



Organizing Astroturf: Evidence Shows Bogus Grassroots Groups Hijack the Political Debate; Need for Grassroots Lobbying Disclosure Requirements

January 2007

At least 12 organizations falsely representing themselves as grassroots entities spent millions in recent years to persuade Americans to pressure legislators to support controversial legislative measures. Taking the side of the well-heeled special interests that finance the groups, these “Astroturf” entities served as tools to carry out campaigns on some of the highest-stakes issues of our day, such as national energy policy, the estate tax and Medicare prescription drug legislation.

These organizations adopt populist-sounding names – invoking words like “citizens” and “Americans” – that belie the fact that they are bankrolled by large corporations, industry trade associations or ultra-wealthy individuals who have little in common with the regular Americans they are pretending to represent.

Take the United Seniors Association (USA). This organization spent millions to tilt House races in 2002 in favor of candidates who supported prescription drug legislation desired by the Pharmaceutical Research Manufacturers of America (PhRMA), the trade association for the brand-name pharmaceutical industry. In 2003, the group ran an advertising campaign to promote the legislation. USA, which billed itself as having a “1.5 million activists network nationwide,” reported to the IRS that it received more than \$20 million from a single donor in both 2002 and 2003, accounting for more than 75 percent of its revenue.

These groups also make a practice of misrepresenting what they seek to accomplish. The Save Our Species Alliance, an entity that sought to gut the Endangered Species Act, is a particularly Orwellian example of a group’s name suggesting the opposite of its true goals.

Organizations are often revealed as front groups in part by their mailing addresses. For instance, Project Protect, which pushed for President Bush’s “Healthy Forests” initiative, reported its residence at Mailboxes, Etc., in 2003. The next year, the group “moved” to the offices of the American Forest Resource Council, a trade association seeking industry-friendly land use policies.

Backers of these organizations also often mask their involvement by routing money through other conduit non-profit groups. In two examples cited below, money from special interest organizations was funneled through the bank account of a single non-profit, Americans for Tax Reform (ATR), on its way to other groups. ATR skimmed off tens of thousands of dollars of that money in what amounted to a *de facto* service fee. One of the relationships in which ATR acted as a conduit was coordinated by now-convicted lobbyist Jack Abramoff.

Another troubling trend that has emerged in recent years is the practice of lawmakers working in conjunction with front groups because the misleading names of the groups helps to provide political cover. For example, former Rep. Richard Pombo (R-Calif.) had disturbingly close ties to both the Save Our Species Alliance and Project Protect, groups shown below as industry-funded front groups.

The Need for Grassroots Lobbying Disclosure Requirements

Congress instituted disclosure requirements for lobbyists because lawmakers recognized the benefits, for both policy makers and the public, of knowing who funds the influence peddlers who court members of Congress. Members of the public, the targets of Astroturf groups' public affairs campaigns, are entitled to the same protection.

Under current law, there are no disclosure requirements to shine light on types of the Astroturf campaigns summarized below, even when they identify specific pending legislation and urge members of the public to contact Congress. The Senate is poised to consider a new and sorely needed disclosure requirement as part of its lobbying and ethics reform proposal, S. 1. A similar bill containing this provision passed the Senate last year. The House will consider the matter as part of its package of legislative changes presented sometime in January 2007.

While some for-profit lobbying groups are objecting to this new disclosure requirement, their concerns are likely grounded in financial self-interest rather than the public interest. The provision in the Senate bill is very narrowly drawn. It requires disclosure only when an entity spends a large amount of money – more than \$25,000 over a three-month period – to rally the public to urge Congress to act on a pending bill.

The measure does not in any way restrict lobbying activities by individuals or groups.

The bill excludes individuals and groups that are now exempt from lobbying registration and reporting requirements. It would require lobbying firms to report “good faith” estimates of the amount spent on grassroots lobbying campaigns if expenditures on such campaigns exceed \$25,000 per quarter. It would also require outside vendors hired to conduct these campaigns to itemize how they spent the money. Any spending on grassroots appeals to an organization's members does not count towards the \$25,000 per-quarter reporting threshold.

12 Examples of Astroturf Groups That Led Recent Fake “Grassroots” Lobbying Campaigns

Issues are identified in parentheses.

1. 21st Century Energy Project (Energy)

Led by lobbyist and Republican operative Ed Gillespie, this organization ran television and print ads attacking “liberal elites” opposed to President Bush’s energy proposal. One ad, headlined “Remember the ’70s?” depicted Carter-era gas lines. Gillespie told the press that the group received its funding from its 10 member organizations, but eight of those members subsequently said that they had not provided any money to the project. *Newsweek* reported that the group was actually funded entirely by Gillespie’s lobbying clients. These included Enron, which covertly funneled its contribution through Americans for Tax Reform, a non-profit group, and Daimler-Chrysler, which routed its money through Citizens for a Sound Economy, another non-profit.¹

2. American Family Business Institute and Free Enterprise Fund (Estate Tax)

These groups, which oppose the estate tax and have partnered on an ad campaign, broadcast advertisements in recent years targeting Sens. Max Baucus (D-Mont), Kent Conrad (D-N.D.), Byron Dorgan (D-N.D.), Tim Johnson (D-S.D.), Mark Pryor (D-Ark.), Chuck Schumer (D-N.Y.), Olympia Snowe (R-Maine), and former Sens. Lincoln Chafee (R-R.I.) and Tom Daschle (D-S.D.). The groups have not allowed facts to get in the way. In 2005, for example, they partnered on a reported \$7 million ad campaign that claimed the estate tax posed such a threat that “when you die, the IRS can bury your family in crippling tax bills. It can cost them everything.” In fact, the 2005 law allowed the first \$1.5 million of estates’ money to be exempted from taxation. The American Family Business Institute does not disclose its funders, aside from its statement that its funding chairman has contributed \$500,000. The Free Enterprise Fund takes the American Family Business Institute’s secrecy policy a step further. Although 501(c) groups are required to provide the identities of their large donors to the IRS, which keeps such information confidential, the Free Enterprise Fund has suggested it is exempt from the disclosure requirement. “The Free Enterprise Fund declines to provide specific identifying information on its donors on the grounds that such disclosure may chill the donors’ First Amendment right to associate in private with the organization,” the group wrote to the agency.²

3. Americans for Job Security (Estate Tax)

This group, which devotes nearly all of its spending on advertising, concentrates nearly entirely on messages that aim to influence elections as opposed to influencing the outcomes of discrete public policy issues.³ In a departure from that practice, however, the group targeted four

¹ Michael Isikoff, “Winks, Nods & Corporate Cash; One Wired GOP Lobbyist’s Playbook for Wielding Influence,” *Newsweek*, Feb. 25, 2002.

² “Spending Millions to Save Billions,” Public Citizen and United for a Fair Economy, April 2006.

³ Nicholas Confessore, “Bush’s Secret Stash,” *Washington Monthly*, May 2004. See also, “The New Stealth PACs: Tracking 501(c) Non-Profit Groups Active in Elections, Public Citizen,” September 2004.

senators in the summer of 2005 with issue-related advertisements that supported a repeal of the estate tax. They were former Sen. Bill Frist (R-Tenn), and Sens. Max Baucus (D-Mont.), Jon Kyl (R-Ariz.) and Mary Landrieu (D-La.).⁴ Americans for Job Security has steadfastly refused to disclose its contributors. The group's explanation underlines why disclosure of funding sources of grassroots lobbying campaigns is needed: AJS President Mike Dubke has said that such disclosure would distract from the group's message.⁵

4. Americans for Technology Leadership (Microsoft Anti-Trust Litigation)

Funded at least in part by Microsoft, this group orchestrated a letter-writing campaign in 2001 to attorneys general in at least 18 states that had joined the Justice Department in anti-trust litigation against Microsoft. The group reportedly coordinated the campaign by surveying members of the public on their views on the Microsoft case. People who indicated support for Microsoft were then sent letters on personalized stationary to sign and forward to public officials. The letters used different phrasing and typefaces to mask the fact that they were coordinated, but certain repetitions (such as the phrase "strong competition and innovation have been the twin hallmarks of the technology industry") gave them away. Not every letter was evidently written by a compliant survey subject. Utah's attorney general received letters from at least two dead people. The group acknowledged receiving money from Microsoft but would not say how much.⁶

5. American Taxpayers Alliance (Energy)

Run by Scott Reed, a lobbyist and manager of Robert Dole's 1996 presidential campaign, the American Taxpayers Alliance spent about \$1.8 million in 2001 on advertisements attacking Gov. Gray Davis for his handling of the state's energy issues. The group went to court to fend off demands by Davis that it disclose donors that funded that campaign.⁷ *Newsweek* subsequently reported that the entire campaign was funded by Reliant Energy and Duke Power, two companies at the heart of California's energy crisis.⁸ Reliant and Duke have subsequently agreed to pay more than \$700 million combined to state and federal regulators to settle allegations they manipulated markets during the 2000-2001 California energy crisis.⁹ In addition, Reliant Energy

⁴ "Ad Spotlight: Testing AJS's Patience," *The Hotline*, July 26, 2005.

⁵ For example, Dubke told the *Omaha World-Herald*, "We find that sticking to a strict mantra of not discussing our members allows our issue to come to the forefront." From C. David Kotok and Jake Thompson, "Political Ad's Donors Are Kept Secret," *Omaha World-Herald*, Oct. 27, 2000, as quoted in "Issue Ad Disclosure: Recommendations for a New Approach," Campaign Finance Institute Task Force on Disclosure, February 2001.

⁶ Edmund Sanders, "Lobbyists Tied to Microsoft Wrote Citizens' Letters," *Los Angeles Times*, Aug. 23, 2001.

⁷ David Kravets, "Group That Attacked Governor Avoids Disclosure," Associated Press, Sept. 27, 2002.

⁸ Michael Isikoff, "Winks, Nods & Corporate Cash; One Wired GOP Lobbyist's Playbook for Wielding Influence," *Newsweek*, Feb. 25, 2002.

⁹ See "Attorney General Lockyer Announces \$207.5 Million Electricity Price Gouging Settlement With Duke," Office of the Attorney General, State of California, July 13, 2004. (Available at <http://caag.state.ca.us/newsalerts/release.php?id=717&year=2004&month=7>). See also "Duke Energy Trading and Marketing, LLC, An Affiliate Of Duke Energy Corporation, Pays \$28 Million To Settle U.S. Commodity Futures Trading Commission Charges Of Attempted Manipulation," U.S. Commodity Futures Trading Commission, Sept. 17, 2003. (Available at <http://www.cftc.gov/opa/enf03/opa4840-03.htm>). See also "FERC Accepts Settlement Between Duke And Commission Staff," Federal Energy Regulatory Commission, Dec. 19, 2003 (Available at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=10036413>). See also

Services was criminally indicted in 2004 for its role in causing the energy crisis and the case is ongoing.¹⁰

6. Century Strategies (Anti-Gambling on Behalf of a Casino-Owning Tribe)

Century Strategies, the company of former Christian Coalition Executive Director Ralph Reed, ran a grassroots campaign to oppose pro-gambling measures. The campaign was coordinated by now-convicted lobbyist Jack Abramoff and funded by the Mississippi Choctaw Indians, an Abramoff client that operated a casino and wanted to stifle competition. Money was funneled to Century Strategies through Americans for Tax Reform, a non-profit group run by anti-tax evangelist Grover Norquist, the law firm Preston Gates, which employed Abramoff, and the American International Center, a front group established by Abramoff that masqueraded as a think tank. (The American International Center's leadership team consisted of a yoga instructor and a lifeguard, who later told a Senate committee "I'm embarrassed and disgusted to be a part of this whole thing."¹¹) Reed's company received at least \$1.3 million of Choctaw money that was funneled through Preston Gates. The Choctaws also furnished \$2.7 million to the American International Center, which apparently passed the money on to Century Strategies. It is not clear how much money Century Strategies received from Americans for Tax Reform, which kept a percentage of the Choctaws' money as compensation for its complicity. Reed used the money that survived the journey from the Choctaws to Century Strategies to pay for television and radio ads, telemarketing work, a rally involving pastors and activists, and church bulletin inserts, among other activities. At one point, Reed reported to Abramoff that he would perform "a saturation statewide radio buy" of an ad featuring evangelical Christian leader James Dobson that Reed was set to record the next day.¹²

7. Citizens for Asbestos Reform

The (Minneapolis) *Star-Tribune* described Citizens for Asbestos Reform as one of many organizations sponsoring advertisements that "have appeared under the banners of non-profit groups whose names tend to sound alike or offer no hint of the special interests behind them." The organization was formed by a group of insurance companies and was located in the headquarters of the American Insurance Association. It lobbied in support of the Fairness in Asbestos Injury Resolution Act of 2003. The American Insurance Association financed part of

"Federal Energy Regulatory Commission, Order Approving Contested Settlement, Duke Energy Trading and Marketing Company," Sept. 21, 2004

(Available at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=10249362>). See also "Commission Accepts Reliant Energy's \$512 Million Settlement Agreement Resolving California Claims," Federal Energy Regulatory Commission, Dec. 22, 2005. (Available at <http://www.ferc.gov/press-room/press-releases/2005/2005-4/12-22-05.asp>). See also "U.S. Commodity Futures Trading Commission Imposes A Total Of \$34 Million In Civil Penalties On Three Energy Trading Firms,"

U.S. Commodity Futures Trading Commission, Nov. 25, 2003. (Available at <http://www.cftc.gov/opa/enf03/opa4869-03.htm>).

¹⁰ "Reliant Energy Services Inc. and Four Of Its Officers Charged With Criminal Manipulation Of California Electricity Market," U.S. Department of Justice, April 8, 2004 (Available at http://www.justice.gov/opa/pr/2004/April/04_crm_223.htm).

¹¹ Dana Milbank, "One Committee's Three Hours of Inquiry, in Surreal Time," *Washington Post*, June 23, 2005.

¹² " 'Gimme Five' – Investigation of Tribal Lobbying Matters, Final Report," Committee on Indian Affairs, June 22, 2006.

\$747,000 in print and TV ads the group ran in Washington, D.C., during the 108th Congress. No other details about the funders of the group are readily available.¹³

8. Citizens for Better Medicare (Medicare Prescription Drug Benefit)

Citizens for Better Medicare, a front group for the pharmaceutical industry, spent an estimated \$65 million during the 2000 election cycle, largely to scuttle proposed legislation that would have provided a Medicare prescription drug benefit.¹⁴ Much of that funding went to a scare campaign, introducing American television viewers to “Flo,” the moniker adopted by a senior citizen actress, who insisted, “I don’t want big government in my medicine cabinet.”¹⁵

9. Institute for Legal Reform (Civil Justice Issues)

The Institute for Legal Reform, a project of the U.S. Chamber of Commerce, has run advertisements pressing for changes to states’ civil justice systems, as well as financing ads largely through surrogates that aim to influence the outcomes of state judicial races.¹⁶ The organization does not disclose its donors. However, the *Wall Street Journal* reported in 2001 that they largely consist of Fortune 500 companies. The article reported that Wal-Mart Stores, Inc., DaimlerChrysler AG, Home Depot, Inc., and the American Council of Life Insurers each contributed \$1 million to finance the group’s effort to elect business-friendly judges.¹⁷

10. Project Protect (Logging)

This group spent \$2.9 million on media purchases and other efforts to lobby for President Bush’s “Healthy Forests” initiative. The group, which billed itself as “a grassroots coalition of western communities, natural resource groups, labor organizations, and conservationists,” refused to disclose its donors. It listed an address at Mailboxes, Etc., in 2003. In 2004, it listed an address identical to that of the American Forest Resource Council, a group that lobbies for public land management policies that favor industry. Former Rep. Richard Pombo (R-Calif.) credited the group’s leader, Tim Wigley, with shepherding the logging legislation to fruition. “Tim’s efforts in leading the grassroots campaign ‘Project Protect’ without question helped position the Healthy Forests Restoration Act for successful passage in the U.S. Congress,” Pombo said in a

¹³ Greg Gordon, “To Settle or Not? 2 Faces of the Asbestos Lobby Women’s Stories Give Human Touch to What’s Really an Intense Battle Being Fought by Special Interests,” (Minneapolis) *Star-Tribune*, June 5, 2005 and Web site of the Annenberg Public Policy Center of the University of Pennsylvania. (Available at http://www.annenbergpublicpolicycenter.org/issueads05/2003-2004/Source%20Files/APPC_IssueAds108thMM.pdf)

¹⁴ Vicky Lankarge, “Denying Coverage before the Fact: Drugmakers Spent \$262 Million to Block Medicare Benefit,” CBS Marketwatch, July 26, 2001.

¹⁵ Robert Pear, “Drug Company Ads Attack Medicare Coverage of Drugs,” *New York Times*, July 29, 1999.

¹⁶ See “Complaint to the U.S. Internal Revenue Service, Request for Investigation, Re: the U.S. Chamber of Commerce, EIN 53-0045720 and the Chamber’s Institute for LegalReform, EIN 52-2109035,” Public Citizen, Oct. 31, 2006. See also, for example, “Chamber Television Ads Urge West Virginians to Take Action on Legal Reform,” Institute for Legal Reform Press Release, March 28, 2005.

¹⁷ Jim VandeHei, “Political Cover: Major Business Lobby Wins Back Its Clout By Dispensing Favors,” *Wall Street Journal*, Sept. 11, 2001.

letter to the Forest Resources Association, which subsequently gave Wigley an award and a cash prize.¹⁸

11. Save Our Species Alliance (Land Use Issues)

This group sought to gut the Endangered Species Act. It was incorporated by Steve Quarles, who previously represented the American Forest and Paper Association, the largest trade group for the forest products industry, and the American Forest Resource Council, mentioned above. Quarles advised the staff of former Rep. Richard Pombo (R-Calif.) on a bill Pombo sponsored that would have weakened the Endangered Species Act by removing requirements to preserve areas of habitat for endangered species. The bill also would have required the government to compensate landowners when the endangered species act prevented them from developing their land. The campaign manager for Save Our Species Alliance was Tim Wigley, a lobbyist who also helped mastermind the efforts of Project Protect, another front group for the logging industry. Wigley told a reporter that the Save Our Species Alliance was a grassroots group of farmers, labor groups and others. Wigley did not divulge the identities of the group's funders. "I think this line of questioning is misleading," he said to the reporter who asked.¹⁹ In an example of the group's grassroots lobbying, the Save Our Species Alliance ran a full page advertisement in the (Raleigh) *News and Observer* in September 2005. The ad depicted a dejected North Carolinian who was prevented from developing his land because of a protected species. A spokesman for the group acknowledged that the man's image was probably from a stock photo, and was not an actual North Carolina property owner.²⁰

12. United Seniors Association (Medicare Prescription Drug Legislation)

Revenue of the United Seniors Association (USA) exploded from \$8.6 million in 2001 to \$25.4 million in 2002. It rose still further in 2003, to \$26.6 million. It is not hard to figure out where the money went. In 2002, USA ran a multi-million dollar advertising campaign to influence the outcomes of congressional contests in favor of candidates who supported the Medicare prescription drug legislation favored by the Pharmaceutical Research Manufacturers of America (PhRMA), the trade association for the brand name pharmaceutical industry. In 2003, the group ran ads promoting Medicare prescription drug legislation.²¹ The group claimed in 2004 to have a "1.5 million activist network nationwide."²² But their role in financing the USA was dwarfed by a single person or organization in both 2002 and 2003. Copies of the organization's annual tax filings with the IRS indicate that it received \$20.1 million from a single donor in 2002 and \$24.8 million from a single donor in 2003. A spokesman from PhRMA said in 2002 that the trade association had given "an unrestricted educational grant" to USA that year. The group reported spending \$18.6 million on media placements in 2002 and \$23.4 million in 2003.²³

¹⁸ Paul D. Thacker, "Hidden Ties: Big Environmental Changes Backed by Big Industry," *Environmental Science and Technology*, March 8, 2006.

¹⁹ Paul D. Thacker, "Hidden Ties: Big Environmental Changes Backed by Big Industry," *Environmental Science and Technology*, March 8, 2006.

²⁰ Wade Rawlins, "Species Act Targeted," (Raleigh, N.C.) *News and Observer*, Sept. 28, 2005

²¹ See, e.g., Meg Kinnard, "Seniors Group Presses House on Rx Drugs," *National Journal*, May 29, 2003.

²² United Seniors Association (USA Next) Web page, viewed in 2004.

²³ "The New Stealth PACs: Tracking 501(c) Non-Profit Groups Active in Elections, Public Citizen," September 2004 and United Seniors Association, Form 990, 2003.