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## **BACKGROUND REPORT**

Oct. 3, 2005

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### **House Majority Leader Tom DeLay Indicted of Criminal Conspiracy**

#### **Texas Grand Jury Concludes that DeLay Helped Launder “Massive Amounts” of Illegal Funds into State Elections**

WASHINGTON, D.C. – House Majority Leader Tom DeLay (R-Texas) – one of the most powerful Republican leaders in Congress – has been indicted of criminal conspiracy in laundering “massive amounts” of corporate funds into Texas state elections. The indictment wraps up a two-year investigation led by Travis County District Attorney Ronnie Earle, which has focused on alleged campaign finance violations by the Texas Association of Business (TAB) and Texans for a Republican Majority (TRMPAC), a leadership PAC originally founded by DeLay.

Under congressional ethics rules, the criminal indictment means that DeLay must temporarily relinquish his leadership post in the House of Representatives. Facetiously known as the “DeLay rule,” the House ethics rule dates back to 1993, when House Republicans wanted then-House Ways and Means Chairperson Dan Rostenkowski (D-Ill.) to be held accountable for his own ethics violations. DeLay helped lead the floor fight for tougher ethics requirements, resulting in the rule that members of the House cannot serve as leaders while under criminal indictment for violating state or federal laws. Although DeLay led an effort to repeal the DeLay Rule in January of this year, House Republicans backed down under immense public pressure and kept the ethics rule in place.

The Travis County grand jury had earlier indicted three close associates of DeLay with violating state campaign finance laws – John Colyandro (executive director of TRMPAC), James Ellis (executive director of Americans for a Republican Majority, another DeLay leadership PAC), and Warren Robold (a major DeLay fundraiser) – along with eight corporations for their role in spending corporate money in Texas state elections in 2002.

DeLay was not included in the first round of indictments, largely because of jurisdictional issues. Under Texas law, indictments for campaign finance violations must be issued by the district attorney’s office in the county where the perpetrator resides or committed the offense. Tom DeLay resides in Fort Bend County, Texas, and works in Washington, D.C. However, by expanding the scope

of investigation to include charges of conspiracy under Texas criminal statutes, the Travis County grand jury faces no jurisdictional restriction. Just a few days after announcing the conspiracy indictment, District Attorney Earle impaneled a new grand jury on October 3, which issued a second criminal indictment against DeLay in a matter of hours, this one for “money laundering.” Questions arose whether the conspiracy charge was applicable to election violations prior to 2003, when the alleged election violations occurred. The money laundering charge, which is also in the criminal statutes and within the jurisdiction of the Travis County grand jury, can carry more severe penalties than the conspiracy charge.

The indictments stem from efforts to redraw the boundaries of Texas’ U.S. congressional districts in 2003 by gaining Republican control of the Texas House in the 2002 elections. DeLay associates Jim Ellis and John Colyandro have been indicted for laundering \$190,000 in illegal corporate contributions by sending the money to the Republican National Committee, which then had the Republican National State Elections Committee send an identical amount to seven candidates for the Texas house. Colyandro is the former executive director of Texans for a Republican Majority Political Action Committee (TRMPAC), which DeLay founded, and Ellis is the head of a Americans for a Republican Majority (ARMPAC), DeLay’s leadership PAC which he also founded. Colyandro and TRMPAC/ARMPAC fundraiser Warren Robold were also indicted for raising about an additional \$400,000 in corporate contributions that was spent on political expenses in support of a total of 24 Texas House candidates in 2002.

Republicans picked up 16 Texas House seats in the 2002 election, bringing the first Republican majority in the House in 100 years and enabled Republicans, in control of both houses of the Texas Legislature and the governorship, to redraw the boundaries of Texas’ U.S. congressional districts to be more favorable to Republicans. In the ensuing 2004 elections Republicans picked up six seats in the Texas delegation to the US House of Representatives, changing the Democrat-Republican balance from 17-15 to 11-21. Nationwide, this helped the Republicans increase their majority by five more seats in the U.S. House of Representatives.

District Attorney Ronnie Earle has presided over four grand juries in the course of this investigation , with each one in succession building on the work of its predecessor. During the course of the investigations, Earle has come under sharp political attacks from DeLay and other Republicans for using his authority for partisan purposes. Earle’s record as a district attorney does not warrant such accusations. Over his career as a law enforcer, Earle has issued 15 indictments of major elected officials, 12 of whom were Democrats.

District Attorney Ronnie Earle is not the only law enforcer taking a close look at DeLay’s financial dealings. In May of this year, Travis County District Judge Joe Hart ruled in a civil lawsuit that TRMPAC violated the state ban against corporate spending on campaign activity, though the court did not find evidence that DeLay was personally involved.

Perhaps even more telling of DeLay’s character in office is the fact that he has been rebuked three times by the House ethics committee, the most of any sitting member of Congress. The ethics rebukes include:

- **Letter of reprimand for threatening a lobby association.** In 1999, DeLay received a private letter of reprimand by the House ethics committee for holding up an intellectual-property vote because the Electronic Industries Alliance, which supported the bill, hired a Democrat as its

president. This is only one example of the pressure DeLay has put on the lobbying community, under the guise of the “K Street Project,” to get lobbying firms to hire Republicans rather than Democrats.

- **Admonishment for improperly influencing a congressional vote.** On September 30, 2004, the House ethics committee found that DeLay had violated House rules in his efforts to pass the controversial Medicare prescription drug bill. The committee admonished DeLay for making an offer to Rep. Nick Smith (R-Mich.), who was retiring, that he would endorse Smith’s son for the seat if Smith would vote for the bill.
- **Admonishment for appearance of corruption and misusing federal resources.** On October 6, the House ethics committee admonished DeLay for acting “beyond the bounds of acceptable conduct” for two separate acts. First, for the appearance of corruption in his dealings with executives from Westar Energy Corp. and other energy company executives on a golfing outing in West Virginia. Second, for using his position to divert Federal Aviation Administration (FAA) resources from monitoring safety in the skies to tracking Texas Democratic legislators fleeing the 2002 redistricting vote in the state legislature.

DeLay led House Republicans in retaliating against the ethics committee for the rebukes. Three of the five Republican members of the ethics committee that had voted for the rebukes and against DeLay’s effort to rescind the DeLay Rule were fired. Committee chairman Joel Hefley (R-Colo.), along with two other Republican members of the ethics committee who had voted to admonish Tom DeLay twice in one week – Reps. Steven LaTourette (R-Ohio) and Kenny Hulshof (R-Mo.) – were replaced by House Speaker Dennis Hastert (R-Ill.) at the beginning of the new congressional session. Hefley was replaced by Rep. Doc Hastings (R-Wash.), known as a faithful partisan. The other replacements included two members of Congress – Reps. Lamar Smith (R-Texas) and Tom Cole (R-Okla.) – who have made hefty donations to DeLay’s legal defense fund. The otherwise soft-spoken Hefley, once dubbed one of the 10 most obscure members of Congress, on March 5<sup>th</sup> called the subsequent firing of two staff members of the House ethics committee also involved in drafting the rebukes a “purge” by the Republican leadership in the House.

More recently, DeLay has been engulfed in a host of new allegations of unethical, if not illegal, behavior due to his unusually close ties with super-lobbyist Jack Abramoff. On-going travel investigations include the following charges:

- Mr DeLay, his wife, two aides and two lobbyists took to Britain in April 2000, during which he played golf at St Andrews and visited Margaret Thatcher. The trip by DeLay and his entourage cost \$70,000. An Indian tribe and a gambling services company were asked by their lobbyist Jack Abramoff to make donations to a Washington public policy group that claimed to cover the expenses of the trip. Two months before the trip, DeLay helped kill legislation opposed by the tribe and the company. Abramoff also sought reimbursement from his then-law firm for \$13,318 in hotel bills incurred on the 2000 trip, including \$4,285 for DeLay and his wife to stay at London’s Four Seasons Hotel. It is illegal for a lobbyist or lobbying firm to pay travel-related expenses for members of Congress or their staff.
- The Korea-U.S. Exchange Council, a registered foreign agent since 2001, paid \$91,600 for DeLay and his wife, and three other members of Congress and a DeLay staff member and her husband, to visit Seoul, South Korea in August 2001. Of this expense, the Council attributed

\$28,000 of the expense specifically for DeLay and his wife and another \$8,000 for DeLay's staff person. It is illegal for a foreign agent to pay travel-related expenses for members of Congress or their staff.

Following is a fact sheet of Rep. Tom DeLay's legal troubles.

### Indictments of DeLay and Associates

<b>September 28, 2005 Indictments (3 indictments)</b>		
<b>Individuals</b>	<b>Rep. Tom DeLay</b> Majority Leader of the US House of Representatives	<b>Felony criminal conspiracy: one indictment</b> DeLay, Colyandro and Ellis conspired to accept illegal corporate political contributions and launder \$190,000 of them through the Republican National Committee and Republican to a list of seven 2002 Texas House candidates provided by TRMPAC.
	<b>John Colyandro</b> Former Executive Director of Texans for a Republican Majority	<b>Felony criminal conspiracy: one re-indictment (see below)</b>
	<b>Jim Ellis</b> Former head of Americans for a Republican Majority	<b>Felony criminal conspiracy: one re-indictment (see below)</b>
<b>September 13, 2005 Indictments (2 New Indictments)</b>		
<b>Individuals</b>	<b>John Colyandro</b>	<b>Felony criminal conspiracy: one indictment</b>  <b>Re-indictments for 1<sup>st</sup> degree money laundering and 3<sup>rd</sup> degree making of unlawful corporate political contribution (see below)</b>
	<b>Jim Ellis</b>	<b>Felony criminal conspiracy: one indictment</b>  <b>Re-indictment for 1<sup>st</sup> degree money laundering and indictment for making an unlawful corporate political contribution (see below)</b>
<b>September 8, 2005 Indictments (5 Indictments)</b>		
<b>Organizations</b>	<b>Texas Association of Business</b> Texas' largest business organization	<b>4 indictments for 3<sup>rd</sup> degree unlawful acceptance and use of corporate political contributions</b> TAB spent more than \$1.7 million on campaign mailings in the 2002 election.
	<b>TRMPAC</b> Texans for a Republican Majority Political Action Committee (Founded by DeLay)	<b>3<sup>rd</sup> degree felony unlawful acceptance of corporate campaign contributions</b> TRMPAC illegally solicited and accepted corporate political contributions from AT&T and \$100,000 from the Alliance for Quality Nursing Home Care. Texas House Speaker Rep. Tom Craddick (R-Midland) accepted the AQNHC check.
<b>September 21, 2004 Indictments (32 Indictments)</b>		
<b>Individuals</b>	<b>John Colyandro</b>	<b>1<sup>st</sup> degree felony money laundering: one indictment</b> Laundered \$190,000 in corporate contributions by sending them to the Republican National State Elections Committee, which then sent an identical amount to a list of seven Texas House candidates provided by TRMPAC.  <b>3<sup>rd</sup> degree felony unlawful acceptance of corporate campaign contributions: thirteen indictments</b> Accepted \$425,000 in campaign contributions from 13 corporations, which is illegal in Texas. Eight corporations were themselves indicted (see below).
	<b>Jim Ellis</b>	<b>1<sup>st</sup> degree felony money laundering: one indictment</b> See above; same charge as Colyandro.
	<b>Warren Robold</b> Fundraiser for TRMPAC and ARMPAC	<b>3<sup>rd</sup> degree felony unlawful solicitation and acceptance of corporate campaign contributions: nine indictments</b> Solicited and accepted \$250,000 in campaign contributions from 9 corporations, which is illegal in Texas.
<b>Corporations</b>	<b>Alliance for Quality Nursing Home Care</b>	<b>3<sup>rd</sup> degree felony unlawful political contribution: one indictment</b> Contributed \$100,000 in corporate money to TRMPAC.
	<b>Bacardi USA</b>	<b>3<sup>rd</sup> degree felony unlawful political contribution: one indictment</b> Contributed \$20,000 in corporate money to TRMPAC.
	<b>CrackerBarrel</b>	<b>3<sup>rd</sup> degree felony unlawful political contribution: one indictment</b> Contributed \$25,000 in corporate money to TRMPAC.
	<b>Diversified Collection Services, Inc.</b>	<b>3<sup>rd</sup> degree felony unlawful political contribution: one indictment</b> Contributed \$50,000 in corporate money to TRMPAC.
	<b>Questerra</b>	<b>3<sup>rd</sup> degree felony unlawful political contribution: one indictment</b> Contributed \$50,000 in corporate money to TRMPAC.
	<b>Sears Roebuck</b>	<b>3<sup>rd</sup> degree felony unlawful political contribution: one indictment</b> Contributed \$25,000 in corporate money to TRMPAC.
	<b>Westar Corporation</b>	<b>3<sup>rd</sup> degree felony unlawful political contribution: one indictment</b> Contributed \$25,000 in corporate money to TRMPAC.
<b>Williams Companies Inc.</b>	<b>3<sup>rd</sup> degree felony unlawful political contribution: one indictment</b> Contributed \$25,000 in corporate money to TRMPAC.	

Other corporations whose contributions DeLay associates were indicted for taking but were not indicted themselves:

- AT&T
- Burlington Northern
- Cornell Companies
- El Paso Energy Service Co
- Reliant

Possible sentences:

- 1<sup>st</sup> degree felony money laundering: Five to 99 years in prison and up to a \$10,000 fine.
- 3<sup>rd</sup> degree felony unlawful corporate campaign contributions: Two to 10 years in prison and up to a \$10,000 fine
- Criminal conspiracy: Six months to 2 years in state jail time and a fine up to \$10,000.

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