been made in connection with both federal and non-federal
4 elections and should be allocated on the same basis as administrative and generic voter drive
5 costs, unless the advertisements qualified as coordinated expenditures. The proposed legislative
6 advertisements at issue in AO 1995-25 did not mention an election and may or may not have
7 referenced federal candidates. The Commission’s conclusion in AO 1995-25 was grounded in
8 *Buckley v. Valeo*, in which the Supreme Court observed that expenditures made by organizations
9 whose main purpose is the nomination or election of a candidate are, by definition, campaign-
10 related. *See Buckley v. Valeo*, 424 U.S. 1, 79 (1976) (“*Buckley*”). As further support for its
11 decision, the Commission noted that the stated purpose of the advertisements in AO 1995-25,
12 which was to gain popular support for Republican positions on given legislative measures and to
13 influence the public’s positive view of Republicans and their agenda, “encompasses the related
14 goal of electing Republican candidates to Federal office.” *See* MUR 4538 (Alabama Republican
15 Party) (the Commission found probable cause to believe that a state party committee violated
16 2 U.S.C. §§ 441a(f) and 441b(a) and 11 C.F.R. § 102.5 by failing to allocate funds used for issue
17 advocacy).

18 The Commission has determined in prior enforcement matters that a party committee that
19 gives non-federal funds to a third party with the knowledge that all or part of the funds will be
20 used to conduct allocable activity must allocate and report those expenditures as if the party
21 committee had made those expenditures directly. *See* MUR 3670 (CDP) and MUR 3774
22 (NRSC). In MUR 3670, the Commission found probable cause to believe that the CDP violated
23 2 U.S.C. § 441b(a) and 11 C.F.R. §§ 102.5(a)(1), 104.10(b)(4), and 106.5(d) when it failed to

1 allocate the costs of voter registration and GOTV activities between its federal and non-federal
2 accounts. In a subsequent district court case brought by the Commission, the court rejected the
3 CDP's motion to dismiss, holding that where the CDP transferred non-federal funds to an
4 initiative group to conduct voter registration and GOTV activities and knew that the group would
5 use the funds to increase the number of Democratic voters, it was required to allocate its
6 payment to the initiative group.²³ *FEC v. California Democratic Party*, 13 F. Supp.2d 1031,
7 1034-1035 (E.D. Calif. 1999). In MUR 3774, the Commission found probable cause to believe
8 that the NRSC failed to allocate payments made to a third party to conduct GOTV drives and
9 issue advocacy. The interpretations of the Act and Commission regulations reflected in these
10 cases ensure that a party committee cannot do indirectly what it is prohibited from doing directly
11 – that is, use impermissible funds for campaign activity intended, in whole or part, to influence
12 federal elections. *See* 2 U.S.C. §§ 441a and 441b(a).

13 3. Analysis

14 At the time it filed its complaint, the DCCC was aware through press reports that the
15 NRCC had transferred \$500,000 in non-federal funds to the USFN on October 20, 1999. The
16 complaint alleged that the NRCC had done so in order to pay for allocable GOTV and issue
17 advocacy efforts with 100% soft money. The DCCC also alleged, referencing several press
18 reports, that AEG had sponsored a series of radio advertisements attacking "...Democratic

²³ *But see* MUR 4215 (Democratic National Committee) (where the Commission declined to adopt the General Counsel's recommendations to find probable cause to believe that the Democratic National Committee ("DNC") violated 2 U.S.C. §§ 441a(f) and 441b and 11 C.F.R. § 106.5(b) when it transferred certain funds to state party committees with the intention that those funds be used for voter drive advertisements and allocated these transfers between its federal and non-federal accounts using the state party committees' more favorable allocation ratios rather than its own allocation ratio). Two aspects of this matter warrant explanation. First, in finding no probable cause to believe that the DNC violated the Act, the Commission relied, in part, on provisions of the Act and Commission regulations that permit unlimited transfers between a national party committee and an affiliated state party committee. *See* Statement of Reasons in MUR 4215 dated March 26, 1998, at 4. Second, MUR 4215 involved *how* payments for the voter drive advertisements should be allocated between federal and non-federal accounts; the need to allocate the payments between accounts in some manner was unquestioned.

1 candidates while bearing a stark similarity to [television] ads” that the NRCC ran in October
2 1999.²⁴

3 After the responses were submitted, but prior to the activation of this matter, the press
4 reported that, based on the 1999 tax return filed by the USFN, it appeared that the USFN had
5 transferred \$300,000 to AEG during that year. Damon Chappie, *AEG Documents Reveal*
6 *Transfer*, Roll Call, March 8, 2001.²⁵ Although the USFN's Executive Director, Bob Mills,
7 reportedly denied that the “the \$500,000 NRCC contribution was passed along . . . to AEG,” *id.*,
8 it appears that the NRCC's monetary transfer to the USFN, the USFN's \$300,000 transfer to
9 AEG and the series of radio advertisements focusing on the issue of Social Security may be
10 related.

11 Publicly available information indicates that in the fall of 1999 the Republican Party
12 inaugurated a project called “Stop the Raid!”²⁶ According to materials issued by the Republican
13 Party, the project was a multi-pronged effort to prevent the President and Congress from
14 financing federal programs in FY2000 out of the Social Security Trust Fund surplus. Stop the
15 Raid! Talking Points, dated September 29, 1999, state, in part that, “**Republicans believe that**
16 **every working American should know unequivocally that Medicare and Social Security**
17

²⁴ The DCCC did not allege that the USFN had transferred some of the funds it had received from the NRCC to AEG or contend that there was any connection between the transfer and AEG's radio advertising. Since the USFN and AEG were not registered and reporting with the FEC as political committees, the DCCC would not necessarily have known from a search of publicly available information about any monetary transfers between the two groups.

²⁵ Following the 12/6/99 *Roll Call* article regarding the transfer of \$500,000 from the NRCC to the USFN, and a lawsuit filed in 2000 by the DCCC against Representative DeLay, the USFN, AEG, and others, the press actively covered the prior conduct of many of the respondents in this MUR. All press reports cited in the Analysis are attached (in chronological order) to this Report as Attachment 2. The staff was not aware of this or other press articles cited in this Report until after the case was activated and public records were searched as part of standard procedure in preparing a First General Counsel's Report.

²⁶ Some of the materials issued by the Republican Party indicate that the project was also called the “*Securing America's Future Project STOP THE RAID! on the Social Security Surplus.*” See <http://hillsource.house.gov/stoptheraid/TalkingPoints.html>.

1 **will be there for them when they retire.** This spring, the House passed the Social Security and
2 Medicare Safe Deposit Act of 1999 and moved one step closer to making our commitment a
3 reality.” (emphasis in original). The Talking Points also asserted that “[A]s we work to
4 complete next year’s budget (FY2000), Republicans will not waiver [sic] in our efforts to
5 preserve the Social Security Trust Fund for today’s and tomorrow’s seniors” and “[w]e must
6 **stop the President from breaking his promise and stop the current raid on the Social**
7 **Security Trust Fund.**” (emphasis in original).

8 <http://hillsource.house.gov/stoptheraid/TalkingPoints.html>.

9 Representative J.C. Watts, the Chairman of the House Republican Conference, who
10 reportedly managed the communications portion of the project, issued a “Dear Colleague” letter
11 on October 19, 1999 in which he stated, “We have won our battle to stop the raid on the Social
12 Security Trust Fund.” Jim VandeHei and John Bresnahan, *House Leaders Plan Ad Blitz on*
13 *Budget Strategy*, Roll Call, Sept. 29, 1999, at 1. The letter announced that President Clinton had
14 agreed to meet with congressional leaders to discuss funding the FY 2000 federal budget without
15 using the Social Security Trust Fund and, in closing, urged members of the House Republican
16 Conference to “celebrate the victory with your constituents.” See
17 <http://hillsource.gov/DearColleagues/DC106/19991019sshtml>. The press reported that House
18 Republicans “...believed they scored a winner with this issue as they worked to complete the
19 fiscal 2000 federal budget without borrowing from the trust fund. Protecting Social Security
20 against higher-spending Democrats became the Republican theme.” Dave Boyer, *GOP's Test Ad*
21 *Takes Aim at Gephardt*, The Washington Times, October 31, 1999, at C4.

22 Publicly available information indicates that, as part of the Stop the Raid! project, House
23 Republicans and the NRCC sponsored a series of television advertisements in a number of

1 Democratic "target districts" relating specifically to the issue of protecting the Social Security
2 surplus. Jim VandeHei and John Bresnahan, *House Leaders Plan Ad Blitz on Budget Strategy*,
3 Roll Call, Sept. 29, 1999, at 1; David Espo, *Social Security Ads Irk Democrats*, AP Online, Nov.
4 3, 1999. According to press reports, the television advertisements were placed in the districts of
5 as many as eight to ten Democrats considered "vulnerable" in the 2000 elections. David Espo,
6 *Social Security Ads Irk Democrats*, AP Online, Nov. 3, 1999; Dave Boyer, *GOP's Test Ad Takes*
7 *Aim at Gephardt*, The Washington Times, October 31, 1999, at C4.

8 Funding for this advertising campaign, which, according to news articles, was in the
9 \$500,000 to the \$1 million range, was reportedly approved at an emergency meeting of the
10 NRCC's executive committee in September of 1999. John Bresnahan and Damon Chappie,
11 *NRCC Kept Members in Dark, Chairman Didn't Get Sign-Off for Contribution*, Roll Call, Dec.
12 13, 1999. The press also reported that the campaign was controversial in Republican circles,
13 partly because the NRCC used hard money a year ahead of the 2000 elections to fund the
14 advertisements. David Espo, *Social Security Ads Irk Democrats*, AP Online, Nov. 3, 1999.
15 Once launched, the advertising campaign apparently ran into problems in certain districts. For
16 example, Democratic Representatives Chet Edwards (TX) and Dennis Moore (KS) reportedly
17 convinced local stations to stop running the advertisements on the basis that they were factually
18 inaccurate.²⁷ Greg Hitt, *Republican Had Questions About Groups Tied to DeLay*, The Wall
19 Street Journal, June 1, 2000.

²⁷ Press reports indicate that subsequent to this advertising campaign, the NRCC produced and presented to a focus group a similar television spot highlighting House Majority Leader Richard A. Gephardt and public statements he made regarding the necessity of using part of the Social Security surplus to cover the federal budget. The press reported that the NRCC considered running the television advertisement in the home districts of several Democratic leaders, including Mr. Gephardt's district in Missouri. It is not known whether the NRCC ever distributed this particular advertisement. Dave Boyer, *GOP's Test Ad Takes Aim at Gephardt*, The Washington Times, October 31, 1999, at C4.

1 On October 20, 1999, the NRCC donated \$500,000 in non-federal monies to a non-profit
2 organization, the USFN.²⁸ See NRCC 1999 November FEC Disclosure Report. Press reports
3 indicate that Ed Buckham, who was then operating a fundraising and consulting firm called the
4 Alexander Strategy Group, solicited this \$500,000 donation at about the same time as the
5 NRCC's Social Security advertisement campaign was running into the aforementioned
6 roadblocks.²⁹ Jim VandeHei, *NRCC's \$500,000 Donation Linked to DeLay Advisers*, Roll Call,
7 December 6, 1999; Greg Hitt, *Republican Had Questions About Groups Tied to DeLay*, The
8 Wall Street Journal, June 1, 2000.

9 Representative Tom Davis, the NRCC Chairman, is reported to have said that he did not
10 “know what U.S. Family did with their money,” but that he understood that the group intended to
11 use the money for a grassroots program. The same press account stated that Representative
12 Davis was “surprised” by the USFN's transfer of funds to AEG. Damon Chappie, *AEG*
13 *Documents Reveal Transfer*, Roll Call, Mar. 8, 2001. However, the press also reported that
14 Mr. Buckham, who solicited these funds on behalf of the USFN, had “approached party [NRCC]
15 officials with a plan to open what amounted to a second front of [social security] ads.” Greg
16 Hitt, *Republican Had Questions About Groups Tied to DeLay*, The Wall Street Journal, June 1,
17 2000, at A24. Publicly available information indicates that within a few weeks of the NRCC
18 transferring the \$500,000 to the USFN, the aforementioned AEG-sponsored advertisements

²⁸ Publicly available documents indicate that on the same day that the NRCC donated \$500,000 to the USFN it also gave \$250,000 to the National Right to Life Committee.

²⁹ During the relevant time period, there were reportedly additional connections between Mr. Buckham and the USFN. Press reports indicate that the Alexander Strategy Group was leasing space for \$3,000 a month in a townhouse owned by the USFN. Peter H. Stone, *Campaign Circuit for April 22, 2000*, National Journal, April 22, 2000; Damon Chappie, *Tax Returns Shed Light on U.S. Family Network Skybox, Truck, Townhouse are Among Expenditures*, Roll Call, April 3, 2000. Reportedly, Wendy Buckham, who is married to Ed Buckham, served as the USFN's treasurer for several years. Damon Chappie, *U.S. Family Network Faces More Scrutiny*, Roll Call, April 6, 2000. Records also reportedly showed that a 1997 truck owned by the USFN was registered at the Buckhams' Maryland residence. *Id.*

1 began running in the districts of four “vulnerable Democrats”: Representative Rush Holt (NJ);
2 Representative Shelley Berkley (NV); Representative Dennis Moore (KS); and Representative
3 Ken Lucas (KY).³⁰ Greg Hitt, *Group with DeLay Ties Pays for Ads Pressing Democrats on*
4 *Social Security*, The Wall Street Journal, Nov. 4, 1999, at A32. The press described these four
5 first-term Democrats as among the “GOP’s top targets for defeat as Republicans fight to preserve
6 the party’s slim five-seat majority in the House.” *Id.* The AEG radio advertisements, which the
7 press stated were “among the first independently funded political messages of the 2000 election,”
8 reportedly asserted that “liberals in [C]ongress” were “poised to raid the retirement program”
9 and urged listeners to call “our congressman” and tell them “to stop the raid.” Greg Hitt, *Group*
10 *with DeLay Ties Pays for Ads Pressing Democrats on Social Security*, The Wall Street Journal,
11 Nov. 4, 1999, at A32; Damon Chappie, *AEG Documents Reveal Transfer*, Roll Call, March 8,
12 2001. Press reports noted that there were similarities between these AEG radio advertisements
13 and the television advertisements sponsored by the NRCC.³¹ Greg Hitt, *Group with DeLay Ties*
14 *Pays for Ads Pressing Democrats on Social Security*, The Wall Street Journal, Nov. 4, 1999, at
15 A32; Jim VandeHei and Greg Hitt, *Democrats Sue GOP’s DeLay, Claim He ‘Extorted’*
16 *Donations*, The Wall Street Journal, May 4, 2000, at A28; Greg Hitt, *Republican Had Questions*
17 *About Groups Tied to DeLay*, The Wall Street Journal, June 1, 2000, at A24.

18 Had the NRCC sponsored these radio advertisements on its own, its payments for the
19 advertisements would apparently have been allocable. Based on descriptions of the
20 advertisements in press accounts, it appears that these advertisements were intended to boost the

³⁰ The NRCC’s Social Security advertisement also reportedly ran in Representative Berkley’s district. Greg Hitt, *Group with DeLay Ties Pays for Ads Pressing Democrats on Social Security*, The Wall Street Journal, Nov. 4, 1999, at A32.

³¹ The press reports do not specify how the AEG advertisements and the NRCC advertisements resembled each other. If the Commission approves this Office’s recommendations, this Office will obtain copies of the advertisements as part of the formal discovery process.

1 public's perception of the Republican Party on Social Security and ultimately improve the
2 Party's chances of putting more Republicans in office during the next election cycle. *See* AO
3 1995-25 and MUR 4538 (Alabama Republican Party) (the Commission found that "so-called
4 party issue ads" impacted both federal and non-federal elections, and are therefore allocable
5 expenses). Thus, the advertisements could not have legally been paid for with entirely non-
6 federal funds.

7 The proposed transfer of funds to the USFN reportedly ran into opposition at the NRCC.
8 Scott Hatch, who was then serving as the NRCC's Executive Director, reportedly had such
9 "strong opposition" to it that he twice turned down Mr. Buckham's request for the funds in early
10 October 1999. Greg Hitt, *Republican Had Questions About Groups Tied to DeLay*, *The Wall*
11 *Street Journal*, June 1, 2000, at A24. Mr. Hatch reportedly stated, "On the advice of legal
12 counsel, I informed the chairman that I would not authorize the contribution, and if he chose to
13 do so, it would be over my explicit objection."³² Damon Chappie, *AEG Documents Reveal*
14 *Transfer*, *Roll Call*, Mar. 8, 2001. News reports state that the NRCC's Chairman, Representative
15 Tom Davis, did not seek the approval of the 36-member executive committee prior to donating
16 the money, although at least some NRCC members were reportedly notified informally of the
17 pending transfer. John Bresnahan and Damon Chappie, *NRCC Kept Members in Dark*, *Roll*
18 *Call*, Dec. 13, 1999.

19 The NRCC's response to the complaint sheds little light on the circumstances
20 surrounding the transfer. The NRCC response contained no information regarding the events
21

³² According to one news article, Scott Hatch, as Executive Director of the NRCC, was concerned about whether a donation to the USFN would somehow conflict with FEC rules on political party transfers to outside groups. The article links Mr. Hatch's decision against the transfer to the October ruling in *California Democratic Party*, which required that such party contributions be a mix of hard and soft money. Greg Hitt, *Republican Had Questions About Groups Tied to DeLay*, *The Wall Street Journal*, June 1, 2000, at A24.

1 leading up to the NRCC's donation of \$500,000 to the USFN, nor did it reference any internal or
2 external communications, not even the reported solicitation by Ed Buckham cited in the
3 complaint. Although the NRCC's response stressed that it had no control over how the USFN
4 would spend the funds, the key issue is not control but rather knowledge concerning the use of
5 the funds. *See* MUR 3774 (NRSC) (the Commission found probable cause to believe that the
6 NRSC violated the allocation requirements when the NRSC made payments to a third party with
7 the knowledge that the payments would be used to fund GOTV drives and issue advocacy).
8 According to its response, the NRCC believed the funds would be used in a manner consistent
9 with the materials provided by the USFN and not for any electioneering purposes. The NRCC
10 did not cite to any specific part of the USFN materials and did not state whether it knew what the
11 USFN ultimately did with the funds. The USFN's mission statement recited that it used "a
12 combination of education, advocacy and grassroots organization" to achieve its goals. The
13 knowledge that the USFN engaged in these activities, coupled with the reported statements of
14 Mr. Hatch, Representative Davis, and Mr. Mattoon,³³ supports an inference that the NRCC may
15 have known that the USFN intended to use some or all of the funds to engage in allocable GOTV
16 projects and education advocacy. There are, of course, other reasonable inferences, but this
17 factual record warrants further investigation under the "reason to believe" standard.

18 Similarly, the USFN's response to the complaint contained no information concerning
19 how it disposed of any of the \$500,000 and no discussion regarding any communications it, or its
20 agents, including Ed Buckham, may have had with the NRCC, AEG, or others preceding or
21 subsequent to its receipt of the transfer. By the time of its February 2000 response to the

³³ Although Mr. Mattoon states in his response that he had no firsthand knowledge about the funds in question, as the recently appointed Deputy Chairman of the NRCC at the time of his reported press statements, he may have gathered information from others about the donation and its purpose in order to respond to press inquiries.

1 complaint, it appears likely that the USFN may have already donated \$300,000 to AEG³⁴ and that
2 AEG had run a series of advertisements reportedly highlighting the same issues as the previous
3 NRCC advertisements.³⁵ Instead of stating what the USFN did with the funds, or what it
4 discussed with the NRCC and AEG, the USFN curiously quotes press statements of its own
5 Executive Director, Bob Mills, and those of the NRCC's Dan Mattoon and concludes that "these
6 public statements indicate that that the NRCC made the donation to the [USFN] . . . to support a
7 group it agrees with on the issues." AEG's response also omitted any mention of the purported
8 \$300,000 transfer from the USFN and any communications it had regarding the receipt of those
9 monies. Only an investigation can probe whether there were communications between or among
10 the NRCC, the USFN, and AEG that clarifies the extent of any NRCC knowledge regarding the
11 intended use of the transferred funds.

12 Moreover, the statements reportedly attributed to Bob Mills, and relied upon by the
13 NRCC, that the USFN would use the funds to lobby GOP leaders and members to support a pro-
14 family bill of rights and possibly for radio advertisements or mass mailings, warrant additional
15 scrutiny. *See* footnote 19, *supra*. In addition to the fact that the USFN reportedly was not
16

³⁴ At some point in the fall of 1999, the NRCC reportedly attempted to retrieve the funds from the USFN, but failed because the money had already been disbursed. Greg Hitt, *Republican Had Questions About Groups Tied to DeLay*, *The Wall Street Journal*, June 1, 2000, at A24.

³⁵ According to one of the press reports specifically cited by the complainant, the AEG spots came "directly on the heels" of the NRCC advertisements. Jim Vandehei and Ethan Wallison, *DCCC Blasts Radio Ads*, *Roll Call*, Nov. 4, 1999, at 1. Damon Chappie, *AEG Documents Reveal Transfer*, *Roll Call*, Mar. 8, 2001.

1 registered to lobby at that time,³⁶ press reports indicate that the USFN did not engage in large-
2 scale issue advocacy. Damon Chappie, *Tax Returns Shed Light on U.S. Family Network Skybox,*
3 *Truck, Townhouse are Among Expenditures*, Roll Call, April 3, 2001. By the time Mr. Mills
4 reportedly made the statements, it appears that the USFN may have already transferred \$300,000
5 to AEG. Tax records reportedly show that in 1998, the USFN had contributions totaling \$1.3
6 million from five sources and assets that included a townhouse, a truck, and a 15-year lease on
7 skybox tickets. *Id.* In 1998, the USFN reportedly expended \$665,863, with 60% going towards
8 fundraising and consulting. *Id.* According to the same press account, only \$91,000 was spent in
9 1998 on education and advertisements, which is characterized as being low for a group that
10 supposedly focuses on “grass-roots style advocacy.” *Id.* Reportedly, the USFN had only
11 relatively “modest” expenses for salaries, postage, and telephone service, which are typically a
12 large part of the average advocacy group’s budget. *Id.* The USFN reportedly started 1999 with
13 \$700,000 in the bank. *Id.*

14 The timing and manner in which \$500,000 in non-federal funds reportedly moved from
15 the NRCC to the USFN and the \$300,000 reportedly moved from the USFN to AEG, as well as
16 the temporal proximity and reported similarities in the NRCC and AEG advertisement
17 campaigns, suggest that these activities may have been connected at the time of the donation to
18 the USFN. Additional questions about possible connections and the NRCC’s knowledge of them
19 arise from the reports that Ed Buckham, who was soliciting funds for the USFN, approached the
20 NRCC with a plan to open up a “second front” of Social Security advertisements, the refusals of

21

³⁶ According to press reports, the USFN was not registered to lobby with the House and Senate disclosure offices until sometime in February of 2000. Damon Chappie, *Tax Returns Shed Light on U.S. Family Network Skybox, Truck, Townhouse are Among Expenditures*, Roll Call, April 3, 2000. When the USFN registered to lobby it was reportedly on such issues as tobacco regulation, ballistic missile defense, and estate taxes. Peter H. Stone, *Campaign Circuit for April 22, 2000*, National Journal, April 22, 2000.

1 the NRCC's Executive Director, reportedly based on advice of counsel, to authorize the donation
2 to the USFN, and indications that the USFN might not have had the in-house capabilities or
3 experience necessary to mount a well-financed issue advocacy campaign. An investigation is
4 warranted to resolve these questions, as they bear on the NRCC's possible knowledge of the
5 intended uses of its donation to the USFN when the transfer was made.

6 If the NRCC gave non-federal funds to the USFN with the knowledge that the USFN or
7 another organization would use the money for allocable activities, then the NRCC may have
8 violated 2 U.S.C. §§ 441a(f) and 441b by using excessive and prohibited funds to finance federal
9 election activity, 11 C.F.R. §§ 102.5(a)(1)(i) and 106.5(g)(1)(i) by failing to make the payments
10 from its federal account, and 11 C.F.R. § 106.5(c) by failing to allocate its payments for joint
11 federal and non-federal activities between its federal and non-federal accounts. *See* MUR 3670
12 (CDP) and MUR 3774 (NRSC). Had the NRCC itself sponsored issue advertisements and
13 conducted other allocable activities, it would have had to finance, at a minimum, 65% of the
14 costs of those activities with federal funds. *See* 11 C.F.R. § 106.5(c)(2). Accordingly, this
15 Office recommends that the Commission find reason to believe that the National Republican
16 Congressional Committee and Christopher J. Ward, as treasurer, violated 2 U.S.C. §§ 441a(f)
17 and 441b, and 11 C.F.R. §§ 102.5(a)(1)(i), 106.5(c), and 106.5(g)(1)(i).³⁷

18 **C. Political Committee Status**

19 1. **The Complaint and Responses**

20 According to the DCCC, the USFN, the RMIC, and AEG, "designed" as they were to
21 make contributions or expenditures in connection with federal elections, were functioning as
22

³⁷ Under the allocation theory, unless the USFN and AEG are political committees that financed political activity in connection with federal and non-federal elections, only the NRCC had the legal obligation to allocate the funds between its federal and non-federal accounts. *See* 11 C.F.R. § 106.5(a) and MUR 3774 (NRSC).

1 political committees during the relevant time period and therefore should have registered with
2 and reported to the Commission. The DCCC, again referring to the 12/6/99 *Roll Call* article,
3 alleged that the RMIC was planning to devote up to \$25 million “on grassroots campaigns and
4 issue advertisements in the most competitive districts.” The complaint also alleged that
5 Representatives DeLay, Hastert, Arney, and Watts all attended the RMIC’s first fundraiser, an
6 event allegedly hosted by Dick and Betsy DeVos, who were described in the complaint as “major
7 Republican contributors.” *Id.*

8 Referencing *Buckley* and a number of other federal court cases, the USFN’s and the
9 RMIC’s joint response stated that neither organization fit the criteria for categorizing
10 organizations as political committees under the Act, because neither engaged in “express
11 advocacy” or had the major purpose of benefiting a particular candidate. The joint response
12 stated that the complaint against the RMIC was based entirely on the RMIC’s stated goals of
13 putting large amounts of money into grassroots campaigns and issue advertisements in
14 competitive congressional districts but that these activities were not in and of themselves
15 violative of the Act. According to the response submitted by these respondents, case law
16 provides that expenditures in support of “partisan politics” or “electoral activity” in general do
17 not make an organization a political committee. This joint response also asserted that, given that
18 the RMIC is not a political committee under the Act, any monies that Dick and Betsy DeVos
19 gave to that organization cannot be viewed as “contributions” and counted against their
20 aggregate limits.³⁸

21

³⁸ The DeLay response also claimed that the only action by Representative DeLay alleged by the DCCC was his attendance at a fundraising event for the RMIC, which did not, standing alone, violate the Act.

1 AEG's response asserted that it was not a political committee and did not engage in
2 electoral activity. AEG additionally asserted that it did not have as a major purpose the
3 nomination or election of political candidates, was not controlled by a candidate, and "[t]o its
4 Board's knowledge," was not affiliated with any organization or political committee that
5 engaged in electoral activity. The NRCC's response stated that there was no information in the
6 complaint to bring the USFN, the RMIC or AEG under the definition of "political committee."

7 2. Law

8 The Act defines a political committee as any committee, club, association, or other group
9 of persons that receives "contributions" or makes "expenditures" aggregating in excess of \$1,000
10 during a calendar year. 2 U.S.C. § 431(4)(A).³⁹ For the purposes of the Act, the term "person" is
11 defined as including "an individual, partnership, committee, association, corporation, labor
12 organization, or any other organization or group of persons" 2 U.S.C. § 431(11).

13 The Act defines "contribution" as "any gift, subscription, loan, advance, or deposit of
14 money or anything of value made by any person for the purpose of influencing any election for
15 Federal office." 2 U.S.C. § 431(8)(A)(i). An "expenditure" is defined as "any purchase,
16 payment, distribution, loan, advance, deposit, or gift of money or anything of value, made by any
17 person for the purpose of influencing any election for Federal office." 2 U.S.C. § 431(9)(A)(i).

18 In *Buckley*, the Supreme Court construed the Act's references to "political committee" in
19 such a manner as to prevent their "reach [to] groups engaged purely in issue discussion." The
20

³⁹ The Commission had approved an Advance Notice of Proposed Rulemaking seeking comment on proposed revisions to the definition of "political committee" currently found in the Regulations. The proposed revisions focused on possible changes to the definition of the terms "contribution" and "expenditure" which trigger political committee status, as well as ways in which a "major purpose" test might be incorporated into the rules. See *Definition of Political Committee*, 66 Fed. Reg. 13681 (2001) (to be codified at 11 C.F.R. Part 100) (March 7, 2001). On September 27, 2001, the Commission voted to hold in abeyance the proposed rulemaking on the definition of "political committee."

1 Court recognized that “[t]o fulfill the purpose of the Act [the designation ‘political committee’]
2 need only encompass organizations that are under the control of a candidate or the major purpose
3 of which is the nomination or election of a candidate.” 424 U.S. at 79. In *FEC v. Massachusetts*
4 *Citizens for Life*, 479 U.S. 238 (1986) (“*MCFL*”), the Supreme Court analyzed whether a non-
5 profit advocacy corporation that had made more than \$1,000 in independent expenditures was a
6 political committee. The Court noted that the “central organizational purpose” of *MCFL*, which
7 it found to be issue advocacy, did not meet the *Buckley* definition of a political committee, *i.e.*, it
8 was not controlled by a candidate and did not have as a major purpose the nomination or election
9 of a candidate. 479 U.S. at 252, n.6. See Advisory Opinion 1996-3; see also *FEC v. GOPAC*,
10 917 F. Supp. 851, 859-62 (D.D.C. 1996) (the major purpose of a political committee must be to
11 support a particular candidate or candidates for federal office).⁴⁰

12 3. Analysis

13 Neither the complaint nor the publicly available information gathered thus far has
14 provided sufficient information to make any recommendations regarding the DCCC's allegation
15 that either the USFN or AEG were political committees during the relevant time period. The
16 USFN and AEG argued that they did not qualify as political committees under the Act because
17 their major purpose was not the nomination or election of federal candidates and they did not
18 engage in express advocacy activities. Although this Office intends to focus its investigation on
19 the allocation theory, *i.e.*, whether the NRCC had knowledge that its transfer of \$500,000 was for
20 allocable activities, see discussion *supra*, it is possible that discovery, which will elicit

⁴⁰ In *Akins v. FEC*, 101 F.3d 731 (D.C. Cir. 1996) (*en banc*), the court held that the Commission's application of the “major purpose” test to find political committee status was inappropriate. The court held that the statutory language defining “political committee” is not ambiguous, 101 F.3d at 740, but further noted that the Supreme Court's discussion of “major purpose” in *Buckley* and *MCFL* applied only to independent expenditures, not to coordinated expenditures and direct contributions. *Id.* at 741-42. The Supreme Court subsequently vacated this decision for other reasons, see *FEC v. Akins, et al.*, 524 U.S. 11 (1998), without ruling on the criteria for an organization to be deemed a “political committee.”

1 information about the USFN's and AEG's activities, may provide a basis for pursuing a political
2 committee theory with respect to these organizations.⁴¹ Therefore, this Office recommends that
3 the Commission take no action at this time with respect to the U.S. Family Network or
4 Americans for Economic Growth but that it authorize the subpoenas focused on the allocation
5 theory, recommended below, be sent to them.⁴²

6 In its response to the complaint, the RMIC also argues that it is not a political committee
7 under the Act. With respect to this group, which is not involved in the allocation scenario, there
8 is no information that this organization made contributions or expenditures exceeding \$1,000.
9 See 2 U.S.C. § 441a(a). Therefore, this Office recommends that the Commission find no reason
10 to believe that the Republican Majority Issues Committee violated any provision of the Federal
11 Election Campaign Act of 1971, as amended, or Commission regulations in connection with this
12 matter, and close the file as to this respondent.

13 **D. The Other Respondents**

14 1. ARMPAC

15 Although the complaint mentions ARMPAC in the list of respondents and in its
16 discussion of Jim Ellis' alleged ties to Representative DeLay, there is no allegation and no other
17 information implicating ARMPAC in the transfer of money from the NRCC to the USFN or in
18 the development of the AEG sponsored advertisements. Accordingly, this Office recommends

⁴¹ Once this Office obtains additional information through discovery, it will evaluate whether to recommend additional findings regarding legal theories or respondents.

⁴² North Carolina corporate records indicate that AEG is an active domestic corporation; however, Virginia corporate records indicate that AEG's status as a corporation was revoked on March 31, 1999. In addition, Virginia corporate records indicate that the USFN voluntarily terminated on October 3, 2001. Under Virginia law, however, the dissolution of a corporation does not render it incapable of being sued for actions, which preceded its termination. VA Code Ann., Sects. 13.1-906, 13.1-917 (2001)(relating to non-stock companies); See *Harris v. T.I., Inc.*, 413 S.E. 2d 605 (1992); *Oliver v. American Motors Corp.*, 616 F. Supp. 714 (1985)(VA Code clearly abrogates the common law rule that absolves entity of liability once corporation is dissolved). Both the USFN and AEG are represented by counsel in this matter, and the discovery requests will be sent to counsel.

1 that the Commission find no reason to believe that Americans for a Republican Majority Political
2 Action Committee and Corwin Teltschik, as treasurer, violated the Act or the Commission's
3 regulations in connection with this matter and close the file as to them.

4 2. The Individual Respondents

5 The DCCC named twelve individuals as respondents in its complaint. There is
6 insufficient information to find reason to believe as to any of them. In some cases, the
7 complainant failed to posit any viable theory under which some of these individuals could be
8 held liable under the Act or Commission regulations.

9 Even if the NRCC is found to have violated the allocation and reporting requirements, the
10 Commission would ordinarily proceed against the organization and its treasurer for such
11 violations, not against associated personnel who may have been involved in approving the
12 allocable activities themselves. *See* MUR 3670 (CDP), MUR 3774 (NRSC), and MUR 4538
13 (Alabama Republican Party). Therefore, this Office recommends that the Commission find no
14 reason to believe that Representative Tom Davis, who as Chairman of the NRCC may have
15 played a role in approving the transfer of non-federal funds to the USFN, violated the Act or
16 Commission regulations and close the file as to him. The only other NRCC employee named in
17 the complaint is Dan Mattoon, who served as the NRCC's Deputy Chairman. This Office
18 recommends that the Commission find no reason to believe that Mr. Mattoon violated the Act or
19 Commission regulations and close the file as to him because Mr. Mattoon's response, as well as
20 publicly available information, indicated that he began his employment with the NRCC after the
21 October 20, 1999 transfer of non-federal funds to the USFN. Although the DCCC alleged that
22 Representative Tom DeLay was at the hub of all the activities outlined in its complaint, as
23 discussed *supra*, there is insufficient information indicating that he, as an individual, controlled

1 the NRCC and there is no information indicating that he played a role in the NRCC's allocation
2 and reporting activities. Therefore, this Office recommends that the Commission find no reason
3 to believe that Representative Tom DeLay violated any provision of the Act or the Commission's
4 regulations in connection with this matter and close the file as to him.

5 The DCCC also named as respondents in this matter several individuals who were
6 allegedly associated with the RMIC. These individuals included: Karl Gallant, who served as the
7 RMIC's Executive Director during the relevant time period; Dick and Betsy DeVos, who
8 allegedly hosted the group's first fundraiser; and Representatives Dennis Hastert, Dick Armey,
9 and J.C. Watts, who attended the RMIC's inaugural fundraiser. Beyond noting these
10 individuals' connection to the RMIC fundraiser, the DCCC failed to provide specific facts, or
11 any legal basis, supporting its allegation that any of these persons engaged in activities that
12 violated the Act or Commission regulations. Therefore, this Office recommends that the
13 Commission find no reason to believe that Karl Gallant, Dick DeVos, Betsy DeVos, or
14 Representatives Dennis Hastert, Dick Armey, or J.C. Watts, Jr. violated the Act or Commission
15 regulations and close the file as to them.

16 The DCCC also named as respondents three individuals who were connected with the
17 USFN and AEG. As discussed previously, Bob Mills, as the USFN's Executive Director, and Ed
18 Buckham, as a USFN fundraiser, were allegedly involved with the solicitation and receipt of the
19 \$500,000 in non-federal money from the NRCC. A third respondent, Jim Ellis, who was one of
20 the original incorporators of AEG, also served as the registered agent and consultant for that
21 organization. However, given that this Office is recommending that the Commission pursue an
22 allocation theory based on the NRCC's possible knowledge when it transferred the funds, this
23 theory does not include potential liability for the recipients of the funds, or their associated

1 personnel. Accordingly, this Office recommends that the Commission find no reason to believe
2 that Bob Mills, Ed Buckham and Jim Ellis violated any provision of the Act or the Commission's
3 regulations in connection with this matter and close the file as to them, but that it authorize the
4 subpoenas, recommended below, be sent to Bob Mills and Ed Buckham.

5 **III. PROPOSED DISCOVERY**

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IV. RECOMMENDATIONS

1. Find reason to believe that the National Republican Congressional Committee and Christopher J. Ward, as treasurer, violated 2 U.S.C. §§ 441a(f) and 441b and 11 C.F.R. §§ 102.5(a)(1)(i), 106.5(c), and 106.5(g)(1)(i) based on its failure to properly allocate transferred funds.
2. Find no reason to believe that the National Republican Congressional Committee and Christopher J. Ward, as treasurer, the U.S. Family Network, Americans for Economic Growth, and the Republican Majority Issues Committee, Inc. violated 2 U.S.C. §§ 441a(a)(1) or 441a(f) based on an affiliation theory.
3. Find no reason to believe that the Republican Majority Issues Committee, Inc. violated any provision of the Federal Election Campaign Act of 1971, as amended, or Commission regulations in connection with this matter and close the file as to it.
4. Find no reason to believe that Americans for a Republican Majority Political Action Committee and Corwin Teltschik, as treasurer, violated any provision of the Federal Election Campaign Act of 1971, as amended, or Commission regulations in connection with this matter and close the file as to them.
5. Find no reason to believe that Representative Tom DeLay violated any provision of the Federal Election Campaign Act of 1971, as amended, or Commission regulations in connection with this matter and close the file as to him.
6. Find no reason to believe that Ed Buckham violated any provision of the Federal Election Campaign Act of 1971, as amended, or Commission regulations in connection with this matter and close the file as to him.
7. Find no reason to believe that Bob Mills violated any provision of the Federal Election Campaign Act of 1971, as amended, or Commission regulations in connection with this matter and close the file as to him.
8. Find no reason to believe that Dan Mattoon violated any provision of the Federal Election Campaign Act of 1971, as amended, or Commission regulations in connection with this matter and close the file as to him.
9. Find no reason to believe that Jim Ellis violated any provision of the Federal Election Campaign Act of 1971, as amended, or Commission regulations in connection with this matter and close the file as to him.

- 1 10. Find no reason to believe that Karl Gallant violated any provision of the Federal
2 Election Campaign Act of 1971, as amended, or Commission regulations in
3 connection with this matter and close the file as to him.
4
- 5 11. Find no reason to believe that Representative Tom Davis violated any provision of
6 the Federal Election Campaign Act of 1971, as amended, or Commission regulations
7 in connection with this matter and close the file as to him.
8
- 9 12. Find no reason to believe that Dick DeVos violated any provision of the Federal
10 Election Campaign Act of 1971, as amended, or Commission regulations in
11 connection with this matter and close the file as to him.
12
- 13 13. Find no reason to believe that Betsy DeVos violated any provision of the Federal
14 Election Campaign Act of 1971, as amended, or Commission regulations in
15 connection with this matter and close the file as to her.
16
- 17 14. Find no reason to believe that Representative Dennis Hastert violated any provision
18 of the Federal Election Campaign Act of 1971, as amended, or Commission
19 regulations in connection with this matter and close the file as to him.
20
- 21 15. Find no reason to believe that Representative Dick Armey violated any provision of
22 the Federal Election Campaign Act of 1971, as amended, or Commission regulations
23 in connection with this matter and close the file as to him.
24
- 25 16. Find no reason to believe that Representative J.C. Watts, Jr. violated any provision of
26 the Federal Election Campaign Act of 1971, as amended, or Commission regulations
27 in connection with this matter and close the file as to him.
28
- 29 17. Take no action at this time against the U.S. Family Network.
30
- 31 18. Take no action at this time against Americans for Economic Growth.
32
- 33 19. Approve the attached Subpoena to Produce Documents and Order to Submit Written
34 Answers directed to the National Republican Congressional Committee and
35 Christopher J. Ward, as treasurer.
36
- 37 20. Approve the attached Subpoena to Produce Documents and Order to Submit Written
38 Answers directed to the U.S. Family Network.
39
- 40 21. Approve the attached Subpoena to Produce Documents and Order to Submit Written
41 Answers directed to Americans for Economic Growth.
42
- 43 22. Approve the attached Subpoena to Produce Documents and Order to Submit Written
44 Answers directed to Bob Mills.
45

- 1 23. Approve the attached Subpoena to Produce Documents and Order to Submit Written
- 2 Answers directed to Scott Hatch.
- 3
- 4 24. Approve the attached Subpoena to Produce Documents and Order to Submit Written
- 5 Answers directed to Ed Buckham.
- 6
- 7 25. Approve the attached Factual and Legal Analysis to the National Republican
- 8 Congressional Committee and Christopher J. Ward, as treasurer.
- 9
- 10 26. Approve the attached sample Subpoena for Deposition.
- 11
- 12 27. Approve the appropriate letters.
- 13
- 14

15 5/20/03
16 Date

17 Lawrence H. Norton *by RSN*
18 Lawrence H. Norton
19 General Counsel

20

21

22 Rhonda J. Vosdigh
23 Rhonda J. Vosdigh
24 Associate General Counsel

25

26

27

28 Susan L. Lebeau
29 Susan L. Lebeau
30 Assistant General Counsel

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32

33

34 Marianne Abely
35 Marianne Abely
36 Attorney

37

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40 Michael E. Scurry
41 Michael E. Scurry
42 Attorney

43

44 Attachments:

- 45 1. News Articles cited in the Complaint
- 46 2. News Articles cited in the Analysis

- 1
- 2
- 3
3. ~~_____~~
4. Subpoenas and Orders (6)
5. Sample Subpoena for Deposition for four (4) individuals

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Citation
 10/29/99 WATIMES A1
 10/29/99 Wash. Times (D.C.) A1
 1999 WL 3097299

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 WATIME

The Washington Times
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Friday, October 29, 1999

A

GOP ad blitz proves edge in budget battle

Dave Boyer

THE WASHINGTON TIMES

The television spots are known among House Republican leaders simply as "The Ads" - no further explanation is necessary.

In a span of three weeks, on a relatively small budget, the GOP's advertisements that portray Democrats as stealing Social Security money have struck fear into the minority party, galvanized Republicans and helped the GOP proclaim victory yesterday in its budget showdown with President Clinton.

So effective have the ads been in only 10 Democratic congressional districts that one member, Rep. Dennis Moore, Kansas Democrat, asked Republicans to pull the plug on them in his home TV market.

"When [Democrats] are running reply ads in states . . . when members are coming up to me on the floor asking me to withdraw the ads, obviously they're effective," said Rep. Thomas M. Davis III, Virginia Republican and chairman of the National Republican Congressional Committee (NRCC).

Another Democrat singled out for the ads, Rep. Earl Pomeroy of North Dakota, called them "the most audacious attack against Democrats that I have ever seen launched on this issue."

A third, Rep. Debbie Stabenow of Michigan, voted for the Republicans' foreign-operations spending bill, which passed by only three votes in a party-line vote this month. Republicans used that bill, which was \$2 billion below Mr. Clinton's request, to portray the president as seeking higher spending for foreign aid at the expense of seniors.

Republican leaders can barely contain their glee at the ad campaign, which cost about \$1 million.

"It's got them on the run," said one House Republican aide.

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ATTACHMENT 1
Page 1 **of** 7

10/29/99 WATIMES A1

One of the 30-second advertisements compares Democrats to thieves in the night, ready to steal America's Social Security trust fund. Another spot portrays Democrats as ostentatious party-goers who want to spend the nation's retirement savings.

Although the ads are being aired only in a few sections of the nation from Connecticut to California, they are having an effect in the halls of Congress as Republicans try to portray themselves as balancing the fiscal-2000 budget without touching Social Security funds.

"The goal here isn't winning elections directly two years from now, it's trying to get leverage in the budget fight so we can get accomplished our goal and get our message across," Mr. Davis said.

Republicans - who still remember the effectiveness of what they called Democrats' \$35 million "Medi-Scare" ad campaign in 1995 that claimed the GOP was trying to gut Medicare - are gaining encouragement.

"Too often, we let the liberals on the left turn us into a pinata," said Rep. James E. Rogan, California Republican. "We are actually seeing some progress in fighting fire with fire."

The ad campaign was hatched in August by House Republican leaders in tandem with Mr. Davis and the NRCC, with their eyes on the coming battle over protecting Social Security.

John Feehery, spokesman for House Speaker J. Dennis Hastert, said "the speaker always felt they clobbered us [on 'Medi-Scare'], and it's important to have a good offensive strategy."

Mr. Hastert, House Majority Leader Dick Armey of Texas, and Majority Whip Tom DeLay of Texas plotted the strategy with Mr. Davis.

"We made it clear we weren't just a piggy bank," Mr. Davis said of the NRCC. "On the other hand, putting some expenditure into this now is important so that as we go down to the climax in the budget, we don't get rolled again."

Republicans this year achieved their goal of completing 13 spending bills to avoid a free-spending "budget summit" with Mr. Clinton, as happened last year. They say the party's conservative base especially dislikes such costly budget "train wrecks."

House Minority Leader Richard A. Gephardt, Missouri Democrat, said yesterday that he's not concerned about the ads.

"The polls indicate to me that they're not getting through," Mr.

10/29/99 WATIMES A1

Gephardt said. "People don't believe it."

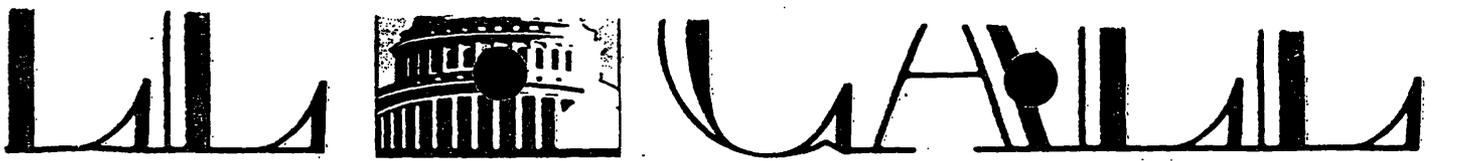
He said Republicans are "blaming us for spending the Social Security surplus, when most people in the public know that's what [Republicans] are doing. This is an attempt to cover up what they are doing."

---- INDEX REFERENCES ----

NAMED PERSON: GEPHARDT, RICHARD A

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MONDAY, DECEMBER 6, 1999

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Photo by Ian Wagreich
Robert Estep place floor
in Senate Office Build-
ing. Story, p. 3.

NRCC's \$500,000 Donation Linked to DeLay Advisers

Obscure Group Gets Big Influx Of Campaign Cash

By Jim VandeHei

In its largest single donation to an outside group this year, the National Republican Congressional Committee recently gave a half-million dollars to an obscure conservative organization closely linked to Majority Whip Tom DeLay (R-Texas).

While locked in a contentious fight to protect his party's five-seat majority, NRCC Chairman Tom Davis (Va.) on Oct. 20 cut a \$500,000 check to the US Family Network, according to new Federal Election Commission records. The group has direct ties to Ed Buckham, DeLay's top political associate and former chief of staff.

The donation raises new questions about coordination between Republican leaders and purportedly independent groups, according to campaign finance experts.

In addition, Buckham's involvement with US Family Network illu-

minates an expanding web of outside organizations — established under section 501(c)(4) of the U.S. tax code, which allows them to conceal their donor lists — tied to DeLay and his political team.

And despite the large amount of money involved, there is confusion about what the money will be used for and whether the Internal Revenue Service has a record of the group's existence.

Bob Mills, who runs the US Family Network, said the money — drawn from the NRCC's fundraising account — will be used to lobby GOP leaders and Members to support his pro-family bill of rights. Future radio ads and mass mailings are likely, he said.

But Dan Mattoon, deputy chairman of the NRCC, said he has never
Continued on page 12

Clearer Standard

The FEC has drafted a new proposal that looks at the way the agency regulates coordinated communications. Story, p. 13.

Kim Planning Another Race

Ousted House Member Wants To Restore Name

By John Mercurio
and Damon Chappie

Ex-Rep. Jay Kim (R-Calif.), whose ethical and legal woes made him the only House Member to lose a primary election last year, said he will decide this week whether he'll run to challenge newly elected Rep. Joe Baca (D-Calif.) in 2000.

Kim's move has forced nervous House Republicans and state party leaders to scramble to recruit a viable challenger to Baca by Friday's filing deadline, key party sources said. Many GOP strategists had planned to ignore the Democratic-trending district following Elia Pirozzi's (R) loss here in last month's special-election runoff to replace the late Rep. George Brown (D).

Kim, the only GOP incumbent who was denied active support from the National Republican Congress-

Continued on page 16

Houghton Considering Retirement

House Republican from N.Y. May Announce Soon

By John Bresnahan
Rep. Amo Houghton (N.Y.), one of the leading GOP moderates in the House, has warned Republican colleagues that he may retire next year and will inform them of his decision

in the coming weeks.

Houghton's exit would be another blow to House Republicans, who already have to defend 19 open seats heading into the 2000 elections, as compared to only five open Democratic seats. The GOP currently holds a five-seat majority in the chamber, making every open-seat battle a key contest in deciding who controls the House in the 107th Congress.

Houghton, until recently, was seen as ready to run again, although his staff does not currently know his intentions.

"He has not decided whether he's going to run," said Chet Lunner, Houghton's chief of staff, when asked about speculation that the New York Republican may step down.

"He has yet to make a decision."

Continued on page 17

ATTACHMENT

Page 4 of 7

Staffer Sues Library

INSIDE

JACKSON: Congressman's TV deal sparks protests from

NRCC Gives \$500,000 to Obscure Conservative Group

Continued from page 1
er heard of Mills and that the campaign committee cut the \$500,000 check for one reason: Ed Buckham.

"The family network is a group that based on our view of Ed Buckham's strengths in the family community and his political strengths will have an equally important impact in the elections, favorably for Republicans," Mattoon said.

"Ed is a well-known person on Capitol Hill. Ed is clearly very close to Tom DeLay, as I am close to Tom DeLay. But Ed has a lot of other issues in dealing with the religious community and [the] pro-family community that go beyond Tom DeLay."

Contrary to Mills' assertion that most of the resources will be used to lobby leadership and members to embrace his bill of rights, Mattoon said he anticipates — but has no direct knowledge — that the group will conduct grassroots campaigns to benefit GOP candidates.

"In 1996 and 1998, we were disappointed and frustrated that the conservative base was not energized to turn out [voters] for our candidates. So we thought that in 1999 that it made sense that we help these groups," he said. "This is a group that ... will be very strong players in the next campaign."

DeLay spokesman Tony Rudy denied there is any coordination between the Majority Whip and the outside group, saying, "This has nothing to do with Tom DeLay."

Close Ties

Buckham confirmed to Roll Call that he requested the check on behalf of the US Family Network. Buckham, however, said he is nothing more than a political consultant hired by Mills to raise money.

"I have a fundraising contract with the [US] Family Network and I raise money all over



File Photo by Rebecca Roth

the country for them," said Buckham. "Bob does most of the work."

But Buckham may be understating the ties.

He and Mills both have offices in the same building at 132 D St., SE. The building is owned by US Family, according to Mills.

Also located in the same building are the offices of DeLay's leadership political action committee — Americans for a Republican Majority — run by Jim Ellis, who is also a paid consultant to the NRCC.

The office-mates are or were recently involved with two other ostensibly independent organizations that Democrats have assailed as GOP front groups.

Buckham, for instance, helped create the Republican Majority Issues Committee, an organization run by former DeLay fundraiser Karl Gallant. RMIC plans to spend as much

'The family network is a group that based on our view of Ed Buckham's strengths in the family community and his political strengths will have an equally important impact in the elections, favorably for Republicans.'

Dan Mattoon, NRCC deputy chairman

as \$25 million on grassroots campaigns in the most competitive Congressional districts.

Ellis told Roll Call that last year he worked for American for Economic Growth, a group that has already run radio ads bashing Democrats but refuses to provide much detail about its executives or activity. One former AEG official, who requested anonymity, said that Ellis was handed complete control of the group last year, a charge Ellis has denied.

Family Affair

Besides its connection to DeLay, not much is known about the US Family Network.

Earlier this year, Roll Call wrote to the IRS seeking public records describing the group. However, the IRS, as recently as August, had no information on file about the US Family Network. In the agency's eyes, it does not exist.

Mills, who said the group has been operating for a few years, claims he has filed papers with the IRS and insisted that its 501(c)4 tax status is pending. He said the IRS delayed its approval because they wanted more information, such as its three-year budget plan.

While it has been active in lobbying Members, Mills said the organization has operated on a shoestring budget controlled by a skeleton crew, usually himself and one volunteer.

However, moments later, Mills said the organization last year purchased the three-story townhouse just blocks from the Capitol.

In addition, on his 1998 financial disclosure form filed in the House, Buckham disclosed that his wife, Wendy, drew a \$53,000 salary from the organization in 1997. Buckham left Capitol Hill to become a political consultant and lobbyist in December 1997 and was not required to disclose his income or financial dealings after that 1998 report.

Mills, who both he and Buckham insisted makes most of the decisions, said, "I would like to use [the money] to promote this project, [the] pro-family bill of rights."

The "bill of rights" includes: an elimination of the income and inheritance taxes, as well as a total ban on partial birth abortions and the creation of a "real lockbox" for Social Security.

"Clearly, [to] get House and Senate leadership to sign off on a petition to support the [Bill of Rights] phase one," Mills said when asked how he plans to spend the \$500,000. "Phase two is to get the Members to support this."

Television ads are unlikely, he said. "I don't want to do TV and things like that because it's a waste of these people's money," said Mills.

Mattoon said NRCC Chairman Davis never instructed the organization how to spend the money.

"There were no strings attached to the money, other than we wanted them to know that these types of pro-family agenda items ... are very important to our coalition and our success at the polls," said Mattoon.

And Buckham said that if the \$500,000 stirs too much controversy, the US Family Network might return the check. "I am probably going to counsel them to give the money back if it is going to cause this much of a problem," he said.

'Unaccountable'

Campaign finance experts say US Family Network could easily use the \$500,000 to run ads and conduct political operations without disclosing they used the regulated NRCC funds.

"This is an example of the mutation of the soft-money system and the dangers of soft money, where party entities raise huge amounts of unregulated contributions and funnel it through these groups," said Don Simon of Common Cause.

"They end up influencing elections [using] a system that is unregulated and unaccountable. This is another example of why this system needs to be shut down and soft money needs to be banned, so parties cannot raise this kind of unaccountable money in the first place."

The experts warn that these organizations could funnel NRCC soft money to less-scrutinized groups or to coordinate their political campaigns with GOP leaders beneath the Federal Election Committee's radar.

"That's the type of stuff that requires further facts as to who they are, [and] what they are doing," said Jan Baran, a Republican election law expert. "You have to follow the money and find out where it ends."

NRCC officials and other players inside leadership are confident that as long as they do not tell the outside groups how to spend the money, they are on solid legal ground. Past FEC rulings seem to support their case.

DeLay, Incorporated

Buckham, Ellis or Gallant are all either directly or indirectly involved with the Republican Majority Issue Committee, Americans for Economic Growth, and several other dormant 501(c)4 groups that could be activated with little work, according to several sources.

The Republican Issue Majority Campaign, a group that plans to spend as much as \$25 million on a massive grassroots mobilization program next year, is considered by most GOP insiders as a DeLay operation, top to bottom.

Its titular head is Gallant, the former head of DeLay's leadership PAC, but several sources said Buckham was instrumental in its creation.

"I talked to Gallant about it ... Did we talk about [its creation]? Yes. Did I say I would talk to Tom about it? Yes," said Buckham. "I have no legal, formal relationship with them."

With Buckham at his side, DeLay attended the organization's first fundraiser aboard the private yacht of Dick and Betsy Devos, the owners of Amway and major GOP contributors. Speaker Dennis Hastert (Ill.), Majority Leader Richard Armitage (Texas), and Conference Chairman J.C. Watts (Okla.) were also in attendance.

Gallant, backed by the legal opinions of several campaign finance law experts, has said GOP leaders can raise money for the group and attend fundraisers as long as they don't instruct RIMC where to spend its money. He insists DeLay, or any other Republican Member for that matter, has never tried to coordinate RIMC's political activity with his own.

However, as Democrats are quick to point out, there's no need for direct coordination because all of the players involved are fully aware on which districts RIMC needs to focus its resources.

Buckham said he also has no relationship with Americans for Economic Growth, another 501(c)4 that has already run radio ads in several districts and generated controversy.

However, Ellis, a part-time consultant for Buckham's Alexander Strategy Group, does have a recent connection to the group and talks with its officials periodically, he said.

"I did a year ago," Ellis said when asked if he works for AEG. "I don't have any relationship with them at all. I did some stuff on energy policy for them last year ... and I know those guys personally. I talk to [AEG officials], but [their affiliation with the organization] is not the only reason we talk."

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dren, according to documents and people familiar with the investigation.

Prosecutors said this week that a Supreme Court decision handed down in April changed the rules

records obtained by Roll Call reveal that Shuster was the focus of an extensive investigation that ex-

dozen other Alternates were called to the Cor

DCCC Blasts Radio Ads

Group Behind Campaign Has Links to DeLay

By Jim VandeHei and Ethan Wallison

House Democrats are outraged by a new Social Security media campaign financed by an obscure organization with ties to Congressional Republicans.

The ad campaign, which is being bankrolled by Americans for Economic Growth, is quickly becoming the most controversial independently financed media blitz of the 2000 election season.

So far, the organization has purchased radio time only and has targeted just four Democratic lawmakers: Reps. Rush Holt (N.J.), Dennis Moore (Kan.), Shelley Berkley (Nev.) and Ken Lucas (Ky.). Lucas has already convinced

Continued on page 28

INSIDE

PACKARD: Another GOP Member to retire, p. 3.

POLITICS

CHRISTENSEN: Ex-Member considering race to replace retiring Rep. Barrett in Nebraska, p. 11.

HELMS PROTEST



Several Members, including (from left) Reps. Barbara Lee, Corrine Brown, Eddie Bernice Johnson, Jesse Jackson Jr., Juanita Millender-McDonald and Carolyn Maloney, staged a protest in front of Sen. Jesse Helms' office over his objection to Carol Moseley-Braun's nomination. See page 1.

Roberts Will Lead Senate

By Mark Preston

Sen. Bob Smith's (R-N.H.) ascension to the chairmanship of the Environment and Public Works Committee Tuesday will also give Sen. Pat Roberts (R-Kan.) a key gavel.

Roberts will take over the chairmanship of the Select Committee on Ethics, a post Smith vacated in order to take over the Environment chairmanship.

Meanwhile, GOP Conference Secretary Paul Coverdell (Ga.) has landed a coveted seat on the Finance Committee. Coverdell's hop to the tax-writing panel will open a spot on the Foreign Relations Committee that could be filled by incoming Sen. Lincoln Chafee (R-R.I.), who is expected to be sworn in today.

All of the committee shuffling comes in the wake of the recent death of Chafee's father, Sen. John Chafee.

Continued on page 24

Chafee Vows to Carry Father's Legacy in

By Rachel Van Dongen

Warwick Mayor Lincoln Chafee (R) will be sworn in today to replace his father, the late Sen. John Chafee (R-R.I.), bringing the Senate to its full complement of Members and giving the younger Chafee a distinct advantage in attempting to win election to a full term exactly one year from now.

After a week of mourning following the sudden death of Sen. Chafee from heart failure, Rhode Island Gov. Lincoln Almond (R) surprised no one by appointing the younger Chafee, known as "Lincoln," to his father's seat.

Almond called the younger

Chafee, 46, to succeed his father. He had his full term in 2000.

Lincoln Chafee had hoped to pre-empt his father's death by appointing himself to the Environment and Public Works and Finance Committees.

The young blacksmith and former term mayor of Warwick, the second largest city in the state, is the late Senator's

House Democrats Criticize Issue Ads on Social Security

Continued from page 1
 five radio stations to pull the ad and the other three Members are asking stations to follow suit.

While little is known about the organization, at least one person listed as an original registered agent, James Ellis, is a close political ally of Majority Whip Tom DeLay (R-Texas).

Ellis runs DeLay's leadership political action committee, Americans for a Republican Majority, or ARMPAC. Ellis did not return a phone call requesting comment.

DeLay, according to several sources, was the driving force behind the National Republican Congressional Committee ad campaign, but his spokesman dismissed any charges of coordination as ridiculous.

And the NRCC also denied any knowledge of the organization and, therefore, insisted that there has been no coordination with the group.

"The NRCC is unfamiliar with this group," said committee spokeswoman Jill Schroeder. "Their media buy was news to us, but it was certainly good news."

Democrats charge that the media campaign raises serious questions about whether the NRCC is coordinating its own "Stop the Raid" ad strategy with this outside group.

"This smacks of illegal collusion," said a top adviser to Minority Leader Richard Gephardt (D-Mo.). "The issue is collusion — is Tom DeLay calling [Americans for Economic Growth] and saying, 'Run ads in these districts.'"

While Democratic Congressional Campaign Committee Chairman Patrick Kennedy (R-I.) does not believe the NRCC is unlawfully coordinating its work, he is investigating whether the organization is operating illegally because its corporation certification was revoked by the state of Virginia in April.

Americans for Economic Growth has a Virginia telephone listing, but its officials did not return phone calls requesting comment. At press time, it was unclear who was running the group or where it is headquartered.

"Issue ads have become a reality in political life. In that reality, they should be conducted above reproach," said DCCC spokesman Erik Smith. "In this instance, this organization has produced a lot of questions and produced no answers."

Furthermore, several law experts said — and many Democrats privately conceded — it would be virtually impossible to prove the charge of improper collusion and, even if Democrats could, the Federal Election Commission has a track record for letting such behavior go unpunished.

Nevertheless, Democrats are convinced the ad campaign is improper. The links between the NRCC and Americans for Economic Growth are far too obvious to discount, they argue.

The ads, which accuse four vulnerable Democrats of dipping into the Social Security surplus to fund government programs, sound remarkably similar to the NRCC television ads, they said.

Kennedy this week dispatched his staff to accumulate information about the organization and its connection to the GOP and to feed it to local political operatives to convince sta-

'The NRCC is unfamiliar with this group,' said committee spokeswoman Jill Schroeder. 'Their media buy was news to us, but it was certainly good news.'

tion managers to pull the ads.

Kennedy has resisted the temptation to run response ads thus far and has instead focused the committee's energy and time on convincing television and radio stations to refuse the ads.

The spots, which have run exclusively on radio, come directly on the heels of the NRCC campaign. Two of the four lawmakers targeted in the radio buy — Berkley and Moore — were also hit by the NRCC.

Lucas succeeded Tuesday in getting five stations in his district to suspend the spots after a furious counterattack by his office.

Among other things, Lucas' office provided stations with documentation showing Lucas had introduced his own Social Security "lockbox" legislation, along with Moore and Holt.

A Lucas spokesman said the stations indicated they will "continue to review" the spots, and plan to solicit input from the group that bought the air time.

Moore and Berkley lashed out at the NRCC

and its chairman, Rep. Tom Davis (Va.), who they alleged was clearly in the know about the supposedly independent campaign.

"You'd have to be unconscious or from another planet to not see the connection" to the NRCC, Berkley said, citing the similar text and placement of the ads.

Moore, clearly irritated by the repetitious assault on his Social Security record in his district, was asked whether he thought Davis knows who is behind Americans for Economic Growth. "I think he does," Moore said.

While the ads have infuriated the Members who have been targeted, Democratic strategists have continued to maintain that they are having little to no impact, because the buys have been relatively small and because the election is not for another year.

This outlook has itself frustrated targeted Democrats, some of whom appear to feel they are caught in a public relations vortex between their need to prove themselves on Social Security and the party's strategy to portray the ads as no big deal.

"We're talking about a race that's going to be decided by a couple of points, so everything has an impact," a senior aide to one targeted Democrat said. "I don't care what [party strategists] say."

Campaign finance experts said Americans for Economic Growth is only one of what they predict will be dozens of unknown organizations that will run ads in competitive districts next year without disclosing anything more than their names.

These organizations operate with extraordinary freedom from disclosure laws that cover political campaigns, and it's virtually impossible for the FEC to prove illegal coordination based on the limited information available to them.

As long as the commercials do not explicitly advocate the election or defeat of a particular candidate, they are considered "issue-advocacy ads," which the FEC does not regulate.

While this situation is unlikely to draw scrutiny from the FEC, some legal experts warn that such intervention may occur if organizations skate too close to the line of illegality and there's evidence to prove that.

"At some point this could be a problem," said Ken Gross, a Republican election law expert with the firm Skadden, Arps, Slate Meagher & Flom LLP.

Gross said some officials at the FEC have "not completely embraced the view" that ads that do not directly advocate the election or defeat of a particular candidate are outside the FEC's regulatory authority.

If Democrats could prove the NRCC funded the campaign and directed where the money should be spent, many FEC commissioners would try to intervene, he said. But even then, the threshold to prove illegal coordination is so high that the FEC could refuse to investigate the matter.

"I don't know at what point the coordination between two groups becomes so pervasive that the FEC would think the issue group's activity should come under their jurisdiction," he said.

Packard Plans to Leave Congress in 2000

Continued from page 3
 mittee chairmen," Feehery said. "It seems that's why a lot of these Members want to move on."

Packard's announcement sets the stage for a potentially explosive March 7 GOP primary in the state's 48th district, a Republican stronghold, between Dorman and multimillionaire Darrell Issa, a car-alarm magnate who poured \$13 million of his own money into an unsuccessful 1998 Senate primary bid.

An aide said Packard will not endorse any candidate in the primary to succeed him.

"I'm caught just a little off guard, but I'm fast-footed, and this is something I'll seriously look at," Dorman said in an interview Wednesday.

Dorman — who said he recently purchased land in the 48th district near his daughter's residence in San Juan Capistrano — had been threatening to challenge Rep. Dana Rohrabacher (R) in the nearby 45th district.

Dorman, a hard-right conservative and fiery, fist-thumping orator, first won a House seat in the state's 38th district in 1984. Following the post-1990 Census redistricting of House boundaries, Dorman jumped to the Democratic-trending 46th district in what he described as a personal favor to Rohrabacher, who would otherwise have been forced to run against Dorman.

Hurt by the influx of Hispanic voters into his Orange County base, Dorman narrowly lost

his 1996 re-election bid to now-Rep. Loretta Sanchez (D) and, following a 14-month challenge to Sanchez's 984-vote win, lost a 1998 rematch by 17 points. In both races, Dorman proved to be a skilled fundraiser, spending \$3.9 million in last year's race.

"I'm seriously interested, and it looks like Dana is rescued again, by fate. I do not relish being a freshman for the third time but then I've never really acted like a freshman," Dorman said. "When I first landed there in 1985, I acted like I had already been [in the House] 10 years."

In remarks praising Packard that clearly sounded like a jab at Dorman, Rohrabacher called Packard "a gentle conservative who has the respect of people on both sides of the aisle. His quiet dignity has well served his constituents and his country. Ron is a guy who respects others and in return has achieved a great deal of respect among anyone who has ever worked with him."

Noting he has previously held seats with high Democratic voting performance, Dorman said he would "cherish" the opportunity to represent the solidly GOP 48th, which stretches from southern Orange County to northern San Diego County and includes a slice of Riverside County.

"The thought of an outspoken fighter like Bob Dorman in a safe Republican seat is a consummation devoutly to be wished," he said.

Dorman also lashed out at Issa, calling him

a "rank amateur" who has little political clout left among conservatives. "Darrell would have trouble beating a state Assemblyman, especially since he's made an enemy out of me," Dorman said.

"I'm sorry that he has so much hate. I that's B-1," responded Issa, who otherwise sought to focus media attention yesterday Packard's career in Congress.

Still, Issa could not resist taking a jab at Dorman, saying a comparison of Packard's to Dorman's records in the House would show that "these guys are like night and day."

But several California Republicans cautioned that Dorman and Issa are certain to just part of a more crowded primary. The filing deadline for House races in California is Dec. 10.

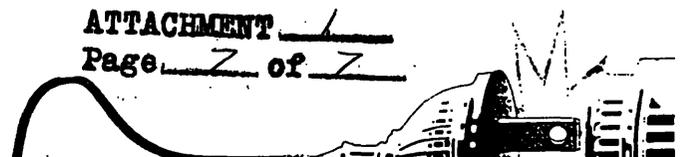
Term-limited state Assemblymen Brent Thompson and Howard Kaloogian are being touted as likely GOP candidates. Kaloogian said yesterday that he plans to vote so he can run to succeed Rep. Duke Cunningham (R) when he retires from the 5th district.

State Sen. Bill Morrow (R) also may run. Some Republicans also suggested that Diego County Supervisor Bill Horn (R), who is currently running for the nomination to challenge Sen. Dianne Feinstein (D) in 2000, abandon that bid to run for the House.

John Bresnahan contributed to this report.

Plug In To Congress

ATTACHMENT
 Page 2 of 2



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(Publication page references are not available for this document.)

Scott Hatch, the NRCC executive director at the time of the payment, said Wednesday that "On the advice of legal counsel, I informed the chairman that I would not authorize the contribution, and if he chose to do so, it would be over my explicit objection."

An NRCC spokesman declined to comment, citing pending legal cases before the FEC and the courts.

The AEG ads and the NRCC donation to U.S. Family Network sparked Democrats to file a complaint with the FEC, and last year the Democratic Congressional Campaign Committee filed an unprecedented lawsuit charging DeLay and three groups, including AEG and the Family Network, with violating civil provisions of the anti-racketeering law.

Federal election law requires political groups such as the NRCC to use a mix of strictly regulated hard money with less regulated soft money for issue ads like the NRCC's Social Security campaign. The NRCC must disclose the source of its funds and identify all of its expenditures. A non-profit group such as AEG, registered as a 501(c)(4) with the IRS, doesn't have to disclose the identity of contributors and must report only general information about expenditures.

That distinction "could be one incentive" for the NRCC to give money to a non-profit, said Ken Gross, an election-law expert at Skadden, Arps. "But if they are directing the ads, that could raise some issues. You would get back to coordination."

Gross noted that coordination cases are extremely difficult to prove. The statute prohibits the coordination of expenditures between political organizations and outside groups. But it does not prohibit communication between the two.

Several tax and election-law experts argued that the transfer between the two non-profit groups appeared to be a "double conduit transaction" intended to obscure the true source of AEG's funding. It is not illegal for political organizations to donate money to non-profits, but it could run afoul of election law if the activities were coordinated, they said.

AEG's tax returns show that in 1998, it raised just \$60,000, which it reported spending on an advocacy campaign promoting energy deregulation.

The 1998 AEG tax return was signed by James Ellis, the director of DeLay's PAC and the registered agent for AEG. Ellis, a paid NRCC consultant, also worked for Alexander Strategies, a lobbying firm

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(Publication page references are not available for this document.)

operated by Ed Buckham, DeLay's former chief of staff. Ellis did not return messages left at his office.

Barnaby Zall, an attorney representing AEG, said he was restricted in talking about the group because of pending legal actions that have been filed against it by Democrats. "There is not a whole lot I can add to the tax returns. They show what public disclosure requires. We fully disclose whatever we need to, as you see.

"Because we have been accused of all sorts of terrible things, including criminal conspiracies and stuff like that, I really would be reluctant to talk about reasons why we do things."

Zall declined to discuss any of the individuals involved with AEG.

A spokeswoman for DeLay said the Whip didn't know anything about the groups' activities, and she referred questions to the groups themselves.

The \$300,000 payment to AEG was reported on U.S. Family Network's 1999 return, filed Nov. 14, 2000, seven days after the elections.

Roll Call first reported that the U.S. Family Network, which employed Buckham's wife and paid Buckham consulting fees, received \$500,000 from the NRCC, its largest expenditure at the time. Last year Roll Call reported that the group received a \$1 million contribution from an undisclosed donor and that it purchased a house, a truck and skybox tickets at the MCI Center.

The 1999 AEG ads appeared to be a first strike against vulnerable Democratic incumbents, and campaign finance groups worried that it signaled the first of an expected blitz of unregulated and undisclosed ads from independent groups.

Attacking Democrats on one of their own traditional issues, the ads portrayed lawmakers looting Social Security funds to pay for big, liberal programs. "A simple hairpin can pick most any lock," a voiceover said in the radio spot. "A stiff card manipulated properly can achieve the same result. Think I'm talking about security in your home? I'm talking about your retirement security." The ad urged listeners to call their Congressional Representatives to stop the "raid" on Social Security.

At the time, the NRCC was sponsoring a television ad campaign on Social Security in more than a dozen districts. When the AEG ads appeared in the districts of four House Democrats, then-NRCC spokeswoman Jill Schroeder said she had never heard of AEG and that the NRCC had not donated any money to it.

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(Publication page references are not available for this document.)

The NRCC payment to U.S. Family Network took place little more than a week before the AEG ads first appeared. The date that U.S. Family Network gave \$300,000 to AEG was not disclosed on the tax returns.

Frances Hill, a University of Miami tax-law professor who specializes in studying the ties between non-profits and political groups, said that political organizations often wish to hide the true identities of the ad sponsors, believing that the public will more readily accept a message coming from a seemingly non-political group.

"I'm hard pressed to find any tax logic for it. It looks like the reason may very well be that they wanted to obscure the money trail," Hill said.

Hill noted that it is not illegal for the NRCC to give money to a non-profit group but said that is "a very undefined area," since tax law does not specifically authorize political groups giving to (c)(4) organizations.

Nevertheless, Democratic political groups have also given money to nonprofit groups. Republicans pointed to last year's \$100,000 Election Day donation by the Democratic Congressional Campaign Committee to the Rev. Jesse Jackson's non-profit Rainbow Push coalition.

In addition to giving to AEG, the Family Network gave money to five other nonprofit groups: Men for Nations, Washington, D.C., (\$20,000); Capitol Hill Prayer Alert, Washington, D.C., (\$5,000); Capital Christian Center, Meridian, Idaho (\$10,000); Weiner Ministries, Gainesville, Fla. (\$30,000); and the Family AIDS Network, Annandale, Va., (\$5,000).

U.S. Family Network reported taking in \$1.1 million in 1999, with its income coming from just six contributors. Tax law doesn't require the group to identify the donors but the group reported a \$500,000 donation that matches the NRCC amount. The other contributions were in amounts of \$350,000, \$100,000, \$50,000, \$25,000 and \$5,000.

Despite the handful of contributors, the Family Network reported \$185,000 in fundraising expenses, an amount that Hill called "astronomical." In addition, the group reported spending \$250,000 on "undefined program expenses."

The group did not disclose who it paid that money to, even though the tax form requires disclosure of its highest paid contractors. Buckham has said previously that he has a fundraising contract with U.S. Family Network.

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(Publication page references are not available for this document.)

Buckham could not be reached at his office and did not return messages left at his home. U.S. Family Network, which had moved last year to the Ronald Reagan Building, vacated its office several months ago and left no forwarding information, according to the building's management.

John Bresnahan contributed to this report.

----- INDEX REFERENCES -----

NAMED PERSON: DELAY, TOM; BUCKHAM, ED; HILL, FRANCES

NEWS SUBJECT: English language content; Domestic Politics; Political and General News; Politics; Economic Performance; Economic News; Religion; Religion (ENGL GPOL GCAT PLT E11 ECAT GREL RLG)

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Thursday, February 1, 2001

MORNING BUSINESS

Traficant Testimony

Claire Maluso, Traficant's economic development director, and Anthony Traficanti, the Congressman's director of caseworker services, received subpoenas for testimony.

Maluso appeared before the grand jury in February 2000, and Traficanti, who is not related to the Congressman, testified in September.

Federal prosecutors are investigating charges involving Traficant that include bribery, racketeering and tax evasion, according to court records and people familiar with the case. A construction worker who performed work on a farm owned by Traficant pleaded guilty last year to charges of obstruction in the Traficant probe.

Peace. Citing his tireless efforts on such difficult issues as hunger, human rights and peace, 26 members of South Korea's parliament have nominated Rep. Tony Hall (D-Ohio) for the Nobel Peace Prize.

"Congressman Hall's leadership, vision and compassion for the hungry and those suffering from the violation of human rights goes beyond nationalism and discrimination, and saved millions of lives in the most remote corners of the world," the lawmakers wrote in their letter.

"It's a great honor and it's also humbling at the same time," Hall said in an interview, adding that when he looks at past winners of the prize, he feels he doesn't "really deserve to be in the same category.

"But I'm certainly not squawking - it's great," he added. "I'm hoping that the nomination will bring more people to think in terms of hunger and nutrition and disease."

This is the third time Hall has been nominated for the Nobel Peace Prize.

Dan's the Man. **Dan Mattoon**, who served as deputy chairman of the National Republican Congressional Committee during the last cycle,

has joined Democratic lobbyist Tony Podesta to form Podesta/Mattoon.

Before his stint at the NRCC, the 48-year-old Mattoon was a longtime lobbyist for BellSouth. Mattoon, who is close to Speaker Dennis Hastert (R-Ill.), spent 12 years on the Hill.

Podesta, the brother of former White House Chief of Staff John Podesta, already represented such heavyweights as Eli Lilly and Co. and MCI.

"We really want to beef up the firm and look to bring a real strong bipartisan edge," Mattoon said.

- Damon Chappie, Amy Keller and John Bresnahan

---- INDEX REFERENCES ----

NAMED PERSON: MALUSO, CLAIRE; TRAFICANTI, ANTHONY; HALL, TONY; MATTOON, DAN

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Wednesday, January 31, 2001

COLUMN

The mood inside the House Republican campaign headquarters in ...

The mood inside the House Republican campaign headquarters in late 1999 was sour. One year before the biennial referendum on the GOP-controlled House, Democrats were in position to storm back into power after a six-year exile.

Even House Speaker Hastert feared for his job. Turning to a trusted friend, Hastert tapped **Dan Mattoon**, a longtime BellSouth lobbyist and an unofficial adviser, on Nov. 15, 1999, to help run the House GOP's campaign arm, the National Republican Congressional Committee.

One year later, House Republicans stunned pundits by beating back the Democratic charge in a quarter-billion-dollar brawl that left the Republicans with a narrow majority.

Now Mattoon, the man credited with saving that majority, has been called on to help podesta.com. In a few weeks, Mattoon will join Anthony Podesta, the brother of John Podesta--the former Clinton White House chief of staff--to transform the firm into what they hope will be K Street's hottest new bipartisan lobbying shop, Podesta/Mattoon.

Together, Podesta and Mattoon aim to break into the ranks of Washington's elite firms by expanding their client base to include a broader array of telecommunications, energy, pharmaceutical and transportation companies. The firm already ranked 11th on National Journal's semiannual lobbying survey, with \$4.2 million in billings in the first half of 2000--a figure that has doubled every few years since the firm opened its doors in 1988.

But the next year may be difficult for Mattoon and his new firm: To succeed, he must reach out to the very Democrats he helped thwart. "Every ranking member in the House knows that he is not chairman because of **Dan Mattoon**," observed one lobbyist.

Meanwhile, for the firm to continue its growth, it must shed its Democratic image and wrestle with K Street heavyweights for more lucrative businesses--even as it assuages its current

clients.

"One of the things Tony and I want to do is make this firm a bigger player by bringing in new players and industries," Mattoon said.

The firm has achieved one of its goals. By scooping up a well-known Republican, Podesta/Mattoon joined the ranks of big-time bipartisan lobbying shops. Now Mattoon must repair damaged relationships with Democrats, a task for which he is well-suited. During his three decades in Washington, first as a House aide and later with BellSouth, Mattoon earned a reputation as a loyal and trustworthy tactician with a knack for reaching across the aisle for support.

A highlight of Mattoon's 15-year career with BellSouth came in 1995, when he united two of Capitol Hill's fiercest partisans to move the Telecommunications Act through the House just days before the August recess. Spearheading the House lobbying effort for all of the regional Bell operating companies, he persuaded Majority Whip DeLay and Minority Whip Bonior to agree to limit debate on the bill so it would not stall in the House--a deal that shocked even the floor aides to the two partisan rivals.

In fact, one of Mattoon's most cherished victories was over a Republican. A few months before the DeLay-Bonior meeting, then-Commerce Chairman Bliley, an AT&T ally, pushed through his committee a version of the Telecommunications Act that dealt the Baby Bells a severe setback.

Mattoon rounded up well-placed Bell allies--including DeLay, Hastert and then-Speaker Gingrich -- to surround Bliley and force him to change key parts of his bill.

The move was vintage Mattoon.

"The measure of just how good Dan is, is that you don't know he's hit you until you are already on the ground," said a veteran lobbyist who sparred with Mattoon over the Telecommunications Act during the day and shared drinks with him at night.

New Balancing Act. In his latest role, Mattoon's high-wire talents will be tested often. An early challenge will come when he tries to sign up his old employer, BellSouth, as one of his first clients. To do that, Mattoon must balance the interests of several existing clients that compete against BellSouth and its Baby Bell siblings. Long-distance companies paid the firm \$240,000 in 1999, and the Bells' upstart local competitors gave it \$350,000 during the same period, according to the most recent

full-year lobbying filings.

At the same time, Podesta/Mattoon must compete for lucrative new clients against an impressive list of shops that plan to profit from looming battles over telecommunications and energy policy this year. The GOP firm of Barbour, Griffith & Rogers, for example, took in \$360,000 from BellSouth and the other Bells in 1999--and it does not plan to give up the business without a fight.

Still, Mattoon thinks the newly bipartisan firm is well-positioned to succeed in today's closely divided political arena.

"Because the American people are pretty much divided...and the Congress is so closely divided," Mattoon observed, "for a firm to be successful...you have to have coverage of both sides of the aisle." -- By Brody Mullins

---- INDEX REFERENCES ----

COMPANY (TICKER): Bellsouth Corp. (BLS)

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DOWJONES

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The Wall Street Journal
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Thursday, June 1, 2000

Politics & Policy

Republican Had Questions About Groups Tied to
DeLay

By Greg Hitt
Staff Reporter of The Wall Street Journal

WASHINGTON -- To critics, a recent Democratic racketeering lawsuit charging House GOP Whip Tom DeLay with violating campaign laws is an exercise in raw partisanship. Among the issues raised in the suit is the transfer of Republican Party money to a sympathetic independent group.

But it wasn't just Democrats with doubts about such transactions. Significantly, an Oct. 20, 1999, the transfer of \$500,000 from the National Republican Congressional Committee to U.S. Family Network, a nonprofit advocacy group linked to Texas Rep. DeLay, was strongly opposed by Scott Hatch, then the NRCC's executive director, who acted on advice of legal counsel, according to people familiar with the matter. The concerns raised by Mr. Hatch centered on whether the NRCC would run afoul of Federal Election Commission rules on contributions to outside groups.

More broadly, the controversy underscores the confusion that politicians face in trying to figure out where the legal lines are drawn in today's campaign-finance environment. The rules have been stretched so far by both parties that even those who want to follow them face big uncertainties. "There are lines that remain," says Trevor Potter, a GOP election lawyer and former FEC chairman. "There is also a gray area in the middle."

The transfer of funds to U.S. Family Network, until recently based in Great Falls, Va., came amid a contentious NRCC "issue" ad campaign waged in the fall against vulnerable House Democrats. Ed Buckham, perhaps the closest adviser to Rep. DeLay, approached party officials with a plan to open what amounted to a second front of ads. Mr. Buckham was soliciting \$500,000 for U.S. Family Network, a group dedicated to promoting conservative causes important to GOP leaders.

And, in fact, the contribution did go forward, drawn from the NRCC, the House GOP's campaign arm. Representatives of U.S. Family Network won't say what they did with the money.

Shortly after the NRCC check was cut, another nonprofit group with ties to Mr. DeLay, North Carolina-based Americans for Economic Growth, began running ads against Democrats that closely tracked the ads funded directly by the NRCC. Both campaigns aimed to ratchet up pressure on shaky Democrats to support a GOP leadership proposal aimed at ensuring that none of the Social Security surplus is used for domestic spending.

The \$500,000 transaction is central to complaints made by Democrats in FEC filings and in a civil racketeering lawsuit alleging a conspiracy by Mr. DeLay to evade campaign laws. Mr. DeLay and advisers deny the charges. And even some Democrats have criticized the unprecedented suit, which was filed by Rhode Island Rep. Patrick Kennedy, who heads the Democratic Congressional Campaign Committee. But Mr. Hatch's stance shows it wasn't just Democrats with misgivings.

Representatives of Americans for Economic Growth declined to discuss the matter. An attorney for Mr. Buckham also wouldn't comment. Mr. Hatch refers all questions to the NRCC. An NRCC spokesman also declines to comment, citing the pending lawsuit. "My hands are tied," says NRCC spokesman Jim Wilkinson.

The soft-spoken Mr. Buckham, now a consultant and lobbyist at Alexander Strategy Group, is Mr. DeLay's former chief of staff and still his most trusted confidant. Over dinner last year, Mr. Buckham helped persuade Mr. DeLay to support the creation of the Republican Majority Issues Committee, a controversial nonprofit group run by another onetime DeLay aide that is pledged to raise as much as \$25 million to mobilize grass-roots voters this fall in key House districts.

Mr. Buckham is a fund-raiser for U.S. Family Network, which until recently operated in relative obscurity, and his wife was listed as secretary of the group in 1997 and 1998. She drew a \$59,000 salary in 1997, according to tax records. "Our high-dollar guy" is how Robert Mills described Mr. Buckham this spring. Mr. Mills was president of U.S. Family Network until a month ago, when he resigned after

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disclosures that he had embezzled money from a previous employer.

Mr. Mills, in an interview before his resignation, said the \$500,000 NRCC contribution wasn't passed along to Americans for Economic Growth. But he cited the GOP leadership's Social Security proposal, which would put the program's surplus in a so-called lockbox, among a handful of issues to be promoted by U.S. Family Network. Moreover, he disputed the contention by current NRCC officials that the contribution was intended to promote grass-roots activities among conservative voters.

"That's not what we do," Mr. Mills said.

Mr. DeLay and his political advisers were a driving force behind the NRCC Social Security ad campaign, arguing it would galvanize rank-and-file Republicans while pressuring key Democrats. Mr. Buckham's pitch to NRCC officials for the \$500,000 came as the committee's ad campaign was in midswing, and in some disarray. The execution of the plan proved less than perfect. Two targeted Democrats, Reps. Chet Edwards of Texas and Dennis Moore of Kansas, were successful in getting local stations to pull the ads, arguing they were inaccurate. And in Mississippi, an NRCC ad mispronounced the name of the targeted Democrat, Rep. Ronnie Shows.

Mr. Hatch, a former DeLay aide, proved to be an unexpected roadblock for Mr. Buckham. In early October, Mr. Hatch twice turned down Mr. Buckham, acting on the advice of legal counsel, according to those familiar with the matter. The concerns focused on whether the contribution to U.S. Family Network would put the NRCC at odds with arcane but important rules governing contributions by party committees to outside groups.

In October, the FEC won a court case against California Democrats alleging the party had circumvented such rules, which require contributions to outside groups to be a blend of both "hard" and "soft" campaign money. At the time, a similar enforcement case against the Senate GOP campaign committee was moving forward. The distinction is important, because hard dollars, which are subject to FEC contribution limits, are much more difficult for the parties to raise.

Ultimately, Mr. Buckham was able to work around Mr. Hatch, reaching out to other senior NRCC staffers, and eventually winning the support of Virginia Rep. Tom Davis, who heads the GOP campaign committee.

A few weeks later, Mr. Hatch took a leave of absence from his post after he was on the losing end of a power struggle among GOP campaign aides.

At the same time, Mr. Hatch was in failing health, suffering from a serious stomach ailment that required full-time medical attention. He is now a part-time NRCC consultant.

After the contribution became public in the fall, top NRCC aides met to discuss how to handle the matter.

Amid the give and take, it was suggested the controversy would likely fade if the money could be retrieved. An aide to Mr. Davis was dispatched to explore the possibility, but was told the cash had already been spent.

Jim VandeHei contributed to this article.

--- INDEX REFERENCES ---

NEWS SUBJECT: Elections, U.S.; Politics; Wall Street Journal (ELX PLT WSJ)

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Thursday, May 4, 2000

Politics & Policy

Democrats Sue GOP's DeLay, Claim He 'Extorted'
Donations

By Jim VandeHei and Greg Hitt
Staff Reporters of The Wall Street Journal

WASHINGTON -- Democrats filed racketeering charges against House Majority Whip Tom DeLay, alleging that the Texas congressman built an illegal political empire by "extorting" donations and laundering money.

Yesterday's lawsuit represents an extraordinary escalation in the fight between the two parties for control of the narrowly divided House. Republicans dismissed it as a political stunt. But if the federal suit takes hold, it could scare off donors and crimp Mr. DeLay's broad political operation, including the activities of two multimillion-dollar nonprofit political organizations linked to the Texan.

In filing the suit, Rhode Island Rep. Patrick Kennedy, who heads the Democratic Congressional Campaign Committee, picked up a trick from Judicial Watch, the conservative legal group that filed piles of lawsuits against President Clinton and his friends in hopes of turning up incriminating information. Indeed, the significance of the lawsuit mightn't be in winning any judgment, but in forcing Mr. DeLay and his advisers to testify under oath and turn over internal documents during the discovery phase of this case.

Mr. DeLay has injured Democrats by "hammering contributors for money, threatening to punish those who decline and setting up a shadowy party structure outside public view," Mr. Kennedy said.

Mr. DeLay called the allegations "baseless," and several GOP members privately warned of retaliatory strikes against key Democrats for their campaign against the party's top fund-raiser. "I am saddened and disappointed that my colleagues on the other side of the aisle have impugned the dignity of the House of Representatives today by resorting to ugly, unfounded, politically motivated charges for their own political gain," Mr. DeLay said.

In the suit, Democrats contend that Mr. DeLay "systematically extorted" contributions from several donors and laundered money through a network of outside organizations to skirt limits on campaign donations. The three nonprofit organizations named in the suit -- the U.S. Family Network, Americans for Economic Growth and Republican Majority Issues Committee -- all have ties to Mr. DeLay's team.

The suit was filed under the civil Racketeer Influenced and Corrupt Organization Act, or RICO, which companies typically use to sue rivals for unfair business practices. U.S. District Judge Thomas Penfield Jackson, who is overseeing the Microsoft Corp. antitrust case here, will preside.

Campaign-finance cases are normally handled by the Justice Department or the Federal Election Commission. However, neither agency has moved quickly to act on complaints Democrats filed last year against Mr. DeLay. To establish legal standing, Mr. Kennedy must prove Mr. DeLay committed a pattern of crimes that harmed the Democratic Party.

GOP campaign lawyer James Bopp said the suit is aimed at quelling legitimate GOP political activity. "What they are afraid of is defeat at the ballot box," said Mr. Bopp, who represents two of the nonprofits cited in the suit. "They want to shut up conservative voices."

Democrats claim Mr. DeLay has threatened several business lobbyists, including those from the Business Roundtable, with "unfavorable legislative actions" if they didn't cough up more money for the GOP. Mr. DeLay has acknowledged talking tough with lobbyists, but has maintained that he never extorted money from them.

Democrats also cite the overlapping ties among the political nonprofits named in the suit. For instance, Edwin Buckham, Mr. DeLay's former chief of staff, is an adviser for the U.S. Family Network, which has raised as much as \$1 million from a single donor without disclosing the identity.

And James Ellis, who heads Mr. DeLay's political action committee, known as Americans for a Republican Majority, also is a consultant to Americans for Economic Growth, which financed controversial radio advertisements last fall attacking vulnerable

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Democrats on Social Security.

The ads were among the first independently funded political messages of the 2000 election and came amid a tense budget fight between GOP leaders and President Clinton. The ads closely tracked a television campaign launched by the National Republican Campaign Committee, the House GOP's campaign arm.

Mr. Ellis has previously said he wasn't associated with North Carolina-based Americans for Economic Growth when the radio ad campaign took place last fall, but he was listed as AEG's "registered agent" when the nonprofit was founded in 1993, according to North Carolina records. Mr. Ellis said this week that he has renewed ties to AEG and is now a consultant for it.

AEG is part of a network of conservative groups that has cropped up in the past decade, many of them once associated with the battle over government attempts to regulate the tobacco industry. Mr. Ellis was a key organizer in tobacco-funded efforts to build grass-roots opposition to government regulation of the industry.

Working with him in that fight was Karl Gallant, a onetime DeLay political aide who now heads the Republican Majority Issues Committee, which is raising millions of dollars to mobilize conservative voters this fall in key districts. Mr. DeLay is helping

raise money for the cause.

---- INDEX REFERENCES ----

NEWS SUBJECT: Lawsuits; Politics; Wall Street Journal; General News; ECONOMIC NEWS; Economic News, Trends and Analysis, U.S.; Crime and Courts; POLITICAL and GENERAL NEWS; Crime (LWS PLT WSJ GEN ECAT ECO GCRIM GCAT CRM)

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National Journal
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Saturday, April 22, 2000

POLITICS

Campaign Circuit For April 22, 2000
Peter H. Stone

More on the Mills Flap

At about 9 p.m. on April 13, just hours after Robert G. Mills resigned as executive director of the U.S. Family Network, a nonprofit group with ties to House Majority Whip Tom DeLay, R-Texas, Ed Buckham was on the phone with a public relations firm in Nashville, Tenn., working out a damage control statement. Buckham, a Washington consultant who is a DeLay confidante and leading fund-raiser for the network, was hoping to contain fallout from National Journal's disclosure that Mills had embezzled about \$28,000 from a previous employer.

But the press release didn't put an end to questions about the U.S. Family Network-questions about the group's operations, funding, and lavish spending on a town house and a skybox at the MCI Center. Indeed, some of the questions are being raised by Republican House members who want to learn more about the network, which last year received a \$500,000 contribution from the National Republican Congressional Committee at Buckham's behest.

"If anyone is squandering or using NRCC funds for any purpose other than to help [GOP] challengers or incumbents, that's a misuse of NRCC funds," said Rep. Henry Bonilla, R-Texas, a member of the NRCC's executive committee. "That clearly should be straightened out." Bonilla added that the network's operations "should probably come up in our next executive committee meeting." Early this year, according to GOP sources, at least one GOP member voiced concerns at an executive committee session about why the \$500,000 contribution was made.

Democrats have gone further and charged that the NRCC made the contribution to boost DeLay's political operations, and they filed a complaint with the Federal Election Commission after the contribution was reported by Roll Call.

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Rep. Tom Davis, R-Va., the chairman of the NRCC, has defended the \$500,000 donation as appropriate. Davis, a DeLay ally who landed the NRCC job with the whip's help, decided to make the donation without the approval of the NRCC's executive committee. GOP sources said the contribution was designed to compensate for the declining clout of the Christian Coalition. DeLay and Buckham have both said that they were unaware of Mills' checkered background until it was recently disclosed.

Mills, who was DeLay's campaign manager in 1996, was sacked in late 1995 as executive director of the Council for Government Reform, a nonprofit group that works on Social Security issues, after the group discovered that he had embezzled some of its money. Shortly after serving as DeLay's campaign manager, Mills launched the U.S. Family Network, a low-profile, nonprofit group that's registered to lobby on such issues as tobacco regulation, ballistic missile defense, and estate taxes.

For its fast financial rise, the network is deeply indebted to Buckham, who has a contract with the network to solicit donations and has raised sizable sums in addition to the \$500,000 from the NRCC. In 1998, the network banked \$1 million from an anonymous donor. Until very recently, Buckham's consulting and lobbying business, the Alexander Strategy Group, had been leasing space for \$3,000 a month at a Washington town house that the network purchased. And Buckham's wife, Wendy, served as the network's treasurer for a couple of years.

DeLay could face trouble if the scrutiny on Buckham intensifies. Two sources in the DeLay camp said that the network is just one of three groups with ties to Buckham. The other two are DeLay's political action committee, which is run by James W. Ellis, a partner of Buckham's at Alexander Strategy Group; and the Republican Majority Issues Committee, which Buckham helped advise when it was launched.

Some GOP operatives say that the flap is a distraction. "It's caused a lot of internal strife in the Caucus at a time when they need to be banding together," said one prominent GOP strategist. "It's sent a message that Tom DeLay still runs the committee, which is the wrong message to send to the financial community."

---- INDEX REFERENCES ----

REGION: North America (NME)

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Database
 ALLNEWS

Roll Call
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Thursday, April 6, 2000

U.S. Family Network Faces More Scrutiny
 Damon Chappie

House Majority Whip Tom DeLay's (R-Texas) leadership PAC and a consulting firm operated by his former chief of staff have moved out of a Capitol Hill townhouse owned by a controversial nonprofit group after complaints that the neighborhood's strict residential zoning laws were being violated.

Meanwhile, leading conservative and pro-family groups said they were unfamiliar with the U.S. Family Network's existence and several registered concern about the organization's ties to GOP operations, and Democrats demanded the identity of a \$1 million donor to the group.

U.S. Family Network officials remained silent, refusing to discuss the group's financial benefactors, its purchase of skybox seats at the MCI Center and a truck or its relationship with organizations and associates linked to DeLay, including his leadership PAC and Alexander Strategies, the firm operated by Ed Buckham, Delay's top political adviser.

DeLay's PAC, Americans for a Republican Majority, paid U.S. Family Network \$500 a month in rent last year, according to ARMPAC's reports filed with the Federal Election Commission. Buckham signed a consulting agreement with ARMPAC in December 1997, according to his 1998 financial disclosure report filed with the House.

Alexander Strategies' clients include Texas-based Enron Corp. and the Nuclear Energy Institute, according to lobbying disclosure reports.

But those operations sparked complaints over the last year from neighbors outraged that their residential street had been invaded by a commercial firm.

ARMPAC and Alexander Strategies moved out Tuesday after Roll Call reported on the tax records of U.S. Family Network and the links to DeLay associates.

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A U.S. Family official said the move had been talked about for months. Buckham and ARMPAC moved to the Ronald Reagan Building and International Trade Center in downtown D.C., according to a person familiar with the move.

Gottlieb Simon, executive director of the Advisory Neighborhood Commission 6B, said that neighbors of the townhouse at 132 D St., SE, have been complaining to the District government since early 1999 after noticing that a business seemed to be starting up in the house.

Gottlieb said he called the District's zoning inspectors, who visited the property at least twice in the last year.

The zoning officer was rebuffed on his first visit by the person who answered the door and the government official that he was busy with an out-of-town client, Simon said. On the next visit, the zoning inspector was told that one of the people working in the home also resided there and the inspector advised him that he needed to file for a home occupancy permit.

The permit allows a business to operate only if the home's owner actually resides on the premises, according to the District's zoning office.

Simon, however, contended that no evidence existed to prove that someone was residing there and he faulted the District inspector for failing to investigate more thoroughly. "For example, no one is registered to vote at that address," he said.

Simon also said he discovered in the District's tax office that the U.S. Family Network received the District's homestead tax exemption even though businesses and nonprofit groups are not supposed to receive it.

"There's no commercial use allowed there," said Lyle Schauer, chairman of the Capitol Hill Restoration Society's zoning commission. A business can operate out of a home as long as the owner lives there and applies for a permit, he said.

"There was strong reason to believe that no one lived there. We've been in the process of chasing out some of these folks," Schauer said.

Simon added that "there's a constant struggle between people who live on Capitol Hill, people who want to continue to live on Capitol Hill and people who find it convenient to operate businesses and consulting firms. As you eat away at the residential base it becomes harder and harder for people to live there."

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Informed that the businesses moved out, Simon said it "just proves that sunshine is a powerful disinfectant."

Buckham has no direct, formal role with U.S. Family Network. But Buckham's wife, Wendy, served as the group's treasurer and was paid \$59,000 in salary in 1997. A 1997 GMC truck owned by the group is registered at Buckham's personal residence in Maryland.

Jim Ellis, director of ARMPAC, also operated a consulting firm out of the townhouse. He has been associated with a group called Americans for Economic Growth, which ran ads attacking Democrats on Social Security last fall in several battleground districts.

Democrats filed a complaint about DeLay-linked groups - including AEG and U.S. Family Network - with the FEC in December after Roll Call reported that the National Republican Congressional Committee gave U.S. Family \$500,000, the party organization's single largest contribution last year.

Erik Smith, spokesman for the DCCC, said it would not file an additional complaint based on the disclosures in U.S. Family's tax returns. But he urged the FEC to aggressively investigate whether election or tax laws are being violated. He also said that DeLay should immediately disclose the identity of the \$1 million donor to the group.

Meanwhile, interviews with officials of leading pro-family lobbying and nonprofit groups found little knowledge about U.S. Family, its leaders or its work on pro-family issues.

"Never heard of them," said Phyllis Schafly, president of the Eagle Forum, in a telephone interview from her Illinois office.

She also said she's never heard of or dealt with U.S. Family's Robert Mills. "No, I haven't run into them. It doesn't sound like our organization. We don't have skyboxes for football games - that's not on my list," she said.

Schafly also said she was surprised by the NRCC donation.

"They haven't given me any money. I don't understand why nobody offers me any money," she joked.

Pat Truman, Washington representative of the Mississippi-based American Family Association, said he had never heard of U.S. Family before reading about the organization this week.

Kristin Hansen, spokeswoman for the Family Research Council, said

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(Publication page references are not available for this document.)

the group "doesn't ring a bell" and after checking with her lobbyists, she said they were unfamiliar with the organization as well.

Paul Hetrick, vice president of Colorado-based Focus on the Family, also had never heard of U.S. Family Network or Mills.

"It does sound unusual," he added. "I don't know how [nonprofits] operate in the Beltway when they are lobbying for the family. Maybe you need a skybox to do that."

Focus on the Family, a tax-exempt organization, does not have a skybox lease, he said. "In fact, one of our fundraising principles is we have no limousines, jet airplanes or condos in Hawaii - but maybe we should include skyboxes in D.C.."

Gary Jarmin, legislative director of Christian Voice, the 23-year-old, 350,000-member group that pioneered techniques to organize fundamentalist voters, said he was a little concerned because "this is what got the Christian Coalition in trouble."

He added that the U.S. Family Network's "back door" relationship with the NRCC and other political groups needs to be disclosed.

"I just think it needs to be above board," said Jarmin. "So that it is clear to everybody that this is where the money is coming from and this is what we're trying to do and everything's up front."

Jarmin, who was an original architect of the religious right's use of legislative scorecards and voter guides and taught Ralph Reed and the Christian Coalition how to use them, emphasized that conservative voters value honesty.

"One of the things I learned a long, long, long time ago is that it is very important that people believe that the information you are giving them is credible," he said. "If you are setting your self up as an independent entity apart from the party, Christian voters want to be sure that you are not shading the truth, twisting it or planting it."

"It's always the best policy to be completely up front and not to try to hide the association. When you try to hide it or disguise it, problems develop because people feel that your credibility is tainted."

On U.S. Family's skybox lease, Jarmin joked that "if I start getting invited I'm sure my opinion will change."

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Christian Voice doesn't have skybox seats, he said, adding that "I'm afraid that we don't consider that a wise use of our resources."

Carolyn Malenick, whose Triad Management political consulting business steered money from wealthy contributors into nonprofit groups that ran ads in key Congressional races during the last two election cycles, said that many conservatives contacted her with questions about the U.S. Family Network after reports about the NRCC donation surfaced last December.

"It has raised questions within some of the conservative groups," she said. "I know that it upset some people. Maybe that's what the NRCC plans to give conservatives to make them feel compliant."

While few in the pro-family movement had heard of U.S. Family Network, little could be learned about its board of directors. Leonard Phelps, of Republic, Wash., who is listed as the board's chairman, did not return repeated calls. Another board member from Republic, Brett Leonard, also did not return phone calls.

Mills, the group's president, has a long history of political work for conservative causes, according to documents and people familiar with him.

Mills was a protégé of conservative direct-mail guru Richard Vigor, whom he worked with in the late 1980s and early 1990s. He worked for the United States Defense Committee, a conservative grassroots group opposed to arms control in the twilight of the Reagan presidency. Mills also served as executive director of the Council on Government Reform, as well as United Conservatives of America. Mills also worked for the group U.S. Border Patrol.

Mills is listed as the treasurer for the Pro-Work Political Action Committee, a PAC associated with Karl Gallant, another DeLay operative who is head of the Republican Majority Issues Committee, a Section 527 group formed in 1999 to raise \$25 million this election cycle.

---- INDEX REFERENCES ----

NAMED PERSON: JARMIN, GARY

MARKET SECTOR: Industrial (IDU)

INDUSTRY: Business Services: Consulting Firms; Consulting Services; General Industrial & Commercial Services; All Industrial & Commercial Services (IAFR CLT ICS SVC)

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Roll Call
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Monday, April 3, 2000

Tax Returns Shed Light On U.S. Family Network Skybox, Truck, Townhouse Are
Among Expenditures
Damon Chappie

A controversial nonprofit group closely linked to advisers for House Majority Whip Tom DeLay (R-Texas) raised \$1.3 million in 1998 from just five big donors and spent the money to buy a house, a truck and a 15-year lease on skybox tickets, according to tax records obtained by Roll Call.

The U.S. Family Network also reported working on an array of legislation in 1998 - including the tobacco settlement, electricity deregulation and the Anti-Ballistic Missile Treaty - but officials of the group didn't formally register as lobbyists until two months ago.

The tax records also show that in 1998, the group received \$1 million from a single source. The identity of the benefactor remains hidden because tax laws allow donors to nonprofit groups to remain confidential and the names were left off of the tax return. The group is registered under the 501(c)4 tax code, meaning donations to the group are not tax-deductible for the donor.

Unavailable publicly until now, the tax records shed light on the inner workings of a key component of a web of interlocking groups revolving around DeLay and Ed Buckham, his former chief of staff and top political adviser.

Three years of tax records trace the origins and explosive growth of a group that started in 1996 with just \$15,000. The income rocketed to \$476,000 in 1997, before more than doubling a year later.

The nonprofit owns a Capitol Hill townhouse that also houses a for-profit consulting firm operated by Buckham called Alexander Strategies, as well as DeLay's leadership PAC, the Americans for a Republican Majority.

While it is not illegal for a nonprofit group to house other types of organizations, the tax returns raised questions about the unusually large proportion of money spent on fundraising, the

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relationship between the DeLay-linked groups and the use of items like a 1997 GMC truck and the \$149,000 skybox lease, according to a prominent tax attorney who reviewed the forms at Roll Call's request.

The tax returns show payments of salaries to Robert Mills, the group's president, of \$28,500 in 1998 and \$23,000 in 1997. Mills, who did not return a call seeking comment on the tax returns, served as DeLay's paid campaign manager in the 1996 election cycle.

Buckham's wife, Wendy, was also paid a \$59,000 salary in 1997 by U.S. Family Network, according to the documents.

Vehicle registration records for Maryland show that a 1997 GMC truck owned by U.S. Family Network is listed at Buckham's personal residence in Frederick, Md. The 1998 tax returns list the value of the automobile as \$27,000.

Buckham refused to comment on the tax returns.

In the 1998 tax year, U.S. Family Network paid for a trip by a top aide on DeLay's Congressional payroll, staffer Tony Rudy, according to Rudy's financial disclosure forms filed with the House.

The group paid \$665 for Rudy to speak to U.S. Family's board of directors in Missouri from Aug. 22 to 25.

"I spoke to the [U.S. Family] board of directors about pro-family issues before the Congress," said Rudy when asked about the two trips.

"I was proud to do it and hope to get invited back to do it again."

The group drew attention in October 1999 after the National Republican Congressional Committee gave the organization a \$500,000 check. House Democrats have filed complaints with the Federal Election Commission over the group's activities, alleging that the group has acted like a hidden arm of the GOP leadership.

Republican moderates have also complained about the NRCC donation, arguing that the committee's chairman, Rep. Tom Davis (Va.), made the gift without informing members of the organization's executive committee.

Last year, when news of the NRCC's gift to U.S. Family Network broke, Mills downplayed the group's finances, saying it operated on a shoestring budget and with a handful of volunteers.

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In addition to the \$1 million donation the group received from an unnamed benefactor, however, there were several other large contributions. The group received two \$50,000 donations, a \$150,000 gift and a \$100,000 contribution. Like the names, the dates of the donations were also withheld.

The group reported \$665,863 in expenses in 1998, with 60 percent of that total going to fundraising and consultation expenses.

Consultation expenses totaled \$114,000 in 1998, but the tax records did not identify who received those payments. In December 1999, Buckham told Roll Call, "I have a fundraising contract with the [U.S.] Family Network and I raise money all over the country for them."

Frances Hill, a visiting law professor at the University of Pennsylvania and an expert on the political activities of tax-exempt groups, said that U.S. Family Network's tax returns are "surprising because there just don't seem to be many expenditures for the kind of activity you expect an advocacy organization to be incurring."

The group recorded modest expenses for postage and telephones, two areas that are typically a large part of a grassroots-styled nonprofit's budget.

"But the fundraising costs are humongous and one can't figure out why," Hill said.

The proportion of fundraising costs appears to be extremely high and it is all the more puzzling, according to Hill, because of the very small number of contributions that were made.

"It's a lot of money from just five donors," Hill pointed out. "You wouldn't expect a pattern of just five contributors and this amount for fundraising. They're not mailing, they're going to the skybox. And one assumes that ordinary citizens are not going there."

The group headed into 1999 with just more than \$700,000 in the bank. That, along with the \$500,000 from the NRCC in October 1999, gives U.S. Family Network a \$1.2 million-plus operating budget, without counting on any other contributions.

U.S. Family also listed assets of \$240,926, which presumably includes the townhouse on D Street, SE. The \$91,000 spent on education and advertisements appears low for a grassroots-style advocacy group.

U.S. Family's 1999 tax returns won't be filed with the Internal

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Revenue Service until November and won't be available until a year from now.

The Skybox

On July 10, 1998, the nonprofit group acquired a 15-year lease on skybox seats worth \$149,000, according to a listing in the Depreciation section of the tax returns.

The name of the arena or stadium for the skybox seats was not listed on the forms. But a skybox at Redskins Stadium would cost far more than that amount annually, while similar information from the MCI Center was unavailable.

According to Hill, the skybox expense - taken with the relatively small amounts spent by U.S. Family on items like postage, telephones and salaries traditionally associated with the activity of issue-oriented nonprofit advocacy groups - suggests the emergence of an entirely new class of lobbying.

She emphasized that it is perfectly legitimate for U.S. Family to lobby as a Section 501(c)4 nonprofit under the tax code and that thousands of nonprofits do just that every year.

Hill, though, is unsure just how U.S. Family conducts its advocacy operations. "What I can't figure out is what type of lobbying they are doing," she said.

"Usually, a (c)4 is going to do expertise-type lobbying, which includes studies, reports and press conferences and publicly disseminating information," Hill said. "We're not seeing that in these returns."

Hill added, "They may have invented a way to turn lobbying into an entertainment activity, rather than an information activity. Have they really found a way to make direct lobbying a [means] to maintain what looks like a slush fund? This is the big question raised by these returns."

The practice of lobbying has been traditionally heavily dominated by groups that seek to provide information and education to the public and government officials. Hill said it is unclear whether the tax rules prohibit a type of lobbying that relies almost solely on direct contact, such as taking lawmakers to a skybox to discuss legislative interests.

"There's nothing wrong with a skybox," noted Hill. "The question is: 'Who's there?' If it is the same Member or same two or three

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Members all the time then you start to say: 'Is this just kind of an elaborate way for the Members to enjoy the benefits that they could not afford on their salaries and that they couldn't use their campaign funds to support?''

Expenses Raise Questions

The expenses and assets listed on the return also raise questions about their use, she said. "The bottom line always with an exempt organization is: Is there some public benefit from this thing or only a range of private benefits?" Hill said.

On the Capitol Hill townhouse owned by U.S. Family, Hill noted that it is not illegal or improper for a nonprofit-owned facility to share space with a mix of other organizations.

But she noted that it was odd that the tax returns did not list rental income. Buckham's consulting firm, Alexander Strategies, is a for-profit business and federal tax law would require a business to pay rent to the nonprofit that owns the building.

District of Columbia property records show that the house at 132 D St., SE, was bought by U.S. Family on Jan. 12, 1999, and that the property has an assessed value of \$325,779.

The date of the transfer could be one reason that rental income is not reported since it appears to have occurred late in the fiscal 1998 filing period for U.S. Family. Also, it was unclear when Alexander Strategies began operations. The group's 1998 tax return, signed by Wendy Buckham, was dated Nov. 15, 1999, indicating that the U.S. Family fiscal year ended in July.

The use of the car also raises questions because of the registration at Buckham's personal residence.

"An exempt organization may rent a car or buy a car and provide it to a staff member even for personal use, provided that the personal use is then valued as part of the staff member's compensation," said Hill.

"What difference does it conceivably make if an exempt organization pays a staff member in cash or pays them in terms of use of a vehicle? The trick is that it has to appear on one's W-2 as compensation and then the staff member pays tax on the use."

The returns also raise questions about the purpose of U.S. Family. The group's mission, according to its tax return, is the "Promotion of social welfare for American Families."

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Specifically, the group said it, "Established projects to promote sound family values legislation."

The documents proceed to list more than a dozen pieces of legislation that the group provided "input" on, ranging from the Defense of Marriage Act to appropriations bills, electricity deregulation and tobacco legislation.

But no lobbying reports for the group or its officers were filed until February, according to the House and Senate disclosure offices.

A group would be covered by the 1995 law requiring lobbying disclosure reports if it employs a lobbyist who makes more than one lobbying contact within a six-month period or spends more than 20 percent of his or her time on such activities, according to Thomas Susman, a lobbying law expert at Ropes and Gray.

Grassroots expenditures are also not reportable, he said, but "if they made two contacts with any lawmaker, staffer or government official in a six-month period, then there is no grassroots exemption.

A skybox "wouldn't be grassroots," noted Susman. Failing to register does not carry criminal penalties, he added. Typically, the Clerk of the House or the Secretary of the Senate simply notifies the organization that it should file a disclosure form.

John Bresnahan contributed to this report.

---- INDEX REFERENCES ----

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 12/15/99 New Orleans Times-Picayune A5
 1999 WL 29017750
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The New Orleans Times-Picayune
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Wednesday, December 15, 1999

NATIONAL

HOUSE REPUBLICANS SEEK WIDER GRASS-ROOTS SUPPORT GOP SCRAMBLES TO REPLACE
 FALTERING CHRISTIAN COALITION
 Juliet Eilperin The Washington Post

House Republican leaders are increasingly nervous that the Christian Coalition, which helped propel the party into power over the past decade, may be unable to muster an effective grass-roots effort in next year's critical congressional elections.

In fact, Republicans are so concerned about the coalition's viability that they have begun channeling resources to other grass-roots organizations to mobilize the kind of conservative voters they hope will preserve the Republican majority in 2000.

In October, the National Republican Congressional Committee gave \$250,000 to the National Right to Life Committee, a leading anti-abortion group, and \$500,000 to U.S. Family Network, a conservative lobby that works closely with a former aide to House Majority Whip Tom DeLay, R- Texas.

Other Republican groups have made similar contributions in the past. But the timing of the congressional committee's donations so far in advance of next year's elections is unusual and reflects what GOP officials described as an effort to energize the party's conservative base.

Many Republicans are convinced that Democrats, with the aid of organized labor, have been more effective in mobilizing their core supporters in recent elections and say their party must do more if it is to retain its congressional majority and regain the White House next year.

"We need to turn out every Republican voter we can," House Speaker Dennis Hastert, R-Ill., said in a recent interview. "Those are folks that generally would be with us."

Democrats are already arguing that the NRCC contributions are an

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effort to evade campaign finance restrictions, but the campaign group's deputy chairman, Dan Mattoon, said the committee "always complies with the letter and spirit of the law."

Republican officials acknowledge that the new money for conservative groups is aimed at filling a void left by Pat Robertson's Christian Coalition, which has been an integral part of the GOP's grass-roots operation, distributing tens of millions of voter guides to churches the weekend before elections.

While it prevailed in September in a costly lawsuit against the Federal Election Commission, the group remains mired in debt and is planning to cut staff as part of an upcoming move from Chesapeake, Va., to the D.C. area. It has lost almost every top official within the past year, including President Don Hodel, Director of National Operations Chuck Cunningham and Vice President for Government Relations Randy Tate.

"We've been frustrated and disappointed and really sorry that our conservative base has not been energized in the past two cycles to support our candidates. Maybe we need to do something on our end to enhance their participation," Mattoon said, adding that while the Christian Coalition is likely to distribute voter guides, it may not be as active as it has been. "There's going to be a need to fill a vacuum here. There is a need to build a coalition to elect Republican candidates."

Robertson said in an interview Tuesday that no other conservative religious group could rival the coalition's upcoming get-out-the-vote activities.

"There isn't any other operation I'm aware of that has a network with the churches," Robertson said, adding that the group is already preparing voter guides. "I think by the 2000 elections we're going to be a significant player as always."

Ed Buckham, a former DeLay chief of staff, was instrumental in obtaining the NRCC's donation to U.S. Family Network, which was first reported in the newspaper Roll Call last week. Mattoon said while NRCC officials initially were unfamiliar with U.S. Family Network, they supported it based on Buckham's track record.

Buckham, a consultant to the group, said U.S. Family Network will encourage voters to lobby on such issues as the use of fetal tissue, tax cuts and abortion. He added that the group has not decided whether to conduct a voter registration drive but that it will inform voters about how Congress is voting on issues affecting families.

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National Right to Life President David O'Steen, whose group has received money from the Republican National Committee in the past, said the new donation "will be used for the general pro-life activities of the National Right to Life Committee. It will not be used to encourage anyone to vote for or against any candidate."

----- INDEX REFERENCES -----

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EDITION: ORLEANS

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Two other organizations tied to DeLay and Davis -- the Republican Majority Issues Committee and Americans for Economic Growth - are also named in the DCCC complaint. Kennedy charges that those groups are actually controlled and financed by DeLay and other Republican leaders.

But the GOP lawmakers who were not informed of the donation defended Davis, insisting that the Virginia Republican had done nothing wrong.

"I have no problem with it," insisted Ney. "My view on it is even if I didn't know, I trust Tom Davis' judgement and Tom Davis' shop." Lazio aide said the lawmaker did not seem angry or perturbed by the transaction.

A spokesman for Rep. Jerry Weller (R-Ill.), who also sits on the executive committee, said the Congressman had "total confidence" in Davis. Weller himself could not be reached for comment on whether he had prior knowledge of the donation.

Rep. Dave Camp (R-Mich.), chairman of the NRCC's executive committee, was not available for comment on the controversy either.

Jill Schroeder, the NRCC's spokeswoman, said the members of the executive committee "are among Tom Davis' most loyal supporters."

"What goes on at the executive committee is private and doesn't have to be played out in the pages of Roll Call," said Schroeder.

Schroeder was also unable to supply details on the NRCC's process for reviewing such donations.

When he took over the NRCC at the beginning of this cycle, Davis pledged to return power back to rank-and-file lawmakers by making the committee more accountable for where it puts its resources. Former NRCC Chairman John Linder (Ga.) had been criticized for spending money with what was perceived as little accountability to the GOP Conference during the closing days of 1998.

Davis, for instance, called an emergency meeting of the executive committee in September to approve a leadership plan to spend between \$500,000 and \$1 million on issue ads bashing Democrats over Social Security. The Virginia Republican was initially opposed to the ad campaign because of the high cost.

The size of the NRCC executive committee was reduced and its power streamlined after bitter controversies in the early 1990s erupted as some GOP lawmakers complained about financial mismanagement and

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ineffectiveness under the stewardship of then-Rep. Guy Vander Jagt (Mich.), who ran the NRCC for 17 years.

During Vander Jagt's tenure, the executive committee included as many as 60 members, but critics charged that key decisions were made with little or no consultation or even disclosure to the committee.

Vander Jagt was forced to fight off a fierce and unusually personal attack on his chairmanship after the 1990 elections from then-Reps. Don Sundquist (R-Tenn.) and Bob Livingston (R-La.). The members also questioned payments made to consultants - and other NRCC operations - decisions which they said were made in secret.

Vander Jagt survived, but in a shocker lost his 1992 primary race to challenger Pete Hoekstra (R-Mich.). Vander Jagt stayed on as NRCC chairman through the 1992 elections, but was followed by the energized Rep. Bill Paxon (R-N.Y.), who cleaned house and revived the NRCC fundraising operation.

Calls for reforming the executive committee continued and the size of the group was pared down during then-Speaker Newt Gingrich's (R-Ga.) tenure. Members of the committee were given more focused responsibility for overseeing the NRCC's direction and operation.

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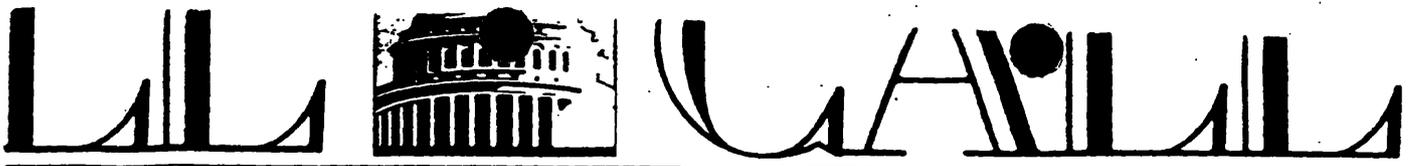
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Photo by Ian Wagreich
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Story, p. 3.

NRCC's \$500,000 Donation Linked to DeLay Advisers

Obscure Group Gets Big Influx Of Campaign Cash

By Jim VandeHei

In its largest single donation to an outside group this year, the National Republican Congressional Committee recently gave a half-million dollars to an obscure conservative organization closely linked to Majority Whip Tom DeLay (R-Texas).

While locked in a contentious fight to protect his party's five-seat majority, NRCC Chairman Tom Davis (Va.) on Oct. 20 sent a \$500,000 check to the US Family Network, according to new Federal Election Commission records. The group has direct ties to Ed Buckham, DeLay's top political associate and former chief of staff.

The donation raises new questions about coordination between Republican leaders and purportedly independent groups, according to campaign finance experts.

In addition, Buckham's involvement with US Family Network illu-

minates an expanding web of outside organizations — established under section 501(c)(4) of the U.S. tax code, which allows them to conceal their donor lists — tied to DeLay and his political team.

And despite the large amount of money involved, there is confusion about what the money will be used for and whether the Internal Revenue Service has a record of the group's existence.

Bob Mills, who runs the US Family Network, said the money — drawn from the NRCC's fundraising account — will be used to lobby by GOP leaders and members to support his pro-family bill of rights. Future radio ads and mass mailings are likely, he said.

But Dan Mattoon, deputy chairman of the NRCC, said he has nev-

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Clearer Standard

The FEC has drafted a new proposal that looks at the way the agency regulates coordinated communications. Story, p. 13.

Kim Planning Another Race

Ousted House Member Wants To Restore Name

By John Mercurio
and Damon Chappie

Ex-Rep. Jay Kim (R-Calif.), whose ethical and legal woes made him the only House Member to lose a primary election last year, said he will decide this week whether he'll run to challenge newly elected Rep. Joe Baca (D-Calif.) in 2000.

Kim's move has forced nervous House Republicans and state party leaders to scramble to recruit a viable challenger to Baca by Friday's filing deadline, key party sources said. Many GOP strategists had planned to ignore the Democratic-trending district following Elia Pirozzi's (R) loss here in last month's special-election runoff to replace the late Rep. George Brown (D).

Kim, the only GOP incumbent who was denied active support from the National Republican Congress-

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Houghton Considering Retirement

Use Republican in N.Y. May Announce Soon

By John Bresnahan
Amo Houghton (N.Y.), one of the leading GOP moderates in the House, has warned Republicans that he may retire next year and will inform them of his decision

in the coming weeks.

Houghton's exit would be another blow to House Republicans, who already have to defend 19 open seats heading into the 2000 elections, as compared to only five open Democratic seats. The GOP currently holds a five-seat majority in the chamber, making every open-seat battle a key contest in deciding who controls the House in the 107th Congress.

Houghton, until recently, was seen as ready to run again, although his staff does not currently know his intentions.

"He has not decided whether he's going to run," said Chet Lunner, Houghton's chief of staff, when asked about speculation that the New York Republican may step down.

"He has yet to make a decision,"

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Waffer Sues Library

INSIDE

JACKSON: Congressman's TV

ATTACHMENT
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NRCC Gives \$500,000 to Obscure Conservative Group

Continued from page 1
 er heard of Mills and that the campaign committee cut the \$500,000 check for one reason: Ed Buckham.

"The family network is a group that based on our view of Ed Buckham's strengths in the family community and his political strengths will have an equally important impact in the elections, favorably for Republicans," Mattson said.

"Ed is a well-known person on Capitol Hill. Ed is clearly very close to Tom DeLay, as I am close to Tom DeLay. But Ed has a lot of other issues in dealing with the religious community and the pro-family community that go beyond Tom DeLay."

Contrary to Mills' assertion that most of the resources will be used to lobby leadership and members to embrace his bill of rights, Mattson said he anticipates — but has no direct knowledge — that the group will conduct grassroots campaigns to benefit GOP candidates.

"In 1996 and 1998, we were disappointed and frustrated that the conservative base was not energized to turn out [voters] for our candidates. So we thought that in 1999 that it made sense that we help these groups," he said. "This is a group that ... will be very strong players in the next campaign."

DeLay spokesman Tony Rudy denied there is any coordination between the Majority Whip and the outside group, saying, "This has nothing to do with Tom DeLay."

Close Ties

Buckham confirmed to Roll Call that he requested the check on behalf of the US Family Network. Buckham, however, said he is nothing more than a political consultant hired by Mills to raise money.

"I have a fundraising contract with the [US] Family Network and I raise money all over



File Photo by Rebecca Rott

the country for them," said Buckham. "But does most of the work."

But Buckham may be understating the ties. He and Mills both have offices in the same building at 132 D St. SE. The building is owned by US Family, according to Mills.

Also located in the same building are the offices of DeLay's leadership political action committee — Americans for a Republican Majority — run by Jim Ellis, who is also a paid consultant to the NRCC.

The office-mates are or were recently involved with two other ostensibly independent organizations that Democrats have assailed as GOP front groups.

Buckham, for instance, helped create the Republican Majority Issues Committee, an organization run by former DeLay fundraiser Karl Gallant. RMIC plans to spend as much

'The family network is a group that based on our view of Ed Buckham's strengths in the family community and his political strengths will have an equally important impact in the elections, favorably for Republicans.'

— Dan Mattson, NRCC deputy chairman

as \$25 million on grassroots campaigns in the most competitive Congressional districts.

Ellis told Roll Call that last year he worked for American for Economic Growth, a group that has already run radio ads bashing Democrats but refuses to provide much detail about its executives or activity. One former AEG official, who requested anonymity, said that Ellis was handed complete control of the group last year, a charge Ellis has denied.

Family Affair

Besides its connection to DeLay, not much is known about the US Family Network.

Earlier this year, Roll Call wrote to the IRS seeking public records describing the group. However, the IRS, as recently as August, had no information on file about the US Family Network. In the agency's eyes, it does not exist.

Mills, who said the group has been operating for a few years, claims he has filed papers with the IRS and insisted that its 501(c)(4) tax status is pending. He said the IRS delayed its approval because they wanted more information, such as its three-year budget plan.

While it has been active in lobbying Members, Mills said the organization has operated on a shoestring budget controlled by a skeleton crew, usually himself and one volunteer.

However, moments later, Mills said the organization last year purchased the three-story townhouse just blocks from the Capitol.

In addition, on his 1998 financial disclosure form filed in the House, Buckham disclosed that his wife, Wendy, drew a \$53,000 salary from the organization in 1997. Buckham left Capitol Hill to become a political consultant and lobbyist in December 1997 and was not required to disclose his income or financial dealings after that 1998 report.

Mills, who both he and Buckham insisted makes most of the decisions, said, "I would like to use [the money] to promote this project, [the] pro-family bill of rights."

The "bill of rights" includes: an elimination of the income and inheritance taxes, as well as a total ban on partial birth abortions and the creation of a "real lockbox" for Social Security.

"Clearly, [to] get House and Senate leadership to sign off on a petition to support the [Bill of Rights is] phase one," Mills said when asked how he plans to spend the \$500,000. "Phase two is to get the Members to support this."

Television ads are unlikely, he said. "I don't want to do TV and things like that because it's a waste of these people's money," said Mills. Mattson said NRCC Chairman Davis never instructed the organization how to spend the money.

"There were no strings attached to the money, other than we wanted them to know that these types of pro-family agenda items ... are very important to our coalition and our success at the polls," said Mattson.

And Buckham said that if the \$500,000 turns out much controversy, the US Family Network might return the check. "I am primarily going to counsel them to give the money back if it is going to cause this much of a problem," he said.

'Unaccountable'

Campaign finance experts say US Family Network could easily use the \$500,000 to run ads and conduct political operations without disclosing they used the regulated NRCC funds.

"This is an example of the mutation of the soft-money system and the dangers of soft money, where party entities raise huge amounts of unregulated contributions and funnel it through these groups," said Don Simon of Common Cause.

"They end up influencing elections [using] a system that is unregulated and unaccountable. This is another example of why this system needs to be shut down and soft money needs to be banned, so parties cannot raise this kind of unaccountable money in the first place."

The experts warn that these organizations could funnel NRCC soft money to less-structured groups or to coordinate their political campaigns with GOP leaders beneath the Federal Election Committee's radar.

"That's the type of stuff that requires further facts as to who they are, and what they are doing," said Jan Baran, a Republican election law expert. "You have to follow the money and find out where it ends."

NRCC officials and other players inside leadership are confident that as long as they do not tell the outside groups how to spend the money, they are on solid legal ground. Past FEC rulings seem to support their case.

DeLay, Incorporated

Buckham, Ellis or Gallant are all either directly or indirectly involved with the Republican Majority Issue Committee, Americans for Economic Growth, and several other dormant 501(c)(4) groups that could be activated with little work, according to several sources.

The Republican Issue Majority Campaign, a group that plans to spend as much as \$25 million on a massive grassroots mobilization program next year, is considered by most GOP insiders as a DeLay operation, top to bottom.

Its titular head is Gallant, the former head of DeLay's leadership PAC, but several sources said Buckham was instrumental in its creation.

"I talked to Gallant about it ... Did we talk about [its creation]? Yes. Did I say I would talk to Tom about it? Yes," said Buckham. "I have no legal, formal relationship with them."

With Buckham at his side, DeLay attended the organization's first fundraiser aboard the private yacht of Dick and Betty Devoe, the owners of Amway and major GOP contributors. Speaker Dennis Hastert (Ill.), Majority Leader Richard Armey (Texas), and Conference Chairman J.C. Watts (Okla.) were also in attendance.

Gallant, backed by the legal opinions of several campaign finance law experts, has said GOP leaders can raise money for the group and attend fundraisers as long as they don't instruct RMIC where to spend its money. He insists DeLay, or any other Republican Member for that matter, has never tried to coordinate RMIC's political activity with their own.

However, as Democrats are quick to point out, there's no need for direct coordination because all of the players involved are fully aware on which districts RMIC needs to focus its resources.

Buckham said he also has no relationship with Americans for Economic Growth, another 501(c)(4) that has already run radio ads in several districts and generated controversy.

However, Ellis, a part-time consultant for Buckham's Alexander Somersy Group, does have a recent connection to the group and talks with its officials periodically, he said.

"I did a year ago," Ellis said when asked if he works for AEG. "I don't have any relationship with them at all. I did some stuff on energy policy for them last year and I know those guys personally. I talk to [AEG officials] but their affiliation with the organization is the only reason we talk."

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11/4/99 WSJ A32

The Wall Street Journal
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Thursday, November 4, 1999

Politics & Policy

Group With DeLay Ties Pays for Ads Pressing Democrats on Social Security
By Greg Hitt
Staff Reporter of The Wall Street Journal

WASHINGTON -- A nonprofit group with ties to House Majority Whip Tom DeLay of Texas is financing a series of radio ads pressuring vulnerable Democrats over Social Security.

The ads, which are among the first independently funded political messages of the 2000 election, closely track a television campaign that top House Republicans launched last month amid the escalating budget fight with President Clinton.

The radio spots say liberals in Congress are poised to raid the retirement program to pay for foreign aid and new domestic spending. Though the radio ads urge local voters to call "our congressman," they are paid for by **Americans for Economic Growth**, a nonprofit group incorporated in North Carolina with headquarters in McLean, Va.

The initiative not only underscores the significance of Social Security as a 2000 election issue, but also highlights weaknesses in campaign-finance laws.

The ads have aired in recent days in the districts of four first-term Democrats, Reps. Rush Holt of New Jersey, Shelley Berkley of Nevada, Dennis Moore of Kansas and Ken Lucas of Kentucky. The four are among the GOP's top targets for defeat as Republicans fight to preserve the party's slim five-seat majority in the House. "It's a desperate attempt on DeLay's part to hold onto the majority," said Rhode Island Rep. Patrick Kennedy, chairman of the Democratic Congressional Campaign Committee.

Americans for Economic Growth is part of a loose network of conservative advocacy groups that have cropped up this decade, many of them once associated with the fight over government attempts to regulate the tobacco industry.

The link between the group and Mr. DeLay is James Ellis. Mr. Ellis was the group's "registered agent" when it was founded in December 1993, according to North Carolina records, and is now head of Mr. DeLay's political-action committee.

"I wasn't involved in the specifics of it," ~~Mr. Ellis~~ said of the ad campaign. But Mr. Ellis said he was told about the group's efforts by Pat Buckley, its current head and a longtime associate from their days as grass-roots organizers on behalf of the tobacco industry.

"I said, 'Right on,'" said Mr. Ellis, adding he hopes to be more involved in the group in the future. "I agree with what they're doing." Mr. Buckley couldn't be reached for comment.

A spokesman for Mr. DeLay said there is no connection between the congressman and the private group's activities. But Mr. Ellis is an important member of Mr. DeLay's political machine, and, at minimum, the ad campaign

highlights the deep commitment that the Texan and his allies are making to preserve the GOP majority.

Separately, a group known as the Republican Majority Issues Committee, headed by Mr. DeLay's former top fundraiser, is trying to raise \$25 million to mobilize conservative voters in 20 to 25 swing districts.

Rep. Berkley has taken a double hit in her Las Vegas district, where both the House GOP campaign committee and the nonprofit group have run ads. "They really have a low opinion of the intelligence of people in my district, and across the United States," Rep. Berkley said. She called Americans for Economic Growth "a set-up Republican front, and a very poor one at that. People know what it is."

--- INDEX REFERENCES ---

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END OF DOCUMENT

Roll Call
11/4/1999

people familiar with the investigation.

a Supreme Court decision handed down in April changed the rules

that Shuster was the focus of an extensive investigation that ex-

ponents were called for

DCCC Blasts Radio Ads

Group Behind Campaign Has Links to DeLay

By Jim VandeHei
and Ethan Wallison

House Democrats are outraged by a new Social Security media campaign financed by an obscure organization with ties to Congressional Republicans.

The ad campaign, which is being bankrolled by Americans for Economic Growth, is quickly becoming the most controversial independently financed media blitz of the 2000 election season.

So far, the organization has purchased radio time only and has targeted just four Democratic lawmakers: Reps. Rush Holt (N.J.), Dennis Moore (Kan.), Shelley Berkley (Nev.) and Ken Lucas (Ky.). Lucas has already convinced

Continued on page 28

INSIDE

PACKARD: Another GOP Member to retire, p. 3.

POLITICS

CHRISTENSEN: Ex-Member considering race to replace retiring Rep. Barrett in Nebraska, p. 11.

HELMS PROTEST



Photo

Several Members, including (from left) Reps. Barbara Lee, Corrine Brown, Eddie Brown, Jesse Jackson Jr., Juanita Millender-McDonald and Carolyn Maloney, staged a protest in front of Sen. Jesse Helms' office over his objection to Carol Moseley-Braun's nomination. See

Roberts Will Lead Senate

By Mark Preston

Sen. Bob Smith's (R-N.H.) ascension to the chairmanship of the Environment and Public Works Committee Tuesday will also give Sen. Pat Roberts (R-Kan.) a key gavel.

Roberts will take over the chairmanship of the Select Committee on Ethics, a post Smith vacated in order to take over the Environment chairmanship.

Meanwhile, GOP Conference Secretary Paul Coverdell (Ga.) has landed a coveted seat on the Finance Committee. Coverdell's hop to the tax-writing panel will open a spot on the Foreign Relations Committee that could be filled by incoming Sen. Lincoln Chafee (R-R.I.), who is expected to be sworn in today.

All of the committee shuffling comes in the wake of the recent death of Chafee's father, Sen. John

Continued on page 24

Chafee Vows to Carry Father's Legacy in

By Rachel Van Dongen

Warwick Mayor Lincoln Chafee (R) will be sworn in today to replace his father, the late Sen. John Chafee (R-R.I.), bringing the Senate to its full complement of Members and giving the younger Chafee a distinct advantage in attempting to win election to a full term exactly one year from now.

After a week of mourning following the sudden death of Sen. Chafee from heart failure, Rhode Island Gov. Lincoln Almond (R) surprised no one by appointing the younger Chafee, known as "Linc.," to his father's seat.

Almond called the younger

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House Democrats Criticize Issue Ads on Social Security

Continued from page 1

five radio stations to pull the ad and the other three Members are asking stations to follow suit.

While little is known about the organization, at least one person listed as an original registered agent, James Ellis, is a close political ally of Majority Whip Tom DeLay (R-Texas).

Ellis runs DeLay's leadership political action committee, Americans for a Republican Majority, or ARM PAC. Ellis did not return a phone call requesting comment.

DeLay, according to several sources, was the driving force behind the National Republican Congressional Committee ad campaign, but his spokesman dismissed any charges of coordination as ridiculous.

And the NRCC also denied any knowledge of the organization and, therefore, insisted that there has been no coordination with the group.

"The NRCC is unfamiliar with this group," said committee spokeswoman Jill Schroeder. "Their media buy was news to us, but it was certainly good news."

Democrats charge that the media campaign raises serious questions about whether the NRCC is coordinating its own "Stop the Raid" ad strategy with this outside group.

"This smacks of illegal collusion," said a top adviser to Minority Leader Richard Gephardt (D-Mo.). "The issue is collusion — is Tom DeLay calling [Americans for Economic Growth] and saying, 'Run ads in these districts?'"

While Democratic Congressional Campaign Committee Chairman Patrick Kennedy (R-I.) does not believe the NRCC is unlawfully coordinating its work, he is investigating whether the organization is operating illegally because its corporation certification was revoked by the state of Virginia in April.

Americans for Economic Growth has a Virginia telephone listing, but its officials did not return phone calls requesting comment. At press time, it was unclear who was naming the group or where it is headquartered.

"Issue ads have become a reality in political life. In that reality, they should be conducted above reproach," said DCCC spokesman Erik Smith. "In this instance, this organization has produced a lot of questions and produced no answers."

Furthermore, several law experts said — and many Democrats privately conceded — it would be virtually impossible to prove the charge of improper collusion and, even if Democrats could, the Federal Election Commission has a track record for letting such behavior go unpunished.

Nevertheless, Democrats are convinced the ad campaign is improper. The links between the NRCC and Americans for Economic Growth are far too obvious to discount, they argue.

The ads, which accuse four vulnerable Democrats of dipping into the Social Security surplus to fund government programs, sound remarkably similar to the NRCC television ads, they said.

Kennedy this week dispatched his staff to accumulate information about the organization and its connection to the GOP and to feed it to local political operatives to convince sta-

"The NRCC is unfamiliar with this group," said committee spokeswoman Jill Schroeder. "Their media buy was news to us, but it was certainly good news."

tion managers to pull the ads.

Kennedy has resisted the temptation to run response ads thus far and has instead focused the committee's energy and time on convincing television and radio stations to refuse the ads.

The spots, which have run exclusively on radio, come directly on the heels of the NRCC campaign. Two of the four lawmakers targeted in the radio buy — Berkley and Moore — were also hit by the NRCC.

Lucas succeeded Tuesday in getting five stations in his district to suspend the spots after a furious counterattack by his office.

Among other things, Lucas' office provided stations with documentation showing Lucas had introduced his own Social Security "lockbox" legislation, along with Moore and Holt.

A Lucas spokesman said the stations indicated they will "continue to review" the spots, and plan to solicit input from the group that bought the air time.

Moore and Berkley lashed out at the NRCC

and its chairman, Rep. Tom Davis (Va.), who they alleged was clearly in the know about the supposedly independent campaign.

"You'd have to be unconscious or from another planet to not see the connection" to the NRCC, Berkley said, citing the similar text and placement of the ads.

Moore, clearly irritated by the repetitious assault on his Social Security record in his district, was asked whether he thought Davis knows who is behind Americans for Economic Growth. "I think he does," Moore said.

While the ads have infuriated the Members who have been targeted, Democratic strategists have continued to maintain that they are having little to no impact, because the buys have been relatively small and because the election is not for another year.

This outlook has itself frustrated targeted Democrats, some of whom appear to feel they are caught in a public relations vortex between their need to prove themselves on Social Security and the party's strategy to portray the ads as no big deal.

"We're talking about a race that's going to be decided by a couple of points, so everything has an impact," a senior aide to one targeted Democrat said. "I don't care what [party strategists] say."

Campaign finance experts said Americans for Economic Growth is only one of what they predict will be dozens of unknown organizations that will run ads in competitive districts next year without disclosing anything more than their names.

These organizations operate with extraordinary freedom from disclosure laws that cover political campaigns, and it's virtually possible for the FEC to prove illegal coordination based on the limited information available to them.

As long as the commercials do not explicitly advocate the election or defeat of a particular candidate, they are considered "issue advocacy ads," which the FEC does not regulate.

While this situation is unlikely to draw scrutiny from the FEC, some legal experts warn that such intervention may occur if organizations skates too close to the line of legality and there's evidence to prove that.

"At some point this could be a problem said Ken Gross, a Republican election law expert with the firm Skadden, Arps, Slaughter & Fleishman LLP.

Gross said some officials at the FEC have "not completely embraced the view" that ads that do not directly advocate the election or defeat of a particular candidate are outside the FEC's regulatory authority.

If Democrats could prove the NRCC funded the campaign and directed where the money should be spent, many FEC commissioners would try to intervene, he said. But then, the threshold to prove illegal coordination is so high that the FEC could refuse to investigate the matter.

"I don't know at what point the coordination between two groups becomes so pervasive the FEC would think the issue group's activity should come under their jurisdiction," he said.

Packard Plans to Leave Congress in 2000

Continued from page 3

committee chairmen," Feehery said. "It seems that's why a lot of these Members want to move on."

Packard's announcement sets the stage for a potentially explosive March 7 GOP primary in the state's 48th district, a Republican stronghold, between Dorman and multimillionaire Darrell Issa, a car-alarm magnate who poured \$13 million of his own money into an unsuccessful 1998 Senate primary bid.

An aide said Packard will not endorse any candidate in the primary to succeed him.

"I'm caught just a little off guard, but I'm fast-footed, and this is something I'll seriously look at," Dorman said in an interview Wednesday.

Dorman — who said he recently purchased land in the 48th district near his daughter's residence in San Juan Capistrano — had been threatening to challenge Rep. Dana Rohrabacher (R) in the nearby 45th district.

Dorman, a hard-right conservative and fiery, fist-thumping orator, first won a House seat in the state's 38th district in 1984. Following the post-1990 Census redistricting of House boundaries, Dorman jumped to the Democratic-trending 46th district in what he described as a personal favor to Rohrabacher, who would otherwise have been forced to run against Dorman.

Hurt by the influx of Hispanic voters into his Orange County base, Dorman narrowly lost

his 1996 re-election bid to now-Rep. Loretta Sanchez (D) and, following a 14-month challenge to Sanchez's 984-vote win, lost a 1998 rematch by 17 points. In both races, Dorman proved to be a skilled fundraiser, spending \$3.9 million in last year's race.

"I'm seriously interested, and it looks like Dana is rescued again, by fate. I do not relish being a freshman for the third time but then I've never really acted like a freshman," Dorman said. "When I first landed there in 1985, I acted like I had already been [in the House] 10 years."

In remarks praising Packard that clearly sounded like a job at Dorman, Rohrabacher called Packard "a gentle conservative who has the respect of people on both sides of the aisle. His quiet dignity has well served his constituents and his country. Run is a guy who respects others and in return has achieved a great deal of respect among anyone who has ever worked with him."

Noting he has previously held seats with high Democratic voting performance, Dorman said he would "cherish" the opportunity to represent the solidly GOP 48th, which stretches from southern Orange County to northern San Diego County and includes a slice of Riverside County.

"The thought of an outspoken fighter like Bob Dorman in a safe Republican seat is a consummation devoutly to be wished," he said.

Dorman also lashed out at Issa, calling him

a "rank amateur" who has little political appeal among conservatives. "Darrell would have trouble beating a state Assemblyman, especially since he's made an enemy of me," Dorman said.

"I'm sorry that he has so much hate, that's B-1," responded Issa, who otherwise sought to focus media attention yesterday on Packard's career in Congress.

Still, Issa could not resist taking a jab at Dorman, saying a comparison of Packard's records in the House would show that "these guys are like night and day."

But several California Republicans cautioned that Dorman and Issa are certain just part of a more crowded primary. The tight deadline for House races in California Dec. 10.

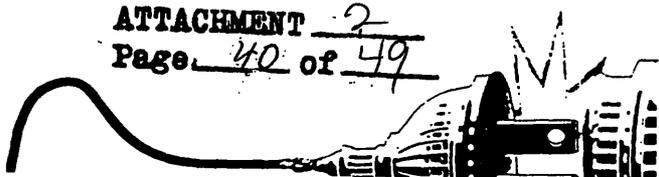
Term-limited state Assemblymen E. Thompson and Howard Kaloogian are being touted as likely GOP candidates. Kaloogian said yesterday that he plans to so he can run to succeed Rep. Duke Cunningham (R) when he retires from the district.

State Sen. Bill Morrow (R) also may. Some Republicans also suggested the Diego County Supervisor Bill Horn (R) is currently running for the nomination to replace Sen. Dianne Feinstein (D) in 2000 and abandon that bid to run for the House.

John Bresnahan contributed to this report.

Plug In To Congress

ATTACHMENT 2
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Wednesday, November 3, 1999

Social Security Ads Irk Democrats
 By DAVID ESPO
 Associated Press Writer

WASHINGTON (AP) - A little known organization has recently begun airing radio commercials about Social Security in key House districts. Democrats said Wednesday they believe the group has ties to the political organization of House GOP Whip Tom DeLay.

Americans for Economic Growth is paying for the advertisements in the districts of Rep. Rush Holt of New Jersey, Shelley Berkley of Nevada and other vulnerable Democrats. The commercials allege that liberals in Congress "want to use their voting cards to pick the Social Security lock box" and spend the money on big government programs.

The commercials deliver a message similar to television advertisements that the National Republican Congressional Committee has been airing in eight to 10 Democratic target districts around the country over the past few weeks.

But the two efforts have significant differences.

The NRCC, as a political organization, is obliged to use a mix of soft money and hard money, and is required to disclose the sources of its funds and its expenditures. Hard money donations are limited in size, and thus harder to raise in large quantity.

Under federal election law, Americans for Economic Growth is allowed to pay for its commercials with soft money donations of unlimited size, and is not required to file a disclosure statement with the Federal Election Commission.

Americans for Economic Growth is not permitted by law to advocate the election or defeat of any candidate. And the commercials stop well short of that. They urge the listener to call their member of Congress and "tell him to support the Republican plan to protect Social Security."

The organization has corporate records on file in two states, listing an office in Winston-Salem, N.C., and an official there, James W. Ellis.

11/3/99 ASSOCPR (No Page)

(Publication page references are not available for this document.)

DeLay's political action committee, Americans for a Republican Majority, also has an employee named James Ellis, who formerly worked in Winston-Salem, several GOP officials said Wednesday.

Efforts to reach Ellis were unsuccessful.

Democrats have been researching the origins of the group since the commercials began running several days ago. Erik Smith, a spokesman for the Democratic Congressional Campaign Committee, said, "I think Jim Ellis the guy who works for ARMPAC (DeLay's PAC) is the same Jim Ellis who is the registered agent for Americans for Economic Growth...."

"It's clear that this organization was thrown together virtually overnight for the sole purpose of not having to spend Republican campaign funds," Smith said.

Mike Scanlon, a spokesman for DeLay, said the Texas Republican's office "has positively nothing to do with this. We don't know anything about the group. We don't know anything about the ads." But, he added, "we're thankful" for the effort. Scanlon said he could not confirm that the Ellis tied to AEG was the same person who works for ARMPAC.

Jill Schroeder, spokeswoman for the NRCC, said she had never heard of Americans for Economic Growth and the GOP campaign organization had not donated any money to it.

AEG's second office is in the Virginia suburbs near Washington. Kenneth Boehm, listed as the registered agent for that office, said Wednesday that he had severed his ties with the group some time ago because of time constraints.

The Republican Congressional Committee's television commercials have proved to be controversial within GOP circles, in part because the ad campaign has involved the expenditure of hard money on an ad effort a year in advance of the 2000 elections.

Smith said one Democrat, Rep. Ken Lucas of Kentucky, successfully appealed to local radio station not to air the commercials, claiming they were inaccurate. Lucas has supported "lockbox" legislation to safeguard Social Security funds from being used in general government programs.

"The financing source of this false and misleading advertising campaign is unknown," he said in a statement.

A second Democrat, Rep. Chet Edwards of Texas, made a similarly successful appeal in his Waco, Texas, congressional district when the GOP campaign committee sought to air its TV commercials there.

11/3/99 ASSOCPR (No Page)

(Publication page references are not available for this document.)

----- INDEX REFERENCES -----

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Chicago Tribune
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Sunday, October 31, 1999

METRO CHICAGO

DC Journal

GOP'S NEW MONEY MAN HAS TIES TO HASTERT
Mike Dorning, Tribune Staff Writer Mark Stricherz of States News Service
contributed to this column

More than anything else, the primary goal House Republicans have set for themselves is getting re-elected.

So they're deferring their ambitions for change into the future and for the most part merely persevering in the meantime through a Congress marked by a diminished majority and a party weakened by competing philosophical factions.

And the man who has been given charge of the congressional campaign apparatus and fundraising operation that must deliver that future is a lobbyist with close ties to Illinois' Dennis Hastert: Dan Mattoon, who represents telephone giant BellSouth.

Mattoon was named last week to run the National Republican Congressional Campaign Committee, replacing Scott Hatch, a longtime aide to House Republican Whip Tom DeLay of Texas. Hatch took a medical leave, citing a stomach disorder.

The move strengthens Hastert's hold on a crucial piece of the congressional party machinery, although Mattoon is an ally of DeLay's as well.

"I felt a commitment to be as helpful to Denny as I could," said Mattoon. "I look forward to it. It's a great challenge. We certainly have our work cut out for us."

Mattoon was the chief of staff for Hastert's two predecessors representing the Fox River Valley in Congress: Reps. Tom Corcoran and John Grotberg. He also worked as a consultant on Hastert's first campaign for Congress and has remained an unofficial adviser since then.

Show me the money: It hasn't taken Peoria's GOP Rep. Ray LaHood long to begin maneuvering for the seat on the influential House Appropriations Committee now held by fellow Republican Rep. John

Porter of the North Shore suburbs.

Barely two weeks after Porter announced he would not seek re-election, LaHood is campaigning in earnest for the opening on the committee, arguably the most powerful of all House committees because it drafts the lucrative line items in the federal budget that determine how hundreds of billions of dollars are spent.

LaHood has been meeting more with Hastert, House aides said. He also has toned down his occasionally acerbic comments to the press. In addition, LaHood's staff has been working other congressional offices, particularly courting members of influential committees.

Curtains: A tax break the south suburbs' Republican Rep. Jerry Weller had worked out to encourage more movie production in the United States looks like it will wind up on the cutting-room floor.

Weller had announced earlier this month that the tax credit for independent movie producers, supported by Chicago's film office, would be included among a package of breaks for business that was to be added into a bill raising the minimum wage.

But he now says the provision is likely to be removed by House Ways and Means Chairman Bill Archer (R-Texas), who has decided to block any provisions not already formally approved by his committee.

Man's best friend: The House has granted approval to a bill sponsored by Weller that could land a person in prison for up to a year for so much as kicking a federal police dog.

The measure sets penalties of up to one year in prison for injuring a police dog or horse and up to 10 years' prison time for killing a policedog.

"There are no laws protecting these animals or discouraging criminals from assaulting or even killing them," Weller said in favor of the bill, which does not yet have a Senate sponsor.

---- INDEX REFERENCES ----

NAMED PERSON: WELLER, JERRY

KEY WORDS: OFFICIAL; ILLINOIS; CONGRESS; ISSUE; LEGISLATION

NEWS SUBJECT: Local/Regional Section (LCR)

AP Online
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Friday, October 29, 1999

Chafee's Death Opens Assignment
By DAVID ESPO
Associated Press Writer

WASHINGTON (AP) - Senate Republicans have a plum committee assignment to fill, the seat on the tax-writing Finance Committee that Sen. John Chafee of Rhode Island held at the time of his death Sunday.

Under GOP rules, memberships on the panel are awarded strictly by seniority, although a senator may not sit on any one of three other panels - Appropriations, Foreign Relations or Armed Services - at the same time.

Several senior Republicans have passed up Finance Committee seats before and are certain to do so again - Sen. Ted Stevens of Alaska, who chairs the Appropriations Committee, for example, as well as other members of his panel who are subcommittee chairmen.

Much attention has been focused on Chafee's chairmanship at the Environment and Public Works Committee, a spot for which New Hampshire Sen. Bob Smith, a one-time Republican on the verge of rejoining the GOP, and Oklahoma Sen. James Inhofe are vying.

But a seat on the Finance Committee is highly coveted, given its jurisdiction over taxes, trade, Medicare and welfare programs, and its traditional entree to fund-raising sources.

And if enough senators decide to take a pass, it could become a very valuable consolation prize for Smith or Inhofe.

Ten days after the demise of campaign finance legislation in the Senate, a bipartisan group of senators is trying a new approach.

The measure, introduced by Sen. Chuck Hagel, R-Neb., four fellow Republicans and two Democrats, would limit soft money contributions to the political parties and raise the current ceiling for donations by individuals to candidates. It also includes requirements for stricter disclosure of campaign contributions and advertising.

Hagel said he was proposing his legislation as a "bipartisan

alternative in what has been a very polarized debate."

His measure would limit soft money donations to \$60,000 per organization. Soft money applies to funds donated by individuals, corporations and unions to political parties, and currently there are no limits on their size.

Donations to candidates, referred to as hard money and currently limited to \$1,000, would rise to \$3,000 to take into account the effects of inflation since 1974.

By contrast, legislation that died in the Senate this month at the hands of a Republican filibuster would have banned soft money but made no change in hard money limits.

Hagel said he had intended to seek a vote on his measure as part of the recent campaign finance debate in the Senate, but was prevented from doing so by the parliamentary snarl that developed.

Dan Mattoon, a phone company lobbyist and longtime adviser to House Speaker Dennis Hastert, is taking over as top staff aide at the House GOP campaign committee.

Mattoon will become deputy chairman at the committee at the beginning of the year. He effectively replaces Scott Hatch, who had been serving as executive director, and will begin an indefinite medical leave.

Mattoon is a vice president at BellSouth Corp., with responsibilities for the company's legislative and political affairs.

As coordinator of the BellSouth political action committee, he oversaw the donations of more than \$1.5 million to congressional candidates in the 1997-1998 election cycle.

Mattoon is a former aide at the National Republican Congressional Committee, and also served as an aide to Hastert's predecessor in the House. Several GOP aides, who spoke on condition of anonymity, said his selection signals Hastert's desire to have a stronger presence at the campaign committee, which will lay an important role in determining the fate of the GOP majority in next year's elections.

--- INDEX REFERENCES ---

COMPANY (TICKER): BellSouth Corp. (BLS)



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House Leaders Plan Ad Blitz on Budget Strategy

New Campaign Designed to Blunt Hastert's Critics

By Jim VandeHei and John Bresnahan

Speaker Dennis Hastert (R-Ill.), besieged by complaints about his leadership and his party's agenda, is planning a multimillion-dollar media campaign that will stake the GOP's political future, and possibly his own, on protecting the Social Security surplus.

The campaign, which sources

said will cost as much as \$5 million depending on its success, will target vulnerable Democratic Members. It's also designed to show Republicans and their donors that leadership stands for something and is willing to fight on principle.

Several Members, including one party leader, said Hastert is under intense fire from Republicans and faces a potentially disastrous end to his first session as Speaker if he does not unveil a winning strategy soon.

"There are some people who are questioning some of the decisions Denny has made," said a member of Hastert's leadership team, who re-

Sources described a raucous meeting in the office of Majority Whip Tom DeLay yesterday, during which several Members were highly critical of Hastert's comments and the overall performance of his leadership team.

quested anonymity. "He's not in any trouble, but there are a lot of questions about what we'll do next, especially after what he said on Sunday. I think Denny has to convince people that we have made a commitment and we'll stick to it."

Numerous Members filed into various leadership offices, including Hastert's, in the past 48 hours to complain that the Speaker appeared weak-kneed and rudderless on CBS' "Face the Nation" over the

Continued on page 13

Lott to Put Blame On Clinton for Chaos

By Mark Preston

Senate Republican leaders went on the offensive yesterday, trying to shift blame to President Clinton in case the impending appropriations clash leads to a government shut-down.

Majority Leader Trent Lott (R-Miss.) said in an interview. "We will never be a party to not take any action, as long as I am Majority Leader, that is necessary to keep the government in action."

"We do not intend to be a party to closing down any part of the Unit-

Domenici said. "As long as we continue to do that... it will be up to the President to decide whether or not he wants to close down the government. It won't be us."

Senate Republican leaders were launching a preemptive strike in order to make sure 1999 is not a repeat of 1995, when they were accused of shutting down the government.

The Senate rhetoric came as House GOP leaders pushed through a continuing resolution that will keep the government open for three weeks past the tomorrow's close of

HEARD ON THE HILL

By Ed Henry
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House Republican

Photo by Rebecca Roth
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House Leaders Plan Ad Campaign on Surplus Fight

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weekend and that Republicans are in danger of self-destructing. "I have never heard of the Conference at large bitch this much," said one leadership source.

The sources described a raucous meeting in the office of Majority Whip Tom DeLay (R-Texas) yesterday, during which several Members were highly critical of Hastert's comments and the overall performance of his leadership team.

"Members of the whip team were more upset and more concerned than they've been in a long time," said one participant. Rep. Gil Gutknecht (R-Minn.) started the griping and several other Members chimed in, participants confirmed. Gutknecht's office denied making any critical comments.

In addition, several conservatives, many of whom instigated the coup attempt against then-Speaker Newt Gingrich (R-Ga.) in 1997, huddled for a late-Monday gripe session and left feeling that things could quickly go from bad to unfixable.

"This place is hopeless. ... When will we get real leadership? Those were the concerns expressed in the meeting," said Rep. Mark Sanford (R-S.C.), who attended the gathering along with GOP Reps. Steve Largent (Okla.), Tom Coburn (Okla.), Lindsey Graham (S.C.) and several others. Hastert spokesman John Feehery refused to comment on the campaign.

Several Members said Hastert has infuriated conservatives by caving in on tax cuts, breaking his promise to never bust the budget caps and yielding the floor to Democrats so they can pass many of their popular agenda items.

GOP strategists said the party will self-destruct if it breaks its most popular, poll-tested idea: a pledge to never again spend Social Security surplus dollars, which Republicans call a lockbox, hence the multimillion-dollar ad campaign, an idea many Republicans admit is risky.

"We will never dip into Social Security. Ever. This is Hastert putting our money where his mouth is by putting millions of dollars behind this," said one leadership source.

But not everyone in the party leadership has signed off entirely on the campaign and there appears to be some dispute over how much money National Republican Congressional Committee Chairman Tom Davis (Va.) is willing to spend, if any, on the advertising component.

"Some other leaders want me to pay for this, but no decision has been made," said Davis, who added that the NRCC's executive board must first approve the plan.

However, Davis said the media campaign will initially target at least six Democrats starting as early as this week.

The first wave of ads will likely air in the district of vulnerable Democrats such as Reps. Dennis Moore (Kan.), Shelley Berkley (Nev.), Mike Forbes (N.Y.), Rush Holt (N.J.), Joe Hoefel (Pa.) and Jay Insee (Wash.). The sources cautioned the target list could change and could be tweaked to pressure specific Members during the upcoming appropriations showdown.

The campaign, according to sources, is the opening salvo in a paid media blitz Republicans plan to employ to define themselves before turning the stage over to GOP presidential frontrunner George W. Bush following the New Hampshire primary. "We're dead if we don't show voters we believe in something," said a leadership source.

Davis also suggested the paid media campaign could continue into next fall.

"There's no clearer form of communications than paid media [and] there's no way to get off-message this way," said another leadership source. "Our 30-second ads will make it abundantly clear that we believe in something."

The NRCC will run the ads, the sources said, and pay for the campaign. While some strategists think it's risky to spend NRCC

funds so early, several leadership sources said Hastert, DeLay and other leaders will likely hold special fundraising events to finance the program, if necessary.

In addition to running the ads, the NRCC is also expected to set up a communications "war room" to counter any Democratic attempts to distort its message.

Democrats dismiss the planned ad campaign as too little, too late.

"1998 showed how all the money in the world cannot sell a fundamentally flawed message," said John Del Ceato, a spokesman for the Democratic Congressional Campaign Committee. "And it will cost Republicans even more to sell a lie."

Del Ceato also compared it the NRCC's failed "Operation Breakout," a major ad campaign designed to help GOP incumbents during the last election.

Several GOP leadership sources also strongly questioned whether Republicans can convince anybody that they won't spend Social Security dollars after Clinton has argued otherwise for months. But Hastert and company think it's a gamble they can win.

They plan to buttress the ad campaign with a comprehensive communications plan. GOP

Conference Chairman J.C. Watts (Okla.) is running this component of the operation and is calling it the "Stop the Raid" campaign.

Beginning today, Republican lawmakers are being urged to hold at least three events in

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their districts during October, when the budget fight with Clinton and the Democrats is expected to hit its high water mark, to tout the GOP's position on Social Security.

Members are being urged to send out

newsletters and direct mail to senior citizens to help gain their support.

In order to help ensure Members participate in the effort, Rep. Jack Kingston (R-Ga.) has been assigned the task of whipping up support for the ground campaign. Hastert has also sent a letter to every Member urging them to participate.

Majority Leader Richard Arney (R-Texas), who urged the rest of the GOP leadership to issue a statement yesterday reiterating the party's position on Social Security, also plans to issue a daily message on the topic.

"We need to drive a positive, consistent message that defines Republican priorities," said a senior GOP Conference staffer. "This is a joint effort by the entire leadership and we hope all Members become involved."

Largent, a leading GOP conservative, reiterated the view that Hastert isn't about to be ousted, but did say Members are concerned about the direction the debate is taking over Social Security.

"There is some frustration about how this thing is evolving," said Largent of the budget endgame. "We're now coming down to the last three, four weeks of the session, and we'll see what's what."



Photo by Rebecca Roth

Sens. Conrad Burns (left) and Ted Stevens confer before yesterday's Appropriations Committee meeting.

Lott, Domenici Put Blame on Clinton

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not vote.

Lott, meanwhile, also conceded that Congress will not be able to stay within the budget caps as outlined in the 1997 agreement reached with Clinton.

He said that no one person should be blamed for the problem and pointed to a handful of funding emergencies such as Kosovo, disaster relief for the country's agricultural community and the demand for additional monies for education, the National Institute of Health and defense as the reason why the "caps busted."

"We knew in 1997 that the budget agreement we entered into was a tough one and would be very difficult to meet," Lott said. "We knew in particular this year would be extra hard, but that doesn't mean you shouldn't strive for it. You should always strive for an A, but if you get a B, you don't go out and commit suicide."

Lott said he would have preferred to stay on and finish his cap, but Congress needs to move on and finish its work.

"Our goal now should be. Get the appro-

riations bills done, protect the Social Security Trust Fund, refuse to raise taxes like [Clinton] wants us to do and reduce the debt," Lott said.

Domenici said there will be "legitimate advanced funding" in next year's budget that allows for room so Republicans will not have to dip into the Social Security Trust Fund.

"It makes some of the expenditures go into the next year, because that is really where they are going to be spent," Domenici said.

Senate Appropriations Chairman Ted Stevens (R-Alaska) said he "fully expects" Congress will be finished with its appropriations work by Oct. 29.

But Stevens acknowledged that Republicans will have to want to see what appropriations bills Clinton will veto. Clinton vetoed the D.C. appropriations bill yesterday because he disagreed with a handful of social riders.

Lott also defended the Senate's work progress this year, saying it has gotten a lot done despite spending six weeks on Clinton's impeachment trial and the lack of help from Democrats to pass legislation.

"This has been a very active and productive Senate," Lott said. "We are getting our work done, but the Democrats as usual, they obstruct, block, delay ... filibuster, protest and holler and then say, 'Oh, the Republicans are not getting their work done.' But it is just not true."

Lott also said at times he has been "agitated" with Stevens and the other appropriators. But the Majority Leader said he understands Stevens has a "very difficult job" and the disagreements have not been personal.

"[Stevens] is trying to do it at a time we are trying to keep restraints on the spending and all the pressure around here is to spend more," Lott said. "I get agitated personally, frankly, with appropriators because they are always looking, most of them, for more ways to spend more money. But after all, that is what they do."

Lott said the answer to avoid end of the year turmoil is to have a biennial budget, a proposal he plans to pursue next year.

"We have got to go to biennial funding," Lott said. "Budget in the odd year and appropriations in the even year."

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