Congressional Leaders' Soft Money Accounts Show Need for Campaign Finance Reform Bills

First of Public Citizen Reports on "527" Groups Reveals Corporate Influence on Broadband, Tobacco and Money-Laundering Policies

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About Public Citizen

Public Citizen is a non-profit 150,000 member organization based in Washington, D.C., representing consumer interests through lobbying, litigation, research and public education. Since its founding by Ralph Nader in 1971, Public Citizen has fought for consumer rights in the marketplace, safe and secure health care, fair trade, clean and safe energy sources, and corporate and government accountability. Public Citizen has five divisions and is active in every public forum: Congress, the courts, governmental agencies and the media. Congress Watch is one of the five divisions.

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Executive Summary

The untold story about pending federal campaign finance reform legislation is that it would ban millions of soft money dollars from flowing to so-called "527" political groups controlled by leading members of Congress. By financing these "politician 527s," corporations, in particular, have found a way to directly support members of Congress – otherwise prohibited by federal campaign law – while they seek legislative favors from them. And, as new Public Citizen investigations of telecommunications, tobacco and money-laundering legislation show, corporations often succeed in gaining access and influence through their contributions to 527s.

"527 groups" are products of a loophole recently carved in Section 527 of the Internal Revenue Code which covers political organizations. Under federal election law, members of Congress may raise only limited amounts of "hard money" for their own campaign committees or "leadership PACs" which aid other candidates. They may accept no contributions of more than $1,000 per election from an individual and $5,000 per election from a political action committee (PAC). But if they set up a "politician 527," members of Congress can raise unlimited soft money from individuals, corporations and unions.

Moreover, despite the July 2000 passage of a public disclosure law for all 527 groups, serious shortcomings exist in both the law and the disclosure system established by the Internal Revenue Service. As a result, it is difficult, sometimes impossible, to get the full story about which politicians have 527s, who contributes to 527s, and what the 527s spend their money on. Even if the "politician 527s" are banned by the pending McCain-Feingold/Shays-Meehan legislation, this defective disclosure apparatus will hinder the tracking of new soft money flows to partisan nonpolitician 527s attempting to influence federal elections.

In this report, the first of two major studies of 527 groups, Public Citizen analyzes the contributions and expenditures of the 25 leading federal politician 527s known to exist, their impact on public policy and the adequacy of the disclosure system. Main findings include:

- Politician 527s are popular and growing rapidly. Virtually every congressional leader has his or her own soft money 527. Public Citizen found 61 members of Congress who have their own 527 groups, including 19 who created new ones in the past year.

- In the one-year period from July 1, 2000 to June 30, 2001, the top 25 politician 527s collected more than $15.1 million in contributions. (More recent reports are not completely available from the IRS.) This suggests that the top 25 politician 527 groups would collect approximately $30 million in a two-year election cycle.

- The majority of contributions to the top 25 from July 1, 2000 to June 30, 2001 came from 27 major industries (including individuals, such as executives, associated with these major industries) which gave at least $100,000. The leading contributors by industry were: computers/Internet, securities and investments, lawyers/law firms, telephone utilities, real estate, TV/movies/music, tobacco, and oil and gas. Top corporate contributors were AT&T, SBC Communications, Philip Morris, Mortgage Insurance Companies of America, Clifford Law Offices, U.S. Tobacco, American Airlines and Caterpillar.

- Direct corporate giving was especially important for congressional leaders. The top six congressional leader 527s collected 81 percent of their contributions from corporations between July 1, 2000 and June 30, 2001.

- Ordinary people were largely absent from the list of donors to the top 25 politician 527s: just 15 percent of total contributions came in amounts of less than $5,000.

- Corporate Influence Study #1: Regional Bell telephone companies promoting deregulation of high-speed Internet phone service (which competitors and consumer groups condemned as pro-monopoly) poured $277,666 into the 527s of Speaker of the House Speaker Dennis Hastert (R-Ill.), Majority Whip Tom DeLay (R-Texas) and Chief Deputy Whip Roy Blunt (R-Mo.) while their favored bill was being considered in 2001. Simultaneously, the Republican leaders maneuvered to advance the pro-Bell Tauzin-Dingell bill despite considerable opposition among the House GOP rank and file. They have scheduled a vote on the legislation for February 27.

- Corporate Influence Study #2: Rep. DeLay's 527 group garnered $131,500 from tobacco interests between July 1, 2000 and June 30, 2001. In October 2001 he helped to slip a provision into the Financial Anti-Terrorism Act at the last minute that would shield tobacco companies from pending foreign lawsuits regarding their alleged non-payment of taxes. Although the House passed the bill, the Senate stripped the tobacco provision from the final legislation.

- Corporate Influence Study #3: The 527s of Senate Majority Leader Tom Daschle (D-S.D.) and House Democratic Caucus Chairman Martin Frost (D-Texas) received $40,000 and $50,000 respectively from the Stanford Financial Group between July 1, 2000 and June 30, 2001. Houston-based Stanford was lobbying on mainly one issue in this period: it was fighting anti-money laundering legislation supported by the Clinton administration. Stanford gained access to the Texas Democratic delegation through Rep. Frost and neither Democratic leader protested when key Congressional Republicans sank the bill.

- 527 politician groups remain shadowy due to flaws in the disclosure law and the Internal Revenue Service web-based disclosure system. Dates of soft money contributions don't have to be reported, nor do the dates and purposes of 527 expenditures (such as entertainment at a political convention or partisan get-out-the-vote operations). Most important, public disclosure is often undermined by an IRS website that allows only limited searching to locate 527s and information about their finances.

- 527 politician groups also appear to skirt the law (and its penalties) with impunity. They apparently fail to file reports, appear to ignore disclosure requirements and provide vague and misleading information.

- While pending campaign reform legislation (known as the McCain-Feingold and Shays-Meehan bills) would ban politician 527s, it would probably redirect some soft money to "nonpolitician" 527 groups that are highly partisan. Public Citizen will soon release a report about these groups, based on the only known database on these 527s.

Congressional Leaders' Soft Money Accounts Show Need for Campaign Finance Reform Bills

First of Public Citizen Reports on "527" Groups Reveals Corporate Influence on Broadband, Tobacco and Money-Laundering Policies

Introduction

There is an untold story about the significance of pending legislation that would ban soft money contributions in federal elections – such a ban would sound the death knell for millions in soft money dollars that now flow directly into so-called "527" groups controlled by leaders in Congress.

Unlike the more visible soft money contributions that go to federal party committees – ostensibly for "party-building" rather than campaign activities – these tax-exempt 527 groups allow members of Congress to personally receive huge unlimited contributions, the majority of which come from 27 major industries.

Not surprisingly, donors to these groups – which are labeled "527s" after a section of the IRS code they are governed by – seek legislative favors from politicians. And it appears, from Public Citizen's investigation of financial disclosure records and dozens of interviews, that some members of Congress have been willing to oblige their 527 group patrons. In the past year, big corporate contributions to congressional leaders' 527s were often accompanied by increased political access and influence over telecommunications, tobacco and money-laundering legislation.

Another advantage of 527 groups to the politicians who control them is that, despite a new disclosure law, they remain less visible than most federal vehicles for political contributions. Due to defects in the disclosure system, these groups remain so obscure that no news organization or watchdog group has compiled a comprehensive list of Enron contributions to 527 groups over the last year, despite the intense scrutiny of Enron's attempts to influence federal politics.

On June 29, 2000 – which was hailed as a "seminal day" by Sen. John McCain (R-Ariz.) – Congress attempted to clamp down on 527 groups.[1] Because their primary function is to influence elections, Congress required 527 groups to disclose, for the first time, basic information about their contributions and expenditures. Congress acted because previously unknown 527 groups were launching stealth attacks against candidates. Indeed, TV ads by one such group, "Republicans for Clean Air," against presidential candidate John McCain helped to spur 527 reform.

Examining one year of disclosure reports by 527 groups (from July 1, 2000 to June 30, 2001), Public Citizen analyzed 50 of the largest and most influential 527 groups active in federal politics. Public Citizen studied the receipts and expenditures of the top 25 groups associated with federal candidates and elected officeholders and the top 25 non-politician groups.[2] (See Appendix D for methodology.) This, the first of two reports, covers the politicians' 527s. The next report, derived from a database of 2,190 groups that were active in the 2000 elections, will offer a glimpse of the post-reform future.

Public Citizen found these 25 groups were significant players in federal politics and they seem to be thriving in a dark, fertile environment of limited disclosure and limited scrutiny. Politicians who created new 527 groups in the last year include House Minority Leader Richard Gephardt (D-Mo.), Democratic Congressional Campaign Committee chairwoman Nita Lowey (D-N.Y.) and Sen. Ted Stevens (R-Alaska), the senior Republican on the Senate Appropriations Committee – just to name three.

The Shays-Meehan House campaign reform bill that the Senate is expected to take up on February 26 would, in effect, ban these politician 527s. (It prohibits "entities directly or indirectly established, financed, maintained or controlled by or acting on behalf of" federal candidates or officeholders from raising or spending soft money in connection with federal and state elections.) Based on the findings of our 527 study that would be a very positive step toward good government. "When people give $50,000 or $100,000 to candidates, they expect something and most of the time they get something for it," said Rep. John Lewis (D-Ga.) in the Feb. 13 House debate on the Shays-Meehan bill.[3]

In a nutshell, Lewis expressed the problem with politician 527s. Donors are giving $50,000 or $100,000 to members of Congress – amounts that are strictly forbidden under the Federal Election Campaign Act governing candidate campaign committees. (House Majority Whip Tom Delay, for example, received $100,000 from SBC Communications in the second half of 2001. SBC's political action committee, or PAC, would need a decade to give that much under campaign law.) If nothing else, banning politician 527 groups would eliminate the appearance of corruption that exists when congressional leaders take huge sums from special interests seeking influence on pending legislation.

And even if the Shays-Meehan legislation becomes law, politician 527s will be active throughout 2002 and it's good for journalists, policymakers and watchdogs to become more familiar with these shadowy entities, their favorite patrons and the flawed disclosure system they operate in.

I. What Are 527s?

"527 groups" fall under a section of the Internal Revenue Code governing organizations that primarily attempt to influence election campaigns. Until recently, the section applied to political committees (such as candidate or party committees) that contributed to, or otherwise directly supported or opposed candidates. In the case of federal elections, such committees are subject to federal election law limits on amounts and sources of contributions. However the newer so-called "527s" do not (1) use "magic" words that expressly advocate someone's election or defeat, and/or (2) directly subsidize federal campaigns themselves. Therefore, lawyers have successfully argued to the Federal Election Commission, they are exempt from the restrictions of federal campaign law and allowed to collect soft money which is unlimited donations from corporations, unions and wealthy individuals.

There are basically two kinds of 527s active in federal politics: those that exist to promote certain politicians (which Public Citizen calls "politician 527s") and those that exist to promote certain ideas, interests and partisan orientations in election campaigns. (Public Citizen calls these "non-politician 527s" and will release a forthcoming report about these 527s.)

Politician 527s generally serve as soft money arms of "leadership PACs," which incumbents use to aid other candidates and otherwise further their own careers. Like the campaign committees of members of Congress, leadership PACs can receive only "hard money" contributions, which are limited in amounts and may not come directly from corporations or unions. Politician 527s use their soft money mainly to sponsor events that promote their own careers, help create a "farm team" of successful state and local candidates, and spur partisan "get-out-the-vote (GOTV)" efforts.

Campaign committees and leadership PACs of members of Congress report to the Federal Election Commission (FEC), while 527 groups report to the Internal Revenue Service (IRS). Basic information about their contributions and expenditures are then posted on an IRS website.

II. 527s Controlled by Politicians Are Popular

Virtually every member of Congress in a formal leadership position has his or her own 527 group. (See Table 1 for a list of the top 25 politician 527s) That includes Senate Majority Leader Tom Daschle (D-S.D.), Senate Assistant Majority Leader Harry Reid (D-Nev.), Senate Minority Leader Trent Lott (R-Miss.), House Speaker Dennis Hastert (R-Ill.), House Majority Leader Richard Armey (R-Texas), House Majority Whip Tom DeLay (R-Texas) and House Minority Leader Richard Gephardt (D-Mo.).

In all, Public Citizen found 61 current members of Congress who have their own 527s. Another 38 members of Congress have a stake in the Congressional Black Caucus (CBC) 527.

527 groups are also popular with influential congressional committee chairmen, such as Sen. Edward Kennedy (D-Mass.), chairman of the Senate Health, Education, Labor and Pensions Committee, Sen. Max Baucus (D-Mont.), chairman of the Senate Finance Committee and Rep. David Dreier (R-Calif.), chairman of the House Rules Committee.

And 527s are increasingly popular with other members of Congress, who want to be more influential, such as Reps. Tom Reynolds (R-N.Y.) and Patrick Kennedy (D-R.I.). That helps explain why 527s are growing in number – with at least 19 members of Congress creating new 527s in the last year. (See Table 2 for politician 527s created since January 1, 2001)

Table 1: Top 25 Politician 527s by Amount of Contributions, July 1, 2000 to June 30, 2001 (Complete) and July 1, 2001 to December 31, 2001 (Incomplete)

Name	Affiliated Politician	One Year Contributions 7/1/00–6/30/01	7/1/01 – 12/31/01 Contributions	One Year Expenditures 7/1/00–6/30/01	7/1/2001 – 12/31/2001 Expenditures
Gore/Lieberman Recount Committee	Fmr. Vice President Gore & Sen. Joe Lieberman, D-Conn.	$3,697,030	$0	$2,988,968	$238,084
Prairie State Committee	Rep. Rod Blagojevich, D-Ill.	$2,293,022	$2,212,114	$215,009	$595,328
Congressional Black Caucus	Congressional Black Caucus	$1,683,637	NA	$1,218,850	NA
KOMPAC State Victory Fund	Rep. Dennis Hastert, R-Ill.	$908,739	$343,333	$603,594	$111,203
DASHPAC	Sen. Tom Daschle, D-S.D.	$768,200	$300,200	$482,934	$563,082
ARMPAC Non-federal Account	Rep. Tom DeLay, R-Texas	$689,796	$578,425	$591,402	$305,392
Searchlight Leadership Fund	Sen. Harry Reid, D-Nev.	$674,000	$215,500	$573,214	$172,238
Majority Leader's Fund	Rep. Richard Armey, R-Texas	$648,473	$70,360	$679,422	$23,747
Lone Star Fund	Rep. Martin Frost, D-Texas	$642,804	$52,000	$696,462	119,001
Rely on Your Beliefs	Rep. Roy Blunt, R-Mo.	$324,479	$372,496	$285,742	$366,686
Together For Our Majority PAC	Rep. Tom Reynolds, R-N.Y.	$295,200	$104,900	$112,065	$96,944
Committee for a Democratic Majority	Sen. Ted Kennedy, D-Mass.	$260,414	$65,602	$327,203	$96,127
Alabama Republican Majority Fund	Sen. Richard Shelby, R-Ala.	$254,000	$157,000	$88,500	$14,500
American Renewal PAC	Rep. J. C. Watts, R-Okla.	$250,131	NA	$304,575	NA
Glacier PAC	Sen. Max Baucus, D-Mont.	$230,442	$95,500	$205,828	$93,309
Campaign for America's Future	Sen. Orrin Hatch, R-Utah	$219,282	$86,700	$55,850	$154,483
Rhode Island PAC	Rep. Patrick Kennedy, D-R.I.	$204,000	$0	$33,418	$16,000
Mainstream America PAC	Sen. John Breaux, D-La.	$198,989	NA	$84,743	NA
Florida 19 PAC	Rep. Robert Wexler, D-Fla.	$159,900	$23,550	$77,522	$77,239
Democratic Majority PAC	Rep. Frank Pallone Jr, D-N.J.	$149,107	$97,496	$168,767	$114,068
Holding Onto Oregon's Priorities	Sen. Ron Wyden, D-Ore.	$132,350	$5,000	$198,224	$18,062
New Republican Majority Fund	Sen. Trent Lott, R-Miss.	$118,047	145,000	$102,018	$195,500
Citizens for a Competitive America	Sen. Ernest Hollings, D-S.C.	$118,000	$35,500	$86,227	$10,963
American Success PAC	Rep. David Dreier, R-Calif.	$116,500	$62,528	$166,435	$2,500
Friends of the Big Sky	Sen. Conrad Burns, R-Mont.	$111,161	$24,000	$25,608	$28,420
Totals		**$15,147,703**	**$5,047,204**	**$10,372,580**	**$3,370,993**

NA: The Year-End 2001 disclosure filings that cover July 1, 2001 to December 31, 2001 for seven politician 527s have not yet been posted on the IRS website. The filings were due by the IRS on January 31, 2002.

Source: Public Citizen analysis of 527 disclosure reports (IRS form 8872) available at http://eforms.irs.gov.

Table 2: Politician 527s Formed After January 1, 2001

Politician	Politician 527	Date Formed
Rep. Shelley Berkley, D-Nev.	Silver State 21st Century	6/20/2001
Rep. David Bonior, D-Mich.	David Bonior for Governor	5/22/2001
Sen. Conrad Burns, R-Mont.	Friends of the Big Sky	2/20/2001
Rep. Dan Burton, R-Ind.	Hoosier PAC	1/16/2002
Rep. Eric Cantor, R-Va.	Commonwealth Leadership Fund	9/26/2001
Rep. Mark Foley, R-Fla.	Florida Republican Leadership Coalition	1/19/2001
Sen. Bill Frist, R-Tenn.	Volunteer PAC	7/10/2001
Rep. Richard Gephardt, D-Mo.	Effective Government Committee	3/15/2001
Sen. Orrin Hatch, R-Utah	Campaign for America's Future	8/8/2001
Rep. Rush Holt, D-N.J.	Holt Pac For Responsive Government	11/6/2001
Rep. Steny Hoyer, D-Md.	Ameripac	2/15/2001
Sen. James Inhofe, R-Okla.	Fund for a Conservative Future	2/8/2002
Rep. Chris John, D-La.	Gumbo PAC	7/10/2001
Rep. Nita Lowey, D-N.Y.	Committee For Leadership and Progress	11/19/2001
Rep. Charles Rangel, D-N.Y.	National Leadership PAC	9/14/2001
Rep. Tom Reynolds, R-N.Y.	Together For Our Majority PAC	2/9/2001
Sen. Ted Stevens, R-Alaska	Northern Lights	9/14/2001
Rep. John Tanner, D-Tenn.	Leadership 21	12/6/2001
Rep. Curt Weldon, R-Pa.	Committee for a United Republican Team	4/19/2001

Note: Other politician 527s may exist undetected.

Source: Public Citizen analysis of 527 disclosure reports (IRS form 8871) available at http://eforms.irs.gov.

A few 527s exist for other purposes as well: The presidential campaign of Al Gore created a 527 to pay for costs associated with vote recounts in Florida. Rep. Rod Blagojevich (D-Ill.) has created a thriving 527 group to launch his gubernatorial bid in Illinois.[4]

Public Citizen studied the contributions and expenditures of the 25 leading politician 527s *known* to exist. (Because of the flawed IRS disclosure system, there is no systematic way to search for all politician 527s. More details about the flawed disclosure system are explained below.) Appendix C lists members of Congress who have 527s not included in our study.

III. Politician 527s Are Big and Important

Politician 527s are important in terms of sheer size and scale. The 25 politician 527s that Public Citizen studied had receipts of $15.1 million in one year (See Table 1). This suggests they might collect $30 million in a two-year election cycle. (The latest reports, for the second half of 2001, were not all available on the IRS website at the time this report was issued. A partial tally of the top 25 groups, in Table 1, shows they collected $19.7 million in the 18 months from July 1, 2000 to December 31, 2001.)

In general, the 527s with the most reported receipts belonged to politicians with the most influence. House Speaker Hastert, Senate Majority Leader Daschle, Assistant Majority Leader Reid, House Majority Whip DeLay, House Majority Leader Armey and House Democratic Caucus Chairman Martin Frost (D-Texas) had the 527s with the most receipts among individual members of Congress (with the exception of Rep. Blagojevich, who is using his 527 as a campaign committee for statewide office in Illinois).

These six influential politicians (three Democratic, three Republican) had 527s that received, on average, $722,002 in contributions during the one-year period between July 2000 and July 2001. That's slightly less than the average House incumbent spent in the entire two-year 1999-2000 election cycle ($785,703 according to the Center for Responsive Politics).[5]

For congressional leaders, 527 groups appear to collect about as much money as their campaign committees and often as much as their leadership PACs. (In some instances, the 527s collect less than the campaign committees or leadership PACs, in other cases they collect more).

In any case, it's difficult to get an apples-to-apples comparison. The one-year period of complete 527 disclosure (July 2000-July 2001) does not correspond to a similar period for which readily available data exists for campaign committees or leadership PACs.

That said, some rough comparisons can be made (See Table 3). Those comparisons require, however, that the first year of 527 receipts be doubled to project two-year totals, which correspond to the readily available two-year election cycle data on campaign committees and leadership PACs.

From those comparisons we see, for example, that Tom DeLay's 527 is on a pace to collect slightly more money over a two-year period than his campaign committee did in 1999-2000 – but significantly less than his leadership PAC. Martin Frost's 527, by contrast, is on a pace to collect quite a bit less than his campaign committee in 1999-2000, but a lot more than his federal leadership PAC.

There are other individual variations. According to recently released reports, DeLay's 527 collected far more in the second half of 2001 (See Table 1), than it had in the first half of 2001 or the second half of 2000. So DeLay's 527 appears to be headed toward a two-year total that will more than double the first year total. On the other hand, Dick Armey's 527 saw its second half of 2001 receipts drop dramatically – perhaps because Armey announced he will not seek re-election in 2002.

Table 3: Congressional Leaders with Top 527s: Contributions to 527s Compared to Contributions to Campaign Committees and Leadership PACs

Politician	Affiliated 527	527 Contribs. 7/1/2000 - 6/30/2001	Two Year Projection of 527 Contribs.	Campaign Cmte. Contribs. 1999 – 2000	Leadership PAC Contribs. 1999 - 2000
Rep. Dennis Hastert, R-Ill.	KOMPAC	$908,739	$1,817,478	$2,386,942	$2,178,369
Sen. Tom Daschle, D-S.D.	DASHPAC	$768,200	$1,536,400	$305,090	$2,106,753
Rep. Tom DeLay, R-Texas	ARMPAC	$689,796	$1,379,592	$1,342,920	$3,637,044
Sen. Harry Reid, D-Nev.	Searchlight Leadership Fund	$674,000	$1,348,000	$391,934	$606,498
Rep. Richard Armey, R-Texas	Majority Leader's Fund	$648,473	$1,296,946	$1,373,930	$2,161,445
Rep. Martin Frost, D-Texas	Lone Star Fund	$642,804	$1,285,608	$2,016,162	$568,722
Totals		**$4,332,012**	**$8,664,024**	**$7,816,978**	**$11,258,831**

* Contributions to Sens. Daschle and Reid's campaign committee include only two years in a six-year senate cycle. Note: The two-year projection comes from doubling contributions received by the 527 groups from 7/01/00 to 6/30/01.

Source: FEC data and Public Citizen's analysis of 527 disclosure reports (IRS form 8872) available at http://eforms.irs.gov.

IV. 527 Contributions Come from Major Industries and Corporations

Many industries and interests take advantage of soft money politician 527s and appear to use them to reinforce hard money contributions to candidates and soft money contributions to federal party committees.

- 27 industries (including individuals, such as executives, associated with the industries) contributed $100,000 or more in just a single year to the top 25 politician 527 groups. (See

Table 4) These industries accounted for 52 percent of all contributions to the top 25 politician 527s.

- The top 10 industries contributing: computers/Internet, securities & investments, lawyers/law firms, telephone utilities, real estate, TV/movies/music, air transport, tobacco, oil & gas, and building materials and equipment. The top 10 industries gave $5.2 million, or 34 percent of all money received by the top 25 politician 527s in the July 1, 2000-June 30, 2001 period.

- Two interest groups (Democratic party committees and unions) also contributed over $100,000 to the top politician 527s. In fact, Democratic party committees (mainly the Democratic National Committee) were the single largest contributor to politician 527s. Almost all of this money (81 percent) went to the Congressional Black Caucus 527.

- Top corporate contributors were AT&T, SBC Communications, Philip Morris, Mortgage Insurance Companies of America, Clifford Law Offices, U.S. Tobacco and American Airlines. (See Table 5)

- If the atypical Gore/Lieberman Recount Committee is removed from the mix, direct contributions from corporations accounted for 60 percent of all money received by the top 24 politician 527s between July 1, 2000 and June 30, 2001.

- Overall, only 15 percent of total contributions to the top 25 politician 527s came in amounts of less than $5,000.

Ordinary People Rarely Contribute to Congressional Leaders' 527s

Public Citizen looked more closely at the 527s controlled by six congressional leaders. (These six collected significantly more in contributions than the 527s affiliated with other individual members of Congress and they happen to be evenly divided between Democrats and Republicans.)

- For the top six politician 527s, 94 percent of their total receipts came in contributions of $5,000 or more. There was little variation in this statistic, regardless of party or position.[6]

- The top six politician 527s received 81 percent of all their contributions from corporations.

- The top six politician 527s received 77 percent of their contributions in corporate donations of $5,000 or more.

See Appendix A for an analysis of how these top six politician 527s spent their money.

Table 4: Top Industries and Interest Groups Contributing to 25 Politician 527s, July 1, 2000 to June 30, 2001

Industry/Interest Group	Contribution
Democratic Party Committees	$1,467,492
Computers/Internet	$977,000
Securities & Investments	$829,150
Lawyers/Law Firms	$823,250
Telephone Utilities	$590,685
Real Estate	$528,001
TV/Movies/Music	$357,500
Tobacco	$341,286
Air Transport	$327,294
Oil & Gas	$280,000
Building Materials & Equipment	$243,000
Candidate Committees	$230,500
Casinos/Gambling	$220,000
Telecom Services & Equipment	$197,175
General Contractors	$182,000
Indian Tribes	$170,000
Misc. Services	$167,000
Food Processing & Sales	$160,000
Lobbyists	$159,500
Health Services/HMOs	$157,500
Pharmaceuticals/Health Products	$152,500
Electric Utilities	$150,000
Health Professionals	$147,000
Insurance	$130,000
Services	$130,000
Construction Services	$123,500
Defense Aerospace	$123,664
Beer, Wine & Liquor	$116,000
Misc. Unions	$113,000
Total Contributions from Industries Contributing More than $100,000	**$8,013,505**
Total Contributions	**$15,147,703**

Source: Public Citizen analysis of 527 disclosure reports (IRS form 8872) available at http://eforms.irs.gov. Totals only include contributions of $5,000 or more.

Table 5: Top Ten Corporate Contributors to 25 Politician 527s, July 1, 2000 to June 30, 2001

Contributor	Amount
AT&T	$220,109
SBC Communications	$177,500
Philip Morris	$153,547
Mortgage Insurance Companies of America	$126,000
Clifford Law Offices	$110,000
U.S. Tobacco Public Affairs	$106,500
American Airlines	$102,000
Caterpillar Inc	$100,000
R. Allen Stanford/Stanford Financial Group	$95,000
Associated Builders and Contractors	$90,000

Source: Public Citizen analysis of 527 disclosure reports (IRS form 8872) available at http://eforms.irs.gov.

V. Case Studies of Corporate Efforts to Influence Legislation Via 527s

Three new Public Citizen investigations – including examination of 527 disclosure records and dozens of interviews with congressional staff, former administration officials, lobbyists and others – suggest how corporations use big 527 contributions to congressional leaders to gain access and influence major policies. Below are three case studies focusing on pending and recent legislation.

Case Study #1: Corporate Effort to Shape Policy Through 527s

The Bells Ring the Republican Leadership

Summary: Taking the Money and Delivering the Goods

Today only about 5 percent of U.S. residences are hooked up to high-speed Internet access service via phone lines, cable or wireless signals, popularly known as "broadband." Yet many business and political leaders believe that replacing the prevailing slow dial-up modems with broadband could boost the economy and expand entertainment options.[7] For the past year a noisy battle has raged in the House of Representatives over how to get more Americans connected to broadband. "In terms of sheer heft," observes *Influence* magazine, the efforts surrounding the Internet Freedom and Broadband Deployment Act – better known as Tauzin-Dingell – might be the lobbying campaign of the year. Both sides [in the controversy] have spent tens of millions of dollars making their cases on the airwaves and in print, and through grass roots efforts, coalitions and high-price lobbyists."[8] On February 27 the bill is set to come to a climactic House vote.

The principal backers of the legislation – sponsored by Reps. Billy Tauzin (R-La.) and John Dingell (D-Mich.) – are the four regional Bell operating companies (RBOCs), which dominate local phone service. Leading the opposition are long-distance and cable giant AT&T and the Bells' competing local exchange carriers (CLECs). And as the debate has developed, both sides have lavished campaign contributions on members of the House. Telephone utilities, their employees and families donated $5.3 million to candidates, Political Action Committees and parties in 2001.[9]

No group of Representatives has been more important for the success of this legislation than the House Republican leadership, which controls legislative procedure and has had to confront serious differences among Republicans over Tauzin-Dingell.

This case study is based largely on analysis of the latest public financial reports of House Republican leadership Section 527 "soft money" political committees, and Public Citizen confidential interviews (from January 4-February 8, 2002) of eight House staff members of both parties and eight lobbyists for both sides. It reveals that during the period that the Tauzin-Dingell bill was front and center in the House three top Republican leaders, Speaker Dennis Hastert (R-Ill.), Majority Whip Tom DeLay (R-Texas) and Chief Deputy Whip Roy Blunt (R-Mo.) have received $337,666 in soft money for their personal 527s from the Bells. At the same time, Hastert has taken the lead in pushing forward Bell-endorsed broadband legislation despite opposition from many Republican members (and some leaders) and the general view that the bill is "dead on arrival" in the Senate.

- Speaker Dennis Hastert's 527 soft money committee, Keep Our Majority PAC (KOMPAC), received $66,666 during 2001 from Bell companies and their trade association (See Appendix B, Table 7). This was more than double the $29,000 in hard money (i.e., money subject to contribution and source limits under federal law) his campaign committee and leadership PAC received from the Bells last year (See Table 8). It was also more than the $59,684 in hard money Hastert collected from the Bells during the entire 1999-2000 election cycle according to the Center for Responsive Politics (CRP) [10].

- The Treasurer of KOMPAC's 527 soft money account as well as its hard money "federal" account is Jane Mattoon, spouse of long-time Bell South lobbyist and Hastert top political confidant Dan Mattoon. KOMPAC's address has been the Mattoon residence. Dan has been active as both a lobbyist (over 15 years for Bell South) and implementor of Hastert's legislative strategy on Tauzin-Dingell. This makes for an unusually close link between Hastert's 527 and hard money fundraising PAC and the foremost representative of the Bell lobby. According to *Roll Call*, "No top [Congressional] leader seems to rely on advice from lobbyists more than Hastert," whose informal five person "advisory group" is "frequently" consulted on the "issue du jour … Mattoon, whose roots with Hastert extend back to Illinois, is probably his most trusted friend of the bunch."[11]

- Hastert, traditionally supportive of the Bells before he became House Republican leader in 1999, has skillfully played the central role in steering the Tauzin-Dingell bill. He: (1) limited the jurisdiction of an unsympathetic committee, (2) set frameworks for political negotiations aimed at defusing significant Republican opposition to the bill while maintaining its thrust, and (3) pushed hard, despite divisions among Republican leaders and rank and file, for a floor vote he believes will go his way.

- Majority Whip Tom DeLay's 527 soft money committee, Americans for a Republican Majority PAC (or ARMPAC) received $136,000 from the Bells in 2001 (See Table 9), over five times the $25,999 they contributed to his campaign committee and leadership PAC in hard money last year (See Table 10). And it was more than twice as much as the $59,514 in hard money they gave DeLay during the whole 1999-2000 cycle according to CRP.

- Unlike Hastert and Chief Deputy Whip Roy Blunt (see below) who received nearly all their Bell contributions in the first half of 2001, DeLay has received all of his even larger cache in the last six months. This influx of big money may be intended to strengthen his support for the bill, which some say has been lukewarm.

- Chief Deputy Whip Roy Blunt's 527 soft money committee, Rely on Your Beliefs, received

$135,000 from the Bells in 2001 (See Table 11), more than five times the $25,000 in hard money they contributed to his campaign committee and leadership PAC last year (See Table 12). It was more than the $67,303 in hard money the Bells gave Blunt during the whole 1999-2000 election cycle according to CRP.

- Blunt, a member of the key Energy and Commerce Committee, has reportedly played an active, largely behind-the-scenes role alongside Hastert in advancing Tauzin-Dingell.

This study does not mean to suggest that *all* of the House Republican leadership's moves on Tauzin-Dingell have been due to contributions of Bell soft and hard money in 2001. Hastert, DeLay and Blunt have long been viewed by lobbyists as sympathetic to Bell concerns and they have been top beneficiaries of Bell hard money. In 1999-2000 – before Tauzin-Dingell was front and center – Hastert, DeLay and Blunt each received around $60,000 in hard money from the Bells as discussed above. Also, the three Republicans have received hard money from long distance companies and CLECs – though in much smaller amounts. Speaker Hastert's soft money PAC even got a $50,000 contribution from AT&T in the third quarter of 2000, well before Tauzin-Dingell came to the fore.

Still, by all accounts Tauzin-Dingell became the principal and most intense lobbying concern of the Bells, long distance companies and CLECs in 2001. There seems little doubt that the rapid influx of large amounts of Bell soft money to the 527s of three key (sympathetic) leaders was for the purpose of encouraging them to push Tauzin-Dingell forward past some rather forbidding political obstacles. And that is exactly what the Republican leadership has done.

Issues at Stake

For the Bells (and their congressional supporters), existing telecommunications policy is discouraging their development of broadband in competition with cable companies, which serve over 70 percent of the limited residential market but are less regulated by the government. To spur local phone competition, the Bells are required to lease parts of their high speed lines (line-sharing) or sell high-speed service to rivals at prices they claim are below cost. Furthermore, the Bells are not allowed to offer broadband across their local boundaries until they satisfy a detailed Federal Communications Commission (FCC) pro-competition checklist that included line-sharing. The Bells maintain they lack sufficient economic incentive to "build out" broadband facilities because – unlike cable rivals – they have to share their facilities with competitors. They also say they are hamstrung by the complex checklist process, which has been completed in only nine states. When they cannot offer long distance broadband service, they cannot achieve maximum "end to end" cost efficiency. The Bells are pushing Tauzin-Dingell precisely because it would seriously limit line-sharing and topple the competitive checklist.

For long distance companies like AT&T (which also has cable and local phone investments), the CLECs, and their congressional allies, Tauzin-Dingell is bad policy. It would suppress broadband phone competition – ruining the CLECs – with no guarantee that the monopolistic Bells would fully build out broadband and offer attractive prices to consumers. Line-sharing (rather than costly creation of new lines) had previously worked in promoting long distance voice competition. Abolishing the competitive checklist for broadband could also undermine regulations to assure competition in long distance voice service, since voice is increasingly offered over the Internet.[12]

Two national consumer organizations, Consumer Federation of America and Consumers Union, declared their opposition to Tauzin-Dingell in a December 13th letter to the House, adding a blast at cable companies (such as AT&T): "Instead of the vibrant competition that the country was promised under the 1996 Telecommunications Act, consumers are stuck in the middle between Bell monopolies raising their broadband service rates and cable monopolies raising cable and broadband rates. Instead of giving consumers what they need – meaningful competition and choice for local phone, broadband and cable service – this bill would give more power to local phone monopolies to close their networks to competition, resulting in less choice for the public."[13]

The House Republican Leadership's Political Dilemma

The Speaker, a traditional Bell supporter, believed in Tauzin-Dingell, but he found himself confronting serious obstacles to the bill within his own party.

First, he had given primary jurisdiction over the bill to the critical Energy and Commerce Committee, where important House Republican leadership initiatives on energy, health and other issues were considered. And the all-important Committee Chairman, Billy Tauzin, was emphasizing to Hastert that the Tauzin-Dingell bill was his number one priority. But another important Chairman, Rep. F. James Sensenbrenner (R-Wisc.) of the Judiciary Committee, was arguing that the bill should also be sent to his committee, which was thought to be critical of the measure.

Second, many Republicans were hesitant about voting on a complex, controversial, potentially risky issue about which they knew too little. Anyway it was thought to be dead on arrival in the Senate due to opposition from Senate Commerce Committee Chairman Ernest Hollings (D-S.C.). Why then should the House members have to vote and thereby antagonize one of two groups of important supporters? Beyond their large numbers of local employees and community activism, the various phone companies were powerhouse contributors to candidates and parties. (In 1999-2000, AT&T and, to a lesser extent, other major long distance companies like WorldCom and Sprint, and CLECs provided $6.6 million in individual, PAC and party soft money contributions, while the Bells and their trade association donated $9.4 million. About 60 percent of each faction's largesse went to the Republicans[14]).

One well-placed Republican staffer observed, "Both Republicans and Democrats say we represent the long distance companies and the CLECs. Why choose? [between the Bells and AT&T]" A lobbyist for a Bell company commented, "A bunch of people among the Republicans don't want to vote. They prefer to till both sides with their fundraising concerns." A lobbyist on the other side commented, "The House Republican guys are saying to the leadership, why force us to take a vote and choose sides – forever! It will probably help our opposition."

Other than Chief Deputy Whip Blunt, Hastert did not find very strong allies among his fellow leaders, according to many staffers and lobbyists. Rep. Tom Davis, Chairman of the National Republican Campaign Committee, the party's House fundraising arm, was an outspoken opponent of Tauzin-Dingell[15] and Republican Conference Chairman J.C. Watts (R-Okla.), a former state utilities regulator, held a similar view according to lobbyists on both sides. Majority Whip Tom DeLay (R-Texas) and especially Majority Leader Dick Armey (R-Texas) were regarded by some insiders as somewhat less enthusiastic about the bill than Hastert, but followed the leadership's course.

DeLay's Chief Deputy Blunt however was "very active" in support of the legislation, according to a key Republican staffer. Blunt is in an excellent position to exert influence on this issue. He is a member of the Energy and Commerce Committee. Over the past year and a half, DeLay has made Blunt the leadership's "main man" with Washington representatives of the "K Street" business community and relied on him "for some of the more difficult arm-twisting and vote counting." He has used his K Street connections "to establish a strong fundraising operation.".[16] A leading telecommunications lobbyist described Blunt's role on Tauzin-Dingell: "He's been active. The leadership looks to him for an independent assessment of the legislation and its prospects. He's been in and out of the process [of advancing the bill]."

Hastert Manages the Tauzin-Dingell Bill to the Brink of Success

Faced with emerging obstacles to Tauzin-Dingell, but encouraged by $337,666 in 527 soft money contributions from Bell supporters, Hastert and the Republican leadership maneuvered to achieve their objectives while leaving behind as few scars as possible.

Things had gotten off to a disappointing start on May 9, 2001 when the Energy and Commerce Committee passed the bill by an unexpectedly close vote of 32-23. Indeed, an amendment eliminating the controversial line-sharing restrictions wanted by the Bells was barely defeated by a tie vote of 27-27. Such an amendment would have essentially gutted the bill.

1. A narrow referral to the Judiciary Committee

Chairman Sensenbrenner of the Judiciary Committee – perceived as less sympathetic to the Tauzin-Dingell bill – had written Speaker Hastert requesting that the bill be sent to his committee. Sensenbrenner's committee had jurisdiction over "protection of trade and commerce against unlawful restraints and monopolies," had held decades of hearings and markups of legislation relating to telecommunications monopolies, and had been referred (along with Energy and Commerce) the 1996 telecommunications legislation that Tauzin-Dingell would now change.[17] To underline his point, Sensenbrenner moved quickly to schedule votes on other legislation in his committee that would "effectively negate" much of Tauzin-Dingell.[18]

When more than one committee claims jurisdiction over a piece of legislation, the Speaker customarily makes "primary" and "secondary" referrals in the expectation that the "secondary" committee will choose to take up only those matters that are within its jurisdiction. And the secondary committee generally receives a reasonable time period for its consideration, which can be important in developing public support. In this case however, the Speaker, after consulting the parliamentarian, gave the Judiciary Committee an extremely narrow secondary referral (only for "provisions to narrow the purview of the Attorney General" as a consultant to the FCC's competition checklist).[19] Furthermore, Hastert gave the Committee only three weeks to complete its work.

Key actors on both sides of the issue agreed that this referral was, in one staffer's words, "highly unusual' Another staffer, who holds a different view of the bill's merits, agreed, "It was fairly unusual to limit the scope to a narrow piece and time period. It gave a pretty good idea of where the Speaker's head was at." A veteran Bell lobbyist confirmed that the narrow referral was "unusual."

Despite this limitation, in a June 13th "markup" Sensenbrenner's committee passed his broad amendment restoring the pro-competition government checklist Tauzin's committee had abolished, placing it fully under the Attorney General's (rather than the FCC's) authority. The committee also included a provision correcting a Federal Circuit Court's decision (*Goldwasser vs. Ameritech)* that Senenbrenner thought had mistakenly exempted the 1996 telecommunications law from antitrust requirements.

But opponents in and out of the committee argued that Sensenbrenner had exceeded the scope of the referral. And in the end, Sensenbrenner's prospects of having his amendment considered would depend on a decision by the Rules Committee as to whether he had exceeded the referral's scope. Of course, the Rules Committee was controlled by the Speaker and would follow his direction.

2. Framing Two Very Different Negotiations

To advance the bill yet deal with Sensenbrenner's objections and the relatively strong opposition to curbs on line-sharing, Hastert set up two parallel sets of negotiations. One was designed to forge an agreement between Chairmen Tauzin and Sensenbrenner, with the Speaker's power over the Rules Committee strengthening Tauzin's side of the balance. The other was intended to encourage Tauzin to discuss the line-sharing issue with his opponents, but not to compel him to come to an understanding with them.

Not long after the June Judiciary Committee markup, Hastert asked the two conflicting Chairmen to "work it out." "The leadership did not want to see two chairmen on the floor bashing each other," explained one staffer. In mid-July, Dan Mattoon (spouse of Hastert's 527 Treasurer) who knew the key staffers on the Energy and Commerce and Judiciary Committees, offered to facilitate a first discussion. Neither side seemed to know precisely whom he was representing in the meeting though they were aware of his Bell affiliations and close relationship with the leadership.

Toward the end of the year, following weeks of intensive negotiations, the two Chairmen reached agreement. While the terms have not been publicly revealed, all indications are that both sides moved significantly towards a mid-point on the *Goldwasser* decision issue, but that Tauzin largely carried the day against the more fundamental provision restoring the federal competitive checklist under the Department of Justice.

Pressured by Hastert, who ultimately controlled the fate of the bill, both chairs had incentives to seriously negotiate. But why did Sensenbrenner seem to come out second? According to one knowledgeable insider's explanation, "He knew the Speaker wanted to give this bill a vote and Tauzin was unmovable on the Justice Department." Hastert would make sure that Sensenbrenner was soothed, but held enough cards to determine that he would not be satisfied.

In July, Hastert asked Tauzin to also address the CLECs' central concern with line-sharing via discussions with other members. As the tie vote in Energy and Commerce suggested, this was the key political issue for the bill. A number of sources indicated that Hastert did not – as in the case of the Judiciary Committee – insist Tauzin "work out a deal with so and so." This gave the pro-Bell Chairman more flexibility to set his own terms for an agreement. He chose as his major negotiating partner Rep. Chip Pickering, Jr. (R-Miss.), who had supported the line-sharing amendment in committee. Yet after a few months of off and on negotiations, the talks foundered.

In response, the Speaker did not ask that the line-sharing discussions resume with either Pickering or anyone else. "The Speaker said there was no reason to continue negotiating with Pickering," commented one staffer, "The leaders said to Tauzin, 'Just negotiate with Sensenbrenner.'" As a result, Tauzin decided to fashion his own line-sharing amendment, which did not go far enough to attract Pickering and his congressional and outside allies. (It provided that instead of sharing parts of their networks, the RBOCs would resell their own high speed service to the CLECs, but at prices the latter believed "would probably make it completely economic for the CLECs."[20]

3. Calling a Vote

Despite considerable Republican opposition to the bill, Hastert and the Republican leadership steamed ahead. "Tauzin assured the Speaker he had the votes on the line-sharing amendment and final passage [of the bill]," recounted one lobbyist. Just before the House was scheduled to adjourn in mid-December, the leadership scheduled the Tauzin-Dingell bill for debate and a vote. This provoked a Republican rebellion led by two opponents of the legislation: Rep. Stephen Shadegg (R-Ariz.), a member of the Energy and Commerce Committee and Chairman of the Republican Study Group, and Rep. Jeff Flake (R-Ariz.) from the Judiciary Committee. They persuaded 51 Republicans to sign a letter to Republican Conference Chair Watts requesting that the Conference meet to discuss the schedule. Many members said they didn't want to stay an extra day and to take a controversial vote on a bill, the final contents of which (i.e. the Judiciary and line-sharing negotiation results) were still not fully known.[21] According to an inside source, when the Conference met, Hastert largely preempted the discussion by declaring that most members favored the bill and then postponing its consideration until March.

The bill is currently scheduled to be taken up on Wednesday, February 27th.

Case Study #2: Corporate Effort to Shape Policy Through 527s

Marlboro's Man Uses Anti-Terrorism Bill To Protect Tobacco Companies

House Majority Whip Tom DeLay (R-Texas) is the tobacco industry's favorite lawmaker. Although you wouldn't know it from campaign contributions regulated by the Federal Election Commission (FEC).

When it comes to limited, "hard money" tobacco contributions to federal candidates regulated by the FEC – and scrutinized by watchdog groups and the press – DeLay is barely noticeable. He has received just $3,000 in tobacco money this election cycle (since January 1, 2001), which ranks him 60th among all House members in tobacco receipts.[22]

But in the first six months of 2001, DeLay's less visible 527 soft money group received nearly 40 times that, or $116,500, from tobacco companies, their executives and lobbyists.[23] That six-month haul exceeds the amount any candidate received in hard money from tobacco interests in the entire 1999-2000 election cycle. Most of that tobacco money came from two large corporate "soft money" contributions: $50,000 from Philip Morris and $41,000 from U.S. Tobacco.

In a remarkable bit of "bundling," 23 Philip Morris executives – including CEO Geoffrey Bible and CFO Louis Camilleri – contributed another $21,000 to DeLay's 527 in the first half of 2001.[24] (The Philip Morris executives must have enjoyed the relative anonymity offered by contributing to DeLay's 527; none of them have made a single contribution to DeLay's FEC-regulated committees in the last 10 years.)[25]

In all, between July 1, 2000 and June 30, 2001, DeLay's 527 garnered a total of $131,500 from tobacco interests – or one-fifth of its entire receipts.

Historically, DeLay has been an ally of the tobacco industry. During recent legislative sessions he has worked to disarm a federal lawsuit against tobacco companies. In the process, DeLay has done more than merely cast his own vote. "The Hammer" as he is known, vigorously whipped GOP votes against funding for the Department of Justice lawsuit (seeking reimbursement from the tobacco industry for Medicare and medical expenses related to treating tobacco-caused illness) on two occasions in the 106th Congress. "Tom DeLay was leaning very heavily on members," said a lobbyist who works on tobacco issues.[26]

He would again aid the tobacco companies in the fall of 2001, following the contributions made to his 527 in the first half of the year. In this case, however, DeLay's favor for tobacco went unnoticed by the American press, as it was tucked into an anti-terrorism bill at the 11th hour – and was stripped out of final legislation by Senate Democrats.

The story began on October 12, 2001 when a federal court ruled on a case with profound implications for the tobacco industry.

In that case, the 2nd U.S. Circuit Court of Appeals ruled – in a 2-1 decision – that the government of Canada could not use U.S. courts to collect unpaid taxes from R.J. Reynolds. The federal court reasoned that in the absence of clear congressional intent an 18th century "Revenue Rule" prohibited Canada from doing so.[27]

Canada had sued R.J. Reynolds in U.S. federal court, charging that the tobacco company had evaded $1 billion in Canadian taxes by illegally smuggling cigarettes across the Canadian border. The European Union and government of Colombia also filed similar suits against Philip Morris and British American Tobacco. (The International Consortium of Investigative Journalists and The Center for Public Integrity in Washington, D.C. have documented the role of tobacco companies in international cigarette smuggling.)[28]

In his dissenting opinion, however, federal judge Guido Calabresi, former dean of Yale Law School, said the Revenue Rule "has nothing to do" with Canada's suit.[29] Coming from such a respected jurist, this opinion all but invited Canada's lawyers to take the Circuit Court of Appeals' ruling to the U.S. Supreme Court for clarification.

The upshot of the October 12 decision was that cigarette companies learned Canada's case could well move to the U.S. Supreme Court – something they wanted to avoid. One way the companies could fix their problem was by addressing the federal court's claim that "in the absence of clear congressional intent" the court had to rely on the controversial Revenue Rule.

The remedy was clear. Tobacco companies needed to establish congressional intent – quickly. And, tobacco companies wanted legislation that would allow them to make their move quietly. The Financial Anti-Terrorism Act of 2001 provided such a vehicle.

Aimed at stifling money-laundering operations used by terrorists, the Financial Anti-Terrorism Act passed out of the House Financial Services Committee by a 62-1 vote on October 11, 2001.

The tobacco companies then received some help from allies in the business lobby. On October 15, U.S. Chamber of Commerce Vice-President R. Bruce Josten wrote a letter to Treasury Secretary Paul O'Neill urging changes in the money-laundering bill. Josten said "the legislation highlights the broad problem presented by foreign states attempting to use…the U.S. courts as a means to collect monies allegedly due under foreign revenue laws."[30] Josten went on to propose specific language that said the Financial Anti-Terrorism Act would not allow foreign states to pursue "nonpayment of taxes" in U.S. courts unless such a claim was called for in a new treaty.

As of October 15th, the bill approved by the House Financial Services Committee contained no language relevant in any way to the tobacco industry. But that was about to change.

On October 16th, the day before the bill was scheduled to go to the floor for a full House vote, the tobacco-friendly language was added.

Rep. Michael Oxley (R-Ohio), chairman of the House Financial Services Committee, pushed to insert the language that would shield tobacco companies from foreign lawsuits, and added it via a "managers' amendment." "It clearly came from Republican leadership," said one congressional source.[31] "The administration and Tom DeLay in particular, were pressing that particular issue," another source told Public Citizen.[32]

Committee staffers capitulated. They allowed a paragraph – known as Provision 106(b) – to be added to the bill. When it went to the full House for a floor vote the following day, it appears that few, if any of the rank-and-file House members knew that this new language had been added, never mind its purpose.[33]

The language sounded innocuous enough: "None of the changes or amendments made by the Financial Anti-Terrorism Act of 2001 shall expand the jurisdiction of any Federal or State court over any civil action or claim for monetary damages for the nonpayment of taxes or duties under the revenue laws of a foreign state…"[34] And it definitely did not reveal any overt links to the tobacco industry.

But to a few well-informed people, the beneficiary of this language was clear and undisputed. One Department of Justice lawyer reportedly told Democratic congressional staff: "You know what this is a stalking horse for? Tobacco companies are clearly trying to get cover for the October 12 court decision."[35]

The legal staff of Campaign for Tobacco-Free Kids, an anti-smoking group, reviewed the language and prepared a memo spelling out the reasons why Provision 106(b) was "not germane to the purpose of the Financial Anti-Terrorism Act and serves only as special-interest legislation for the exclusive benefit of the major U.S. cigarette companies."[36]

Staff of the Senate Banking Committee, chaired by Sen. Paul Sarbanes (D-Md.) agreed. When the House bill came over to the Senate they stripped out Provision 106(b). *The Congressional Record* contained an analysis of the problem inserted by Sen. Patrick Leahy (D-Vt.), chairman of the Senate Judiciary Committee, noting that the Senate "dropped [a] provision carving out tobacco companies from RICO liability for foreign excise taxes."[37] Rep. John Conyers, Jr. (D-Mich.) also raised the issue when the bill, now incorporated in the Senate's USA PATRIOT Act, came back to the House for a vote. "I am very proud of the results…because we dropped the administration proposal…that would have prevented RICO liability for tobacco companies," said Conyers, the senior Democrat on the Judiciary Committee.[38]

Still, the attempt by the tobacco industry, the U.S. Chamber of Commerce, the White House, Tom DeLay and others to protect tobacco companies against tax evasion by sneaking obscure language into an anti-terrorism bill has gone unreported by the American media.[39]

Public Citizen's repeated calls to DeLay's communications and legislative staff have not been returned. Repeated calls to Oxley's personal office and House Financial Services Committee staff also were not returned.

Tobacco Interests Contributions to Rep. Tom DeLay's 527 ARMPAC, July 1, 2000 to June 30, 2001

Soft Money Contributions

Contributor	Reporting Period	Amount
Philip Morris	Mid-Year 2001	$50,000
Philip Morris	Post-General Election 2000	$10,000
U.S. Tobacco Public Affairs	Mid-Year 2001	$41,000
U.S. Tobacco Public Affairs	Year-End 2000	$5,000
Total		**$106,000**

Philip Morris Bundling, January 1, 2001 to June 30, 2001

Contributor	Philip Morris Affiliation	Amount
Arnold & Porter	Represented Philip Morris in Boeken Case	$1,000
David R. Beran	Philip Morris Executive	$1,000
Geoffrey C. Bible	Philip Morris CEO	$1,000
John D. Bowlin	Philip Morris Executive	$1,000
Nancy E. Brennan	Philip Morris Executive	$1,000
Bruce Brown	Philip Morris V.P. Corporate Tax	$1,000
Louis Camilleri	Philip Morris Executive	$1,000
Thomas Collamore	Philip Morris V.P. Public Affairs	$500
Mary P. Devine	Philip Morris Attorney	$1,000
Richard Floersch	Philip Morris V.P. Human Resources	$1,000
David Greenberg	Philip Morris Executive	$1,000
Hall, Green, Rupli LLC	Registered Lobbyist for Philip Morris	$1,000
Kenneth V. Handal	Philip Morris Executive	$1,000
Richard Hohlt	Registered Lobbyist for Philip Morris	$1,000
G. Penn Holsenbeck	Philip Morris Vice President	$1,000
John J. Mulligan	CEO, Philip Morris Capital Corporation	$1,000
Richard B. Murphy	Registered Lobbyist for Philip Morris	$500
John R. Nelson	Philip Morris Executive	$1,000
David P. Nicoli	Philip Morris Executive	$1,000
William S. Ohlemeyer	Philip Morris V.P. and Associate General Counsel	$1,000
Steven C. Parrish	Philip Morris Sr. Vice President	$1,000
Jay Stuart Poole	Philip Morris Corporate Affairs	$500
Nancy Scruggs	Wife of Philip Morris V.P. John Scruggs	$1,000
Timothy Sompolski	Philip Morris Sr. Vice President	$1,000
Harry G. Steele	Philip Morris Vice President	$500
Eric A. Taussig	Philip Morris V.P. and Associate General Counsel	$1,000
L. Henry Turner	Philip Morris V.P., State Government Affairs	$500
Charles Wall	Philip Morris Sr. Vice President	$1,000
Total		**$25,500**

Source: Public Citizen analysis of 527 disclosure reports (IRS form 8872) available at http://eforms.irs.gov.

Case Study #3: Corporate Effort to Shape Policy Through 527s

Stanford Financial Group Uses 527s As It Fights Money-Laundering Legislation

In September 1999 the Clinton Administration first unveiled its National Money Laundering Strategy, aimed at hampering the finances of illegal gambling, drug smuggling and terrorism networks.

Two months later, Stanford Financial Group, a Houston-based company, became active in federal politics for the first time. Stanford Financial would later be identified as one of the institutions that worked hardest to thwart money-laundering legislation, H.R. 3886 and S. 2972. Stanford Financial appears to have used campaign contributions, including large donations to 527 groups, as a key part of its strategy.

At the center of the story stands R. Allen Stanford, the CEO of Stanford Financial Group.[40] Stanford has dual citizenship in the United States and Antigua[41] – a 100-square mile Caribbean island with about 67,000 people, more than 50 off-shore banks, and a reputation as a money-laundering haven.[42] His Stanford International Bank Ltd. is Antigua's largest financial institution with more than $680 million in assets.[43] The parent company, Houston-based Stanford Financial Group, is a privately held financial services firm with more than $14 billion in assets.[44]

In late November 1999, with the Clinton Administration's crackdown on money-laundering under way, Stanford hired one of Washington, D.C.'s most respected lobbying firms, Verner Liipfert, Bernhard, McPherson & Hand.[45] Suddenly, in February 2000, Stanford Financial Group – which had never made a federal campaign contribution before – started pouring money into Republican and Democratic party committees.

Stanford's lobbying disclosure reports in 2000 made it clear that the company had only *one* interest in federal policy: money-laundering legislation.[46] Former Treasury Department officials confirmed, in interviews with Public Citizen, that Stanford Financial vigorously opposed the legislation – along with several other Texas-border banking institutions – in meetings held on Capitol Hill.[47] Between February 2000 and June 2001, Stanford Financial gave Republican party committees $208,000 and Democratic party committees $145,000.[48]

But Stanford didn't stop there. Stanford Financial and R. Allen Stanford gave another $95,000 to the 527 groups of three influential politicians – Senate Majority Leader Tom Daschle ($40,000), House Democratic Caucus Chairman Martin Frost ($50,000), and Senate Minority Leader Trent Lott ($5,000).

In doing so, Stanford became the single largest contributor between July 1, 2000 and June 30, 2001 to the 527 groups of Daschle and Frost.[49] (Public Citizen's efforts to discuss these contributions were rebuffed by a Stanford Financial Group spokesperson.)

Stanford also contributed the maximum allowed to Daschle's 527, given Daschle's self-imposed limit of $10,000 per donor per year. Stanford contributed $10,000 from his company and $10,000 from himself in both 2000 and 2001.[50]

Why? What was Stanford trying to get from Daschle, the highest-ranking Democrat in the Senate, and Frost, the third-highest ranking Democrat in the House?

It's not entirely clear. Stanford Financial declined to answer Public Citizen's questions, which were submitted in writing, at Stanford's request.[51] Anita Dunn, a spokeswoman for Daschle's 527 group, claimed not to know Stanford, promised to get back to Public Citizen with answers, and then did not to return calls.[52] Greg Speed, a spokesman for Frost, said that Stanford's initial $25,000 contribution to Frost was aimed at getting Stanford face time with Texas lawmakers who were delegates to the 2000 Democratic National Convention.[53]

Frost was chairman of the Texas delegation (which included 17 members of Congress) at the Los Angeles convention, Speed explained. Money raised by Frost's 527, the Lone Star Fund, prior to the convention was targeted for Texas delegation expenses. It paid for travel, meals and a party, featuring the band Asleep at the Wheel, said Speed.

"The relationship [between Frost and Stanford] began at the time of raising money for the Los Angeles convention," said Speed. Stanford attended the convention, according to Speed. "He participated in our events in Los Angeles and helped underwrite the costs," Speed said. "He sought to have a role in L.A. and that he did…It's safe to think he would have a chance to talk with just about every member of the Texas delegation."

Frost himself has little recollection of talking with Stanford about the money-laundering legislation, Speed said. "Martin doesn't recall anything but [Stanford] mentioning it in passing."

Stanford's 527 and party soft money contributions appear well-timed. He gave $50,000 to 527 groups between July 1 and September 30, 2000 as President Clinton's Treasury Secretary Lawrence Summers worked to pass H.R. 3886 and S. 2972.

These bills featured strong know-your-customer rules that would have required banks to confirm a depositor's identity and determine the source of his or her money. H.R. 3886 enjoyed strong bipartisan support in the Republican-led House Banking Committee and it passed the committee by a 31-1 vote on July 11, 2000. "We felt we would win any time there was a vote," said one former Treasury Department official. "Nobody was going to vote against an anti-money-laundering bill."[54]

The hard part was getting the legislation to another vote. Between late June and late September 2000, Stanford contributed another $188,000 in soft money to Republican and Democratic party committees, with $75,000 of that almost evenly divided between the GOP and Democratic fundraising committees for the Senate, where the money-laundering legislation was soon dealt a crippling blow.

Senate Banking Committee Chairman Phil Gramm (R-Texas) refused to take up the Senate companion bill of H.R. 3886 in his committee, where it was referred on July 27, 2000.[55] Indeed, Gramm later publicly boasted to a group of bankers that, “I killed the administration’s anti-money-laundering legislation.”[56]

Neither Republican nor Democratic senators publicly protested Gramm’s inaction. Advocates considered pushing the bill to a vote in the full House as a way of pressuring Gramm, but were stymied by GOP House Majority Leader Dick Armey and House Majority Whip Tom DeLay.[57] “They were the ones who killed it,” former Deputy Secretary of Treasury Stuart Eizenstat told Public Citizen. “It’s not coincidental that Gramm, Armey and DeLay are all from Texas.”[58]

Texas bankers were said to be the harshest critics of the proposal “because of their proximity to the Mexican border, (they) finance many cross-border projects, and are believed to be a favorite repository for Mexican fortunes whose owners sometimes don’t welcome scrutiny.”[59]

There is no public record of Daschle or Frost ever complaining about Republican obstacles in the Senate and House; nor is there any record of them speaking in support of the money-laundering legislation. Stanford kept up its contributions and lobbying in the first half of 2001, as it apparently tried to keep the money-laundering bill at bay in the new Congress. Stanford gave another $20,000 to Daschle’s 527 and $25,000 to Frost’s Lone Star Fund. Stanford also pumped $135,000 into Democratic and Republican Senate and House committees between late March and late June 2001. “In that situation you need to give money to friends and those you want to be friends. You need to spread it around the Enron way,” said one former Treasury Department official.[60]

Stanford gave an additional $100,000 to the Bush Inaugural Committee – as the new administration prepared its own money laundering strategy. More stringent controls were not proposed. Instead, the Treasury Department went to work watering down reporting requirements that are considered burdensome by many (including Stanford) in the financial services industry.[61] In August, Treasury changed its tax shelter regulations to allow corporations to avoid some reporting requirements in an attempt to “ease tax administration.”[62]

Then September 11, 2001 came and everything changed. Daschle stepped forward to become a champion – perhaps the key advocate in Congress for money-laundering legislation.[63] Gramm relented, as did the Bush administration. The legislation sought by the Clinton administration and the Republican-controlled House Banking Committee (renamed the Financial Services Committee January 2001) was finally enacted.[64]

In the end, it appears that Stanford may not have needed help from Daschle and Frost – or for that matter, from Senate and House Democrats – to kill the money-laundering legislation prior to September 11. Texas Republicans Gramm, Armey and DeLay took care of that. But it seems clear that Stanford’s 527 soft money contributions were aimed at killing the bills, and enabled him to get access at least to Martin Frost and the Texas Democratic delegation. And it seems clear from a search of public records that Daschle and Frost never spoke, or acted in any way, to advance the money-laundering legislation until the tragedy of September 11, 2001.

VI. 527 Groups Remain Shadowy Due to Flawed Disclosure System

The disclosure law (PL 106-230, enacted July 1, 2000) that forced politician and other 527 groups to reveal their contributors, expenses and leaders was designed to expose 527s to public scrutiny mainly by requiring the IRS to post 527 disclosure reports on the Internet. But even with this reform, 527 groups remain somewhat secretive because of weaknesses in the law and flaws in the disclosure system.

Trying to Find 527 Groups

The problems start with the IRS's searchable website. What the public cannot do on this site is more important than what it can do. The IRS's collection of 527 documents includes a general search function that – in theory – should allow users to locate specific 527 groups and an "advanced search engine" that can find electronically submitted forms and reports.[65]

However, the 527 system and the IRS website make it difficult for the public to learn about these groups. To find a 527 controlled by a politician you must know the name of the 527 group. In other words, you cannot enter the name of a politician and expect any results. This is unlike the FEC's searchable system for hard money contributions and expenditures.

Because most 527s have the same name as the politician's leadership PAC, many can be found by searching the IRS system for the name of the leadership PAC. But at least one 527 group does not share the same title – Rep. Robert Wexler (D-Fla.) has a 527 account named the "Florida 19 PAC" and his FEC leadership PAC is called ZackPAC.

Of course, if a member of Congress has a 527 group with the same name as his or her leadership PAC and a second 527 group, it would be very difficult to find the second group.

Go Ahead – Try Finding the Enron Contributions

In contrast to the FEC website, the IRS site does not allow one to search for all 527 contributions from a particular entity, whether it's a corporation, union, individual, economic sector or industry. Look no further than Enron for a glaring illustration of this problem. Media, watchdog groups and congressional investigators have been studying Enron contributions, looking for special interest favors, but no one has yet identified all contributions from Enron to 527 groups. That's because it is impossible to do without opening every 527 record – approximately 72,000 of them.[66]

The Public Citizen database of the 25 largest politician 527s and 25 largest non-politician groups shows $210,000 in contributions from Enron and its executives. But again, that is probably an incomplete tally of the money Enron pumped into the 527 system.

You Call that "Advanced" Searching?

The IRS website also features an "advanced search engine" that can find electronically submitted forms and reports.[67] The advanced search engine offers the promise of a more user-friendly way for the public to locate specific information on 527 groups, and their contributions and spending.

But it has significant shortcomings. The 527 disclosure law does not mandate electronic filing of reports. By contrast, federal election campaign law now requires political committees receiving contributions or making expenditures over $50,000 to report electronically to the FEC. Because the IRS's advanced search engine can only find the few electronically filed forms, it has little usefulness. Only two of the 25 politician 527s we studied filed reports electronically – those controlled by Sen. Ernest Hollings (D-S.C.) and Sen. Ron Wyden (D-Ore.). Only 8 percent of all 527 groups – 1,147 out of 14,402 – can be searched using the advanced search engine.[68] The search function also lacks the FEC system's ability to search by date, find new groups associated with politicians and aggregate total contributions.[69]

The Big Picture Isn't Coming In

The limited search functions do not allow the possibility of aggregating contributions to determine the total amount of money flowing into 527 groups. It is also impossible to determine how many groups are influencing federal elections, as opposed to state and local races without opening every record. These problems with searching and analyzing data on the IRS website may explain the fact that no news organizations or watchdog groups have produced comprehensive reports on 527s since the disclosure law was enacted.

When? Sometime in the First Half of the Year

The importance of a contribution or expenditure can depend on *when* as much on 'to whom' or 'for what.' Money given around the time of key events – such as a committee vote or floor vote on a bill – can have enormous political impact. A fundamental problem with the 527 disclosure law is that specific dates of contributions and expenditures are not required. This stymies full analysis of the meaning of contributions.

Under the law, the timing of contributions and expenditures can be classified only in broad ranges based on reporting deadlines. In odd-numbered years, or "off-election years," such as 2001, 527 groups were required to file only two reports – one for the first six months of the year, and one for the second six months of the year. So the only way to describe when money was received or spent is either between January 1 to June 30, or July 1 to December 31. (527 disclosure is slightly more frequent in even-numbered years, when quarterly reports are filed, but exact dates of contributions and expenditures are still not required.) In contrast, the FEC requires political committees to report the exact dates of contributions and expenditures.

Purpose? Unknown

Determining how 527s spend money can be impossible because the law also does not require 527 groups to list the purpose of expenditures. The vague listing of payments prevents the public from understanding how 527 groups are being used. Was the money spent on a fundraising drive or direct mail attack ads? Was the expenditure for a TV media buy or consulting work?

In contrast, political committees regulated by the FEC must describe the purpose of expenditures. Examples of expenditures by 527 groups with unidentifiable purposes include:

- American Renewal PAC (Rep. J.C. Watts, R-Okla.) reported $45,980 to American Express and did not itemize the charges.

- Glacier PAC (Sen. Max Baucus, D-Mont.) listed $21,289 in credit card charges to American Express and MBNA and also did not disclose how the money was spent.

VII: 527s Skirt the Law to Remain Secretive

Flaws in the disclosure law and difficulties with the IRS disclosure system tell only part of the story. Adding to the shadowy element of these groups is their apparent ability to skirt the new law with impunity. Some groups are totally evading disclosure, others are filing incomplete reports with the IRS. Still others are hiding their close relationships with members of Congress or trying to influence elections and policy in ways that contradict their stated purpose. These abuses – and lax enforcement by the IRS – are allowing 527 groups to remain even more secretive by skirting the disclosure law.

Evading Disclosure

Public Citizen examined the filings – and lack thereof – for the top 25 politician 527 groups and found that two of them apparently did not complete entire reports.

By law, the Congressional Black Caucus (CBC) was required to begin filing 527 disclosure reports in October 2000.[70] The CBC did not file any report until May 4, 2001, and this report arrived with serious flaws. This first filing, the post-election report due December 7, 2000, listed $1,092,658 in contributions, but these were actually expenditures. The group listed only $6,000 in contributions, again mislabeled, that account for less than 1 percent of the CBC's total receipts during the period covered by the report.

Under pressure from the media, the CBC corrected its post-election report and made it available to *Newsweek* and *The Washington Post*, but did not submit this amended form to the IRS.[71] The CBC also has not filed an 8871 form that lists the group's purpose, leadership and contacts – at least the IRS has not posted one on its website.

It appears another group did not file required disclosure reports. House Speaker Hastert's KOMPAC apparently did not file a report for the crucial pre-election period (October 1-October 18, 2000) – at least there is not one posted on the IRS website. Even worse, KOMPAC's "post-election" report doesn't cover all of the prescribed period. It is supposed to cover October 19-November 27, but the report says it only covers November 7-November 27. The upshot of this is no record of how much money was raised or spent by this group between October 1 to November 6, 2000. That is a big and important gap: 527s controlled by other politicians such as Rep. DeLay and Sen. Daschle reported raising hundreds of thousands of dollars in this same period.

The IRS claims not to know who is at fault for the missing reports. "It is possible that they did not file," said IRS spokeswoman Michelle Lamishaw. "Or maybe it was filed but not linked properly…We could have just made key entry errors."[72]

With these lingering questions about missing forms, the IRS looks a little like the Arthur Andersen of 527s. Indeed, the IRS admits it does not have a compliance program to police 527 groups that fail to file, or file inaccurately. “We are still developing a compliance program,” said Lamishaw.[73]

KOMPAC record keeper Lisa Lisker could not say with certainty that KOMPAC filed a pre-election report or an appropriate post-election report with the IRS.[74] CBC representatives did not return Public Citizen phone calls.

Stated Purpose Shortcomings: Who Are These Groups?

When 527 groups are organized they must file a statement of organization on IRS from 8871 that includes a description of their purpose. But 527 groups can skirt the law by providing vague or misleading statements that cloud the organization’s actual intent.

Examples of overly vague stated purposes include:

- Glacier PAC (Sen. Max Baucus, D-Mont.): “Political Action Committee”
- Searchlight Leadership Fund (Sen. Harry Reid, D-Nev.): “Political Action Committee”
- Florida 19 PAC (Rep. Robert Wexler, D-Fla.): “To help elect Democratic candidates.”
- Rhode Island PAC (Rep. Patrick Kennedy, D-R.I.): “Promote various issues and support the election of non-federal candidates and to support various committees …”

Other groups appear to be spending money in ways that violate or contradict their stated purpose. Tom DeLay’s ARMPAC says its purpose is to “Contribute to state and local candidates; support Republican issues.” But in the July 1, 2000-June 30, 2001 period the group did not make a single campaign contribution to a local candidate. Instead, ARMPAC spent $303,099 of its $591,402 (51 percent) in expenditures on consultants. ARMPAC paid $136,507 to Alexander Consulting, operated by DeLay’s former chief of staff Ed Buckham, $81,218 to WMR Consulting and $45,926 to Coastal Consulting, operated by Dani Ferro, DeLay’s daughter. Other ARMPAC expenditures include $53,247 for entertainment and $45,534 for staff.

Another example is Speaker Hastert’s KOMPAC. The stated purpose of KOMPAC “is to solicit funds and make contributions to candidates in the state of Illinois.” This group’s self-description conflicts with the reality that only $52,278, or 8 percent of all expenditures, went to local candidates in Illinois. KOMPAC spent $310,085 on entertainment and event expenses, including $111,241 to Jam Productions, and transferred $80,709 to its hard money “leadership PAC” account.

Kissing Cousins: How Close Are Related Entities?

On the same IRS 8871 form, the next section that groups must complete is a list of related entities. The IRS defines a related entity as another group with “significant common purposes and substantial common membership” or “substantial common direction or control.” Again, 527 groups are skirting the law – this time by withholding information on related entities that should be disclosed. Knowing the related entity for 527 groups allows the public to see the big picture – who is in charge of a 527 and what issues are being advocated.

Of the top 25 politician 527s, 23 are connected to FEC-regulated "leadership PACs." And in these cases, the 527 account is serving as a sort of soft money counterpart to these federal PACs. The names of the FEC and 527 accounts are usually the same. It would seem necessary for all politician groups with 527 accounts to list their FEC-regulated PAC as a related entity, *but eight do not*.

The eight politician groups that do not disclose a related entity nonetheless have very close relationships with other organizations. The treasurer or contact person is the same for the FEC-regulated and 527 accounts of American Success PAC (Rep. David Dreier, R-Calif.), Friends of the Big Sky (Sen. Conrad Burns, R-Mont.), Mainstream America PAC (Sen. John Breaux, D-La,) and Campaign for America's Future (Sen. Orrin Hatch, R-Utah). Another five groups that say they have no related entities transferred money from their 527 account to their FEC-regulated PAC by the same name.

Examples of the closeness between groups that do not reveal related entities include:

- Sen. Breaux's FEC regulated "leadership PAC" is named Mainstream America PAC. The 527 group by the same name, though, does not list a related entity. Both groups have the same address and same treasurer. The 527 account also transferred $73,150 to the federal PAC.

- Campaign for America's Future 527 does not list a related entity. But it shares the same name as the federal leadership PAC of Sen. Hatch. The 527 group's custodian serves as the treasurer of Hatch's leadership PAC, and the 527 account transferred $14,596 to the federal PAC. The address of the 527 group and leadership PAC are the same and the trustee of the 527 group was the communications director for Hatch's presidential exploratory committee.

Appendix A

How 527s Controlled by Congressional Leaders Spend Their Money

Public Citizen's study of spending by the top six politician 527s (three Republican, three Democratic) suggests that the Republican and Democratic 527s tend to operate in different ways. In general, the Republicans spent more on staff, consultants, events and entertainment and national party committees; Democrats spend more on contributions to state and local candidates and parties, transfers to their federal leadership PACs (allowed by the FEC to pay for joint administrative/fundraising costs), and partisan get-out-the-vote (GOTV) efforts (See Table 6). Since 527 disclosure does not require groups to specify the purpose of each expenditure, this categorizing of expenditures is broad and necessarily a well-informed, but not exact, estimate.

More specifically, the single biggest category of expenditures was "events and entertainment," which includes parties, concerts, food, hotels and events. The Grand Old Party totally dominated this category, with most of the spending apparently coming at the 2000 Republican National Convention in Philadelphia. Hastert's 527, for example, spent $111,241 on Jam Productions, $50,000 on Electric Factory concerts, and $7,500 on the Eileen Ivers Band ("the Jimi Hendrix of the violin," says *The New York Times*). Armey's 527 spent $137,500 on the William Morris Agency, $79,500 on Aramark Catering and $51,356 on the Spectrum Arena.

The second biggest category of spending was "direct contributions" to local and state candidates and party committees which was dominated by Democrats. The 527 of Rep. Martin Frost (D-Texas) made dozens of contributions to candidates for local office in Texas. Daschle's 527 made dozens of contributions to state and local candidates all over the country. "The pitch to donors is very simple," said Anita Dunn, spokeswoman for DASHPAC. "Help keep Tom Daschle majority leader; help elect Democrats at every level; help to build a farm team [of future candidates]. There are a lot of vulnerable Republicans in Congress but not strong Democratic candidates in their districts or states."[75]

Sometimes that logic extends to giving five-figure sums to potential congressional candidates, such as $15,000 to New Hampshire Gov. Jean Shaheen – whose support would be helpful if Daschle ever entered the Granite State's presidential primary. "We see her as a U.S. Senate candidate and she would not be as strong a candidate if she lost her campaign for governor," Dunn explained. "It is inaccurate to say that DASHPAC is a presidential campaign vehicle [for Daschle]."

The third biggest category was transfers to hard money federal leadership PACs. Democratic 527s dominated in transfers. The fourth leading category was spending on consultants (dominated by DeLay's expenditures to his daughter's firm and that of his former aide Ed Buckham). Fifth was expenditures on national party committees, where Democrats had a slight edge. Partisan get-out-the-vote (GOTV) spending, exclusively by Daschle and Reid, was ranked sixth.

Table 6: Major Expenditures of Top Congressional Leaders' 527s, July 1, 2000 to June 30, 2001

527 Name and Affiliated Politician	Events and Entertainment (Hotels, Food, Music, Limousine Service)	Contribs. to Local and State Candidates and Party Committees	Transfers to Hard Money Federal Account	Consultants	National Party Committees	Get Out The Vote (GOTV)	Staff
DASHPAC Sen. Tom Daschle, D-N.D.	-	$195,400	$127,033	-	$5,000	$90,000	-
ARMPAC Rep. Tom DeLay, R-Texas	$53,247	-	-	$303,099	$50,000	-	$59,501
KOMPAC Rep. Dennis Hastert, R-Ill.	$310,085	$52,278	$80,709	-	$37,950	-	-
Lone Star Fund Rep. Martin Frost, D-Texas	-	$278,750	$263,286	$32,500	$41,000	-	-
Majority Leader's Fund Rep. Richard Armey, R-Texas	$460,119	$6,000	-	-	$100,000	-	$36,954
Searchlight Leadership Fund Sen. Harry Reid, D-Nev.	-	$208,000	$178,300	-	$87,500	$75,000	-
Totals	**$823,451**	**$740,428**	**$649,328**	**$335,599**	**$321,450**	**$165,000**	**$96,455**

Source: Public Citizen analysis of 527 disclosure reports (IRS form 8872) available at http://eforms.irs.gov. These categories do not capture the total amounts spent because it is difficult to categorize some expenditures (527s are not required to list a purpose on disclosure forms).

Appendix B

Table 7: Telephone Company Soft Money Contributions to Speaker Dennis Hastert's KOMPAC 527 Account, Jan. 1, 2001 to Dec. 31, 2001

Donors	Contributions
BellSouth Corp.	$16,666
SBC Communications	$35,000
U.S. Telecom Association	$15,000
Total Contributions from Bell Companies	**$66,666**

Source: Public Citizen analysis of 527 disclosure reports (IRS form 8872) available at http://eforms.irs.gov.

Table 8: Telephone Company Hard Money Contributions to Speaker Hastert's Campaign Committee and Federal Leadership PAC, Jan. 1, '01 - Dec. 31, '01

Contributors to Hastert's Campaign Committee	Totals	PAC Contributions	Individual Contributions
BellSouth Corp.	$7,000	$5,000	$2,000
SBC Communications	$5,500	$5,000	$500
U.S. Telecom Association	$1,000	$1,000	-
Contributions from Bells	**$13,500**	**$11,000**	**$2,500**
AT&T	$2,000	$2,000	-
Other Telephone Companies	$16,750	$11,500	$5,250
Contributions from AT&T and other Telephone Companies	**$18,750**	**$13,500**	**$5,250**
Contributors to KOMPAC Federal Leadership PAC	**Totals**	**PAC Contributions**	**Individual Contributions**
BellSouth Corp.	$3,500	$3,500	-
SBC Communications	$5,000	$5,000	-
U.S. Telecom Association	$5,000	$5,000	-
Verizon	$2,000	$2,000	-
Contributions from Bell Companies	**$15,500**	**$15,500**	**-**
AT&T	$1,000	$1,000	-
Other Telephone Companies	$2,000	$2,000	-
Contributions from AT&T and other Telephone Companies	**$3,000**	**$3,000**	**-**
Total Contributions from Bell Companies	**$29,000**	**$26,500**	**$2,500**
Total Contributions	**$50,750**	**$43,000**	**$7,750**

Source: Center for Responsive Politics special analysis for Public Citizen based on data released electronically by the FEC through January 1, 2002.

Table 9: Telephone Company Soft Money Contributions to Majority Whip Tom DeLay's ARMPAC 527 Account, January 1, 2001 to December 31, 2001

Donors	Contributions
BellSouth Corp.	$25,000
SBC Communications	$100,000
Qwest	$11,000
Total Contributions from Bells	**$136,000**

Source: Public Citizen analysis of 527 disclosure reports (IRS form 8872) available at http://eforms.irs.gov.

Table 10: Telephone Company Hard Money Contributions to Majority Whip Tom DeLay's Campaign Committee and Federal Leadership PAC, January 1, 2001 to December 31, 2001

Contributors to DeLay's Campaign Committee	Totals	PAC Contributions	Individual Contributions
SBC Communications	$4,999	$4,999	-
Verizon	$5,000	$5,000	-
Contributions from Bell Companies	**$9,999**	**$9,999**	**-**
Other Telephone Companies	$3,000	$3,000	-
Contributors to ARMPAC Federal Leadership PAC	**Totals**	**PAC Contributions**	**Individual Contributions**
BellSouth Corp.	$5,000	$5000	-
SBC Communications	$5,000	$5000	-
U.S. Telecom Association	$1,000	$1000	-
Verizon	$5,000	$5000	-
Contributions from Bell Companies	**$16,000**	**$16,000**	**-**
AT&T	$4,500	$4,500	
Other Telephone Companies	$11,300	$11,000	$300
Contributions from AT&T and other Telephone Companies	**$15,800**	**$15,500**	**$300**
Total Contributions from Bell Companies	**$25,999**	**$25,999**	**-**
Total Contributions	**$44,799**	**$44,499**	**$300**

Source: Center for Responsive Politics special analysis for Public Citizen based on data released electronically by the FEC through January 1, 2002.

Table 11: Telephone Company Soft Money Contributions to Chief Deputy Whip Roy Blunt's Rely on Your Beliefs 527 Account, January 1, 2001 to December 31, 2001

Donors	Contributions
BellSouth Corp.	$25,000
SBC Communications	$50,000
Qwest	$10,000
Verizon	$50,000
Total Contributions from Bell Companies	**$135,000**

Source: Public Citizen analysis of 527 disclosure reports (IRS form 8872) available at http://eforms.irs.gov.

Table 12: Telephone Company Hard Money Contributions to Chief Deputy Whip Roy Blunt's Campaign Committee and Federal Leadership PAC, January 1, 2001 to December 31, 2001

Contributors to Blunt's Campaign Committee	Totals	PAC Contributions	Individual Contributions
BellSouth Corp.	$5,000	$5,000	-
SBC Communications	$5,000	$5,000	-
Contributions from Bell Companies	**$10,000**	**$10,000**	**-**
Other Telephone Companies	**$1,000**	**$1,000**	**-**
Contributors to Rely on Your Beliefs Leadership PAC	**Totals**	**PAC Contributions**	**Individual Contributions**
BellSouth Corp.	$5,000	$5,000	-
SBC Communications	$5,000	$5,000	-
Verizon	$1,000	$5,000	-
Contributions from Bell Companies	**$15,000**	**$15,000**	**-**
Total Contributions from Bell Companies	**$25,000**	**$25,000**	**-**
Total Contributions	**$26,000**	**$26,000**	**-**

Source: Center for Responsive Politics special analysis for Public Citizen based on data released electronically by the FEC through January 1, 2002.

Appendix C

Table 13: Politician 527s Not Included in the Top 25 by Amount of Contributions, July 1, 2000 to June 30, 2001 (Complete) and July 1, 2001 to December 31, 2001 (Incomplete)

Name	Affiliated Politician	One Year Contributions 7/1/2000 – 6/30/2001	7/1/2001 – 12/31/2001 Contributions	One Year Expenditures 7/1/2000 – 6/30/2001	7/1/2001 – 12/31/2001 Expenditures
ED-XL PAC	Reps. Peter Hoekstra, R-Mich., & Bob Schaffer, R-Colo.	$202,614	-	$188,982	-
Alliance for the West	Sen. Larry Craig, R-Idaho	$121,535	-	$158,308	-
Effective Government Committee	Rep. Richard Gephardt, D-Mo.	$108,000	-	$55,418	-
Restore America	Sen. Sam Brownback, R-Kan.	$95,900	$10,000	$55,352	-
Fund for American Opportunity	Ex-Sen. Spencer Abraham, R-Mich.	$95,300	-	$85,377	-
BACKPAC	Ex-Sen. Bob Kerrey, D-Neb.	$91,254	-	$395,873	$8,356
Saving America's Families Everyday	Rep. J.C. Watts, R-Okla.	$91,000	-	$123,143	-
Fund for a Free Market America	Rep. Philip M. Crane, R-Ill.	$80,000	-	$39,758	$3,620
Pioneer PAC	Rep. Dave Hobson, R-Ohio	$78,565	$36,000	$91,731	$19,370
American Dream PAC	Rep. Henry Bonilla, R-Texas	$75,750	$88,500	$145,587	$33,524
Great Plains Leadership Fund	Sen. Byron L. Dorgan, D-N.D.	$74,900	$22,000	$80,564	$1,500
Committee for a United Republican Team	Rep. Dave Weldon, R-Fla.	$41,250	-	$23,379	-
Republican Majority Fund	Sen. Don Nickles, R-Okla.	$40,001	-	$36,001	-
Ameripac	Rep. Steny H. Hoyer, D-Md.	$39,000	-	$9,060	-
For Dems	Rep. Harold Ford, D-Tenn.	$36,100	$27,000	$31,091	$25,214
Gumbo PAC	Rep. Chris John, D-La.	$30,500	-	$11,155	$0.00

Common Sense Leadership Fun	Rep Saxby Chambliss, R-Ga.	$25,899	$41,000	$31,280	$32,337
Battle Born State PAC	Sen. John Ensign, R-Nev.	$25,000	$76,500	$3,250	$50,000
Blue Dog Non-Federal PAC	Rep. Collin C. Peterson, D-Minn.	$25,000	-	$3,040	-
DAKPAC Non-federal Account	Sen. Kent Conrad, D-N.D.	$23,459	-	$10,145	-
Future Leaders State PAC	Rep. Jerry Lewis, R-Calif.	$23,000	$6,000	$20,000	$3,000
Working Joe Baca	Rep. Joe Baca, D-Calif.	$13,075	-	$12,876	-
Sandhills PAC	Sen. Chuck Hagel, R-Neb.	$12,695	$30,500	$14,468	$18,404
Impact Oregon	Sen. Gordon Smith, R-Ore.	7,500	-	$83,761	-
Silver State	Rep. Shelley Berkley, D-Nev.	$6,850	-	$32	-
Live Free or Die	Rep. Robert C. Smith, R-N.H.	$6,200	-	$36,195	-
PETE'S PAC	Sen. Pete V. Domenici, R-N.M.	$2,000	-	$59,479	-
Northern Lights	Sen. Ted Stevens, R-Alaska	-	$38,000	-	$38,451
Prairie Leadership Committee	Sen. Tim Johnson, D-S.D.	-	$0.00	$7,000	-
Leadership 21	Rep. John Tanner, D-Tenn.	-	$42,912	-	$10,121
Committee For Leadership And Progress	Rep. Nita Lowey, D-N.Y.	-	$30,000	-	-
Florida Republican Leadership Coalition	Rep. Mark Foley, R-Fla.	-	$40,000	-	$26,957
Commonwealth Leadership Fund	Rep. Eric Cantor, R-Va.	-	$100	-	-
National Leadership PAC	Rep. Charles Rangel, D-N.Y.	-	$156,665	-	$53,661
Volunteer PAC	Sen. Bill Frist, R-Tenn.	-	-	-	-
David Bonior for Governor	Rep. David Bonior, D-Mich.	-	-	-	-
Hoosier PAC	Rep. Dan Burton, R-Ind.	-	-	-	-
PAC to the Future	Rep. Nancy Pelosi, D-Calif.	-	-	-	-
Totals		**$1,464,848**	**$801,842**	**$1,812,312**	**$378,176**

Source: Public Citizen analysis of 527 disclosure reports (IRS form 8872) available at http://eforms.irs.gov.

Appendix D

Methodology

How we selected our 25 groups

We studied the 25 largest *known* politician groups, based on receipts from July 1, 2000 to June 30, 2001. By "known" we mean those that had been identified by the media or watchdog groups such as PoliticalMoneyLine, or those that we were able to find from the vast clearinghouse of more than 14,000 groups that have registered as 527s with the IRS.

We were greatly aided in our search by Kase Jubboori, who, in his senior thesis at Colby College, opened the files of all 527 groups that filed 8872 (contribution and expenditure) reports with the IRS. Jubboori's study only covered the period of July 1, 2000 to Nov. 27, 2000. But it unearthed 2,190 groups that filed 8872 reports. Jubboori entered summary data about all those groups into a searchable database. We then used those records as a guide to finding the largest groups (in the July 1, 2000 to November 27, 2000 period) active in federal politics. For example, if 527 groups ranked relatively high on Jubboori's lists for receipts and/or expenditures we looked at their more current reports and ascertained where they stood in relation to the top 50 groups. This helped us greatly in identifying the groups most active in federal politics.

New groups are being created as you read this, and some may have enough receipts to crack our top 25 lists, but they did not exist, or were not known at the time we commenced our study in the fall of 2001.

How we coded contributions

Using the Center for Responsive Politics' system as a guide, we coded 669 contributions to the top 25 politician 527s of $5,000 or more by "sector" (such as "transportation," "public employee union" and "party committee") and then by "industry."

These contributions of $5,000 or more accounted for 85 percent of the total receipts collected by the top 25 politician 527s. We coded 75 percent of these contributions, which represents 73 percent of all money collected by the top 25 politician 527s.

Because the 527 reports do not always disclose the occupation of an individual contributor, we had to determine some of those by researching the individual donors. When individual contributors were high-ranking executives of companies, we counted those contributions as coming from the particular company and industry.

In a separate coding exercise, we also determined which contributions came directly from corporations, individuals, unions, party committees and other 527 groups. In this case, "corporate contributions" were only those that came directly from corporations – not their executives or political action committees. Overall, we found 45 percent of contributions came from corporations, 36 percent from individuals, 11 percent from party committees and 2 percent from unions. Six percent of contributions remained unidentified at time of publication.

Endnotes

[1] PL 106-230, signed by President Bill Clinton and enacted July 1, 2000.

[2] Public Citizen examined the largest and most influential *known* 527s. The top 25 politician 527s include groups previously revealed by media or watchdog groups. To determine the top 25, we reviewed the contributions and expenditures, available on 8872 disclosure reports, for 61 different politician 527s. The top 25 politician 527s represent the largest of these groups, in terms of contributions, that are active in federal politics.

[3] Congressional Record, 13 Feb. 2002: H342.

[4] Rep. Blagojevich's 527 was initially called "Prairie State Committee," but in his year-end 2001 report changed the name to "Blagojevich for Governor."

[5] http://www.opensecrets.org/overview/fundraising.asp?display=A&Cycle=2000

[6] Daschle's 527 had the lowest percentage of $5,000+ contributions at 91 percent; Armey had the highest at 98 percent.

[7] Statement of Peter Pitsch, Communications Policy Director, Intel Corporation, in U.S. House of Representatives, Committee on Energy and Commerce, *Internet Freedom and Broadband Deployment Act of 2001*, Hearing on H.R. 1542, April 12, 2001, pp. 85-86.

[8] Rebecca Pollard, Kate Ackley, and T.R. Goldman, "2001: A Lobbying Odyssey," in *Influence*, December 12, 2001, pp. 2-3.

[9] "Telephone Utilities: Top Contributors," Election Cycle 2002, from Center for Responsive Politics at www.opensecrets.org.

[10] This and similar information below regarding Reps. DeLay and Blunt in the 1999-2000 cyle is from www.opensecrets.org, accessed on February 1, 2002.

[11] Jim VandeHei, "K Street Connections Leaders' Lobbyists Wield Real Power on Hill,"*Roll Call*, September 13, 1999.

[12] See especially, Committee on Energy and Commerce, *Internet Freedom and Broadbandd Deployment Act of 2001*, Hearing on H.R. 1542, April 12, 2001; U.S. House of Representatives, Committee on the Judiciary, *Internet Freedom and Broadband, Deployment Act of 2001*; Hearing on H.R. 1542, June 5, 2001; U.S. House of Representatives, Committee on Energy and Commerce, *Internet Freedom and Broadband Deployment Act of 2001*; Rept. 107-83 Part I, May 24, 2001; and U.S. House of Representatives, *Internet Freedom and Broadband Deployment Act of 2001*, Rept. 107-83, June 18, 2001, Part 2.

[13] Consumers Union and Consumer Federation of America, Letter to members of the House, December 13, 2001.

[14] Center for Responsive Politics, "Telephone Utilities: Top Contributors," Election cycle 2000, at www.opensecrets.org.

[15] J.P. Cassidy, "GOP Fears Tauzin Bill Will Cost Contributions," *The Hill*, January 28, 2002; and "Rep.Tauzin Needs Deal to Win," *The Hill*, August 8, 2001.

[16] Charlie Mitchell, "Outside Influences: To be Perfectly Blunt," *Roll Call*, December 19, 2001; and Susan Crabtree, "Guide to Congress: House GOP Stable, but Others Wait in Wings," *Roll Call*, September 10, 2001.

[17] House Rept. 107-83 Pt. 2, pp. 3-12.

[18] Adriel Bettelheim, "High-Speed Internet Access Bill Emerges from House Commerce Panel With Less Momentum than Tauzin Hoped," *Congressional Quarterly*, May 12, 2001.

[19] House Rept. 107-83, Pt. 2, p. 12.

[20] Association for Local Telecommunications Services (ALTS), "Analysis of the Tauzin Draft Dated December 11, 2001."

[21] Adriel Bettelheim, "In Setback for the Bells, Broadband Deregulation Vote is Delayed in House Until March," *Congressional Quarterly*, December 15, 2001.

[22] Public Citizen analysis of Center for Responsive Politics data (www.opensecrets.org), accessed Feb. 6, 2002.

[23] Public Citizen analysis of IRS 8872 filings by Americans for a Republican Majority (ARMPAC).

[24] *Ibid.*

[25] Public Citizen analysis of IRS 8872 forms and Center for Responsive Politics data. Note: In addition to $21,000 from 23 Philip Morris executives, three lobbyists representing Philip Morris (Kenneth Hohlt, Richard B. Murphy and the firm Hall, Green Rupli) gave a total of $2,500 to DeLay's 527 in the first half of 2001. The firm Arnold & Porter, which defended Philip Morris in a lawsuit that ended in a $3 billion verdict against the company, gave $1,000. And the wife of Philip Morris vice president John Scruggs gave $1,000 during the same period.

[26] Public Citizen interview with lobbyist, December 12, 2001.

[27] Majority Opinion, 2nd Circuit Court of Appeals, *Atty Gen. of Canada v. R.J.R. Tobacco*, October 12, 2001.

[28] International Consortium of Investigative Journalists, "Tobacco Companies Linked To Criminal Organizations In Lucrative Cigarette Smuggling," March 3, 2001. http://www.public-i.org/story_01_013100.htm

[29] Circuit Judge Guido Calabresi, U.S. 2nd Circuit Court of Appeals, *Atty Gen. of Canada v. R.J.R. Tobacco*, October 12, 2001.

[30] R. Bruce Josten, Chamber of Commerce of the United States of America, letter to The Honorable Paul O'Neill, October 15, 2001.

[31] Public Citizen interview with congressional staff member, December 12, 2001.

[32] Public Citizen interview with lobbyist, December 12, 2001.

[33] Based on Public Citizen interviews with several congressional staff members in early and mid-December 2001.

[34] H.R. 3004, The Financial Anti-Terrorism Act of 2001, Introduced October 3, 2001.

[35] Public Citizen interview with congressional staff member, December 21, 2001.

[36] Memo from Eric N. Lindblom, Assistant General Counsel, Campaign for Tobacco-Free Kids, October 19, 2001.

[37] Cong. Rec. 25 Oct. 2001: S11007.

[38] Cong. Rec. 23 Oct. 2001: H7196.

[39] A month after the fact, the *Montreal Gazette* reported that tobacco had attempted such a legislative trick, but the *Gazette* story did not contain any details about who pushed for the language and how it was added to the bill. (William Marsden, "U.S. Big Tobacco Tried to Have Anti-Terrorism Bill Amended," The Montreal Gazette, November 22, 2001.) A week after the *Gazette* story, the Center for Public Integrity posted a "special report" on its web site, stressing the White House's role in pushing the tobacco shield. But the Center's report did not contain any details about the manager's amendment, nor DeLay's role, nor the tobacco industry's extraordinary contributions to DeLay's 527 group. http://www.public-i.org/story_01_112901.htm

[40] Monica Perin, "From Mexia to Antigua, R. Allen Stanford and family have created a financial firm catering to the affluent," *Houston Business Journal*, October 22, 1999.

[41] David Ivanovich, "Houston Banker Tries to Create Caribbean Empire, Runs into Problems with Feds," Knight-Ridder, July 16, 2000.

[42] U.S. Treasury Department, "FinCEN Advisory No. 11: Enhanced Scrutiny for Transactions Involving Antiqua and Barbuda," April 1999.

[43] David Ivanovich, "Banker Drawing Scrutiny; Houstonian's Antigua Empire Raises Questions," *Houston Chronicle*, July 16, 2000.

[44] http://www.stanfordfinancial.com/English/SFGHeart.htm, accessed on February 19, 2002.

[45] Public Citizen analysis of Lobby Disclosure Reports filed with the Secretary of the Senate and Clerk of the House pursuant to the Lobby Disclosure Act of 1995.

[46] *Ibid*.

[47] Public Citizen interviews with four former Treasury Department officials (plus three congressional sources and one State Department source). Public Citizen's findings are corroborated by a report in *Time* magazine, which said: "In Treasury and Capitol Hill meetings, bank representatives argued against new reporting requirements intended to identify the foreign owners of suspicious accounts…Among the most outspoken were representatives of the International Bank of Commerce of Laredo, Laredo National Bank and Stanford Financial Group, a Houston-based broker-dealer with offshore banks in Antigua." (Adam Cohen, Michael Weisskopf, Adam Zagorin, Donald L. Bartlett and James B. Steele, "Banking On Secrecy: Terrorists oppose scrutiny of offshore accounts. And so do many U.S. bankers and lawmakers," *Time*, October 22, 2001.

[48] Public Citizen analysis of Center for Responsive Politics data. Stanford's contributions went to the Republican National Committee ($103,500), the Democratic Senatorial Campaign Committee ($100,000), the National Republican Senatorial Campaign Committee ($80,000), the Democratic Congressional Campaign Committee ($45,000) and the National Republican Congressional Committee ($25,000). In almost every case, a contribution to one party was followed by a contribution to the other party.

[49] Public Citizen analysis of IRS 8872 forms.

[50] Public Citizen analysis of IRS 8872 forms; DASHPAC spokeswoman Anita Dunn stressed the 527 group's $10,000 limit per year per individual and company, and the fact that Stanford did not circumvent the limit but merely gave the maximum allowed.

[51] After a series of phone calls and email exchanges, Sandra Ritchie, director of marketing for Stanford Financial Group, wrote on February 12, 2002 that the company "declined at this time" to respond to Public Citizen's questions.

[52] Public Citizen interview with Anita Dunn February 1, 2002. Follow-up calls on February 8, February 15 and February 20, 2002 were not returned.

[53] Public Citizen interview with Greg Speed, February 11, 2002.

[54] Public Citizen interview with former Treasury Department official, January 21, 2002.

[55] Public Citizen interviews with three congressional sources and two former Treasury Department officials in December 2001 and January 2002.

[56] Rob Garver, "Launder Law Looks Like an '01 Washout," *American Banker*, March 7, 2001.

[57] Public Citizen interviews with congressional and former Treasury Department sources in December 2001 and January 2002.

[58] Public Citizen interview with Stuart Eizenstat, January 11, 2002.

[59] Adam Cohen, Michael Weisskopf, Adam Zagorin, Donald L. Bartlett and James B. Steele, "Banking On Secrecy: Terrorists oppose scrutiny of offshore accounts. And so do many U.S. bankers and lawmakers," *Time*, October 22, 2001.

[60] Public Citizen interview with former Treasury Department official, January 21, 2002.

[61] Robert Dodge, "Treasury Review of Reporting Rules Could Lift Burden on Banks – Especially Along Border," *The Dallas Morning News*, July 24, 2001.

[62] 26 CFR Parts 1 and 301.

[63] Susan Roth, "House Passes Anti-Terrorism Bill On Party-Line Vote," Gannett News Service, October 12, 2001. Discussing an anti-terrorism bill that passed the House without money-laundering controls, Daschle said "We will not support a counterterrorism bill that does not have money laundering provisions in it."

[64] Anti-Money Laundering provisions were included in the USA PATRIOT Act, which became Public Law No. 107-56 on October 26, 2001.

[65] The general search page is located at http://eforms.irs.gov/search_result.asp.

[66] Total number of 527 reports filed with the IRS is based on the total number of groups, 14,402 multiplied by five, for the five different reports due to the IRS by July 15, 2001.

[67] The advanced search engine can be accessed at http://eforms.irs.gov/IRS_Adv_Search_POL.asp.

[68] The advanced search engine has the ability to search 8871 forms by name, organization, related entity, officers, contact person, address and employer identification number. On the 8872 filing the date the group formed, amount of contributions, amount of expenditures, donor and occupation can be queried.

[69] See http://eforms.irs.gov/IRS_Adv_Search_POL.asp and a sample 8871 form at http://eforms.irs.gov/IRS_8871.asp?IRS_SESSION_ID=vF3AMEew77E3TQrRw9vOgLMBU3LU8hSJvMZxCDSLRbysOxHx1ssgN3QucGq5yuHz.

[70] The CBC's 527 was formed in 1997 according to a CBC IRS 8872 form. Therefore, it should have started filing reports when the first disclosure reports were due on October 15, 2000, for the 3rd Quarter of 2000.

[71] *The Washington Post* and *Newsweek* wrote stories about the CBC and its 527 group in the spring of 2001. The CBC made copies of a revised report available to those news organizations. But that revised report has never been posted on the IRS website.

[72] Public Citizen interview with Michelle Lamishaw, February 20, 2002.

[73] *Ibid.*

[74] Public Citizen interview with Lisa Lisker, February 21, 2002.

[75] Public Citizen interview with Anita Dunn, February 1, 2002.