AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

FEDERAL ELECTIONS IN A POST-BCRA ENVIRONMENT

HEARING

BEFORE THE

COMMITTEE ON HOUSE ADMINISTRATION
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, NOVEMBER 20, 2003

Printed for the use of the Committee on House Administration

U.S. GOVERNMENT PRINTING OFFICE

92–306 WASHINGTON : 2004

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON HOUSE ADMINISTRATION

BOB NEY, Ohio, *Chairman*

VERNON J. EHLERS, Michigan
JOHN L. MICA, Florida
JOHN LINDER, Georgia
JOHN T. DOOLITTLE, California
THOMAS M. REYNOLDS, New York

JOHN B. LARSON, Connecticut
Ranking Minority Member
JUANITA MILLENDER-MCDONALD, California
ROBERT A. BRADY, Pennsylvania

PROFESSIONAL STAFF

PAUL VINOVICH, *Staff Director*
GEORGE SHEVLIN, *Minority Staff Director*

FEDERAL ELECTIONS IN A POST-BCRA ENVIRONMENT

THURSDAY, NOVEMBER 20, 2003

HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOUSE ADMINISTRATION,
Washington, DC.

The committee met, pursuant to call, at 10:11 a.m., in Room 1310, Longworth House Office Building, Hon. Robert W. Ney (chairman of the committee) presiding.

Present: Representatives Ney, Ehlers, Mica, Doolittle, Larson, Millender-McDonald, and Brady.

Staff present: Fred Hay, General Counsel; Matt Petersen, Counsel; Paul Vinovich, Staff Director; Jeff Janas, Professional Staff Member; Jennifer Hing, Assistant Clerk; George Shevlin, Minority Staff Director; Charles Howell, Minority Chief Counsel; Thomas Hicks, Minority Professional Staff; and Matt Pinkus, Minority Professional Staff.

The CHAIRMAN. The committee will come to order.

The committee is meeting today to examine the proliferation of 527 groups, so called because of the section of the Tax Code under which they register as 527 organizations. Established in the wake of last year's passage of BCRA, the Bipartisan Campaign Reform Act or Campaign Finance Reform, media reports suggest that such 527 groups are amassing and spending large amounts of soft money to influence Federal elections; and there have been many, many media reports on this subject.

I want to thank the witnesses who accepted our invitation to be here today voluntarily, the three witnesses that are here.

I would note for the record that a total of nine witnesses were invited today. Only three have accepted that invitation. However, of the nine who were invited, three are associated with Republican organizations, while six are associated with Democrat organizations. All of these witnesses were invited by the majority party in this committee. To the best of my knowledge, the minority did not invite any witnesses, though I would point out for the record they always have the opportunity to do so.

The three witnesses who are here today represent Republican organizations. Representatives of the Democrat organizations have regrettably—and I do stress regrettably—have chosen not to appear, have chosen to thumb their nose at the Committee on House Administration.

I appreciate the appearance of those who did accept our invitation. However, I don't intend to take testimony from only one side

of the political spectrum here today. That wouldn't be fair, and it wouldn't tell the entire whole story.

So I want to thank the three of you for coming and apologize on behalf of those who did not see fit to attend, apologize on behalf of those who saw fit to thumb their nose at the United States Congress, the U.S. House. I would like to note that they apparently don't feel comfortable talking, and I would assume that is why they are not here today.

Accordingly, with my apologies, I would like to excuse Mr. Terwilliger, Mr. Donatelli, and Ms. Hirschmann. I will be working to secure the appearance of those witnesses who choose not attend today. Once we have done that, we will have another hearing; and I hope the three of you will agree to come back. Would you be willing to come back at some other time?

I want to thank you, and you are excused.

Momentarily we will commence a special meeting of the committee where all members will have a chance to be heard on the subject of this investigation.

Having completed our business for this hearing, the committee is hereby adjourned.

[Whereupon, the committee proceeded with a business meeting.]

Mr. LARSON. Mr. Chairman, I have a statement—opening statement; and I object to adjourning the committee at this time. And I want to make sure that everyone got a copy of the questions of the day that have been circulated as well. Have all of you out there received a copy of the——

The CHAIRMAN. Mr. Larson, you are out of order.

Mr. LARSON. This hearing is out of order. That is what is out of order.

The CHAIRMAN. You have been amused at quotes at me. I guess you are not amused at your own quotes. But you are out of order. We are reconvening. We have adjourned. The committee is now in order for the purpose of a special meeting, and you will have your chance at statements.

The committee is now in order for the purpose of a special meeting to discuss the committee's investigation of 527 organizations. I have a statement I wish to make and then will recognize the Ranking Member and any other members of the committee that would like to be heard.

Last year, Congress passed BCRA and the President signed it into law. Supporters of this legislation claimed that it was necessary to purge the Federal campaign finance system of the allegedly corrupting influence of soft money, the unlimited and largely unregulated contributions from labor unions, corporations, and wealthy individuals.

According to House Democratic Leader Nancy Pelosi, the passage of BCRA was necessary; and the statement was made by others, because of the corrosive and corrupting effect of special interests, big money, and the political process is indeed a danger to our participatory democracy. And that is a quote.

To further emphasize this point, Leader Pelosi likened the Nation's capital to a swamp of special interest money that was in dire need of being drained.

I did not support the passage of BCRA, and I waged an unsuccessful battle to defeat it. I joined with my friend Al Wynn of Maryland in offering an alternative. Regrettably, it was not adopted, and 198 Democrats in the House voted for the Shays-Meehan legislation, with only 12 Democrats voting no. The Shays-Meehan, of course, took along Republican votes.

I opposed BCRA because I believed its provisions infringe upon the freedom of speech enshrined in the first amendment of our Federal Constitution. Furthermore, I feared BCRA would hurt our democratic system by weakening the two major political parties and any other political party that would like to blossom upon the scene and participate in the energetic give and take of public debate. So I felt at that time it would weaken the political parties and would give more power, as I stated many times, to unaccountable idealogical-driven groups.

As I pointed out repeatedly during the debate of campaign finance reform, it did not ban soft money. Repeatedly I was told it banned soft money, and I repeatedly restated it doesn't ban soft money. Today proves it doesn't ban soft money, despite incessant claims by its supporters to the contrary. Rather, it merely shifted to new organizations.

Today's hearing was convened simply to look at those organizations, not to look at what zip codes they were looking at or their internal political situation as they have written in what I consider an insulting letter to this committee.

As I said, BCRA prohibits the national political parties from raising or spending soft money. Nevertheless, under the new law, 527 groups may continue to receive and consume soft money to finance their political activities.

The use of soft money by 527 groups in relation to Federal elections is subject to a number of restrictions.

First of all, a 527 group may not be established, financed, or controlled by a Federal officeholder or a political party committee or be affiliated with them in any way. In addition, a 527 group may not coordinate its activities, its message, its expenditures with Federal officeholders, or political party committees. Finally, Federal officeholders and political party committees are prohibited from soliciting soft money on behalf of 527 groups.

I think if we had Mr. Shays, Mr. Meehan, Senator McCain, Senator Feingold here today and I asked them, is this the intent of the law, is this what you supported and those who supported BCRA, their answer would undoubtedly have to be yes.

As critics of BCRA predicted, including myself, a multiplying number of 527 groups are currently being set up to vacuum up the soft money that was once contributed to the political parties better than any Hoover ever made in this country in doing that. However, one cannot help but be taken aback by the larger amounts of money being raised by these groups and the wide range of their activities. These reports are particularly startling in the case of groups put together to benefit Democrat candidates, given that they wanted to ban soft money from our system, get it out of our system, get rid of this evil soft money, and voted overwhelmingly just last year for a bill that claimed to do that and was portrayed as doing just that.

Recent proliferation of media reports indicate that wealthy individuals are funneling millions of dollars in soft money into 527 groups for the purpose of supporting or defeating particular candidates. More than ever, organizations whose purpose is to function as shadow political party committees have been formed with the apparent blessing of Federal officeholders and party officials to collect soft money to be spent in support of the parties' candidates and the parties' agenda. Because of these recent developments and because of the major changes in the political landscape caused by campaign finance reform, the committee believes that it is necessary to examine more closely the continuing use of soft money in our Federal system; and that is again why we are simply here today.

The purpose of today's hearing, was twofold: One, to provide an opportunity for representatives from 527 groups, whether they are leaning Democrat, Republican, independent, or anywhere else, to explain their activities and to learn more about their role in the political process; number two, to gain a greater understanding about the extent to which the campaign finance laws have reallocated political power and resources in the United States of America. We will not be able to do that today due to the refusal and the thumbing of their nose at the Committee on House Administration by the Democratic representatives who refuse to appear here today.

On Tuesday, the committee received a letter from five of these representatives explaining their reasons for refusing to appear. It was signed by Cecile Richards, President of America Votes; Ellen Malcolm, President of America Coming Together; Steve Rosenthal, President of the Partnership for America's Families; Howard Wolfson, founder of the New House Pact; and Mark Farinella, Executive Director of the Democratic Senate Majority Fund.

All of them have long histories in Democrat politics. For example, Mr. Wolfson is the former Executive Director of the Democratic Congressional Campaign Committee and the Press Secretary to former First Lady Hillary Rodham Clinton; and Mrs. Richards is the former Deputy Chief of Staff to Leader Pelosi.

I will enter the letter sent by these representatives into the record, but I think it is worthwhile to discuss some of the points that letter raises.

[The information follows:]

November 18, 2003

Honorable Bob Ney
Chairman
Committee on House Administration
House of Representatives
1309 Longworth House Office Building
Washington, D.C. 20515-6157

Re: Hearing Request

Dear Chairman Ney:

On November 12 and 13, 2003, you sent identical letters to each of the undersigned requesting our presence at a hearing scheduled for this Thursday, November 20, to elicit "testimony...about [our] involvement in and activities on behalf of" the organization each of us leads "and any affiliates." In a Committee press release issued on November 12, you elaborate that the purpose of the hearing is to "explore how [our organizations] are operating under and complying with" the Bipartisan Campaign Reform Act (BCRA) of 2002, and to "learn more about these organizations and their role in the political process."

The undersigned organizations are responding jointly through this letter, having determined that our position on your request is the same and that a consolidated response would enable us to clearly convey that position. We respectfully decline your invitation.

We do not believe that the Committee has a legitimate purpose in undertaking an open-ended inquiry into ongoing core First Amendment-protected activities of private political groups. The dangers of such an inquiry are particularly acute when six of the eight organizations that we understand to have been asked to testify share political views and objectives opposed to those of many, if not most, of the Committee majority. We note also that the Committee majority has scheduled this hearing on the cusp of a Presidential and Congressional election year, when a number of these organizations that are political committees will be seeking to elect Democratic members to the Congress – indeed, to seats now occupied by members of your Committee majority. The appearance of partisan political purposes was powerfully reinforced yesterday when the Republican National Committee held a teleconference with reporters to attack a number of our organizations. Indeed, the RNC attack was framed in a manner that echoes the Committee's release. This coordination of timing and message between a legislative committee and the national committee of a political party will leave many with little doubt about the intended purpose and effect of your Committee's "hearing."

Moreover, while the Committee expresses a concern with "compliance" with BCRA, it has scheduled this hearing before the Supreme Court has completed its review of major constitutional challenges to the new statute that will determine, in many respects, the nature of the compliance required under the new law. We note also that the Committee majority, including its Chair, actively opposed and voted against BCRA: you told colleagues on the floor that Shays-Meehan, now BCRA, "burdens free expression and association." Cong. Rec., February 13, 2002 at H339. The Committee's curious decision to now hold a "compliance" hearing is certainly vulnerable to the suggestion or appearance of a political purpose.

The Committee's press release also includes a pejorative characterization of our organizations as operating "with the apparent intent of using soft money to influence federal elections – something that BCRA purported to bar." This is, in fact, a misstatement of the intent and effect of BCRA: it imposed broad-ranging prohibitions and restrictions on the receipt or expenditure by national, state and local party committees, and it included also a prohibition on corporate or union "electioneering communications." Our organizations are independent political organizations and committees, not party entities, and none of the activities we have planned, publicly announced or will conduct fall within any of the types of "soft money" activities proscribed by BCRA.

This is not to say, however, that our committees are unregulated by the federal law, or that their activities are not subject to public disclosure and review. Each of the organizations we represent is, in whole or in part, a non-federal political organization organized and subject to Section 527 of the Internal Revenue Code, 26 U.S.C. § 527. Several organizations also include a federal political committee that is additionally regulated by the Federal Election Campaign Act (FECA), as amended by BCRA. Through FECA, BCRA and the Internal Revenue Code (as amended in this regard in 2000 and 2002), Congress has legislated specific and extensive registration, reporting and disclosure requirements for federal and non-federal political committees. These include identification of key officers and personnel, virtually all contributions received and expenditures made, including their dates, amounts and purposes, and the parties to those transactions. Each of the organizations signatory to this letter has complied with these requirements and will continue to do so.

Your invitation asks that we appear before a Congressional Committee in a public session and open the whole range of our political programs and strategies to committee scrutiny. A Congressional Committee may not simply call political organizations to answer under oath to whatever questions, however politically sensitive, Members may have an interest in asking. The scope of the Committee's intended examination of our organizations in the upcoming hearing concerns matters of a "delicate nature...represen[ting] the very heart of the organism which the first amendment was intended to nurture and protect." *See Machinists Non-Partisan League v. FEC*, 655 F. 2d 380, 388 (D.C. Cir.), *cert. denied*, 454 U.S. 897 (1982). Even when a legislative inquiry uses compulsory process in aid of an investigation that "intrudes into the constitutionally protected rights of speech, press, association and petition," an "essential prerequisite to the

validity" of the inquiry is that the committee "convincingly show a substantial relation between the information sought and a subject of overriding and compelling state interest." *Gibson v. Florida Legislative Committee*, 372 U.S. 539, 546 (1963). "Mere official curiosity" – much less the prospect of partisan political advantage – cannot meet these constitutional requirements. *Machinists Non-Partisan League*, 655 F.2d at 388.

For these reasons, we decline to participate in the November 20 hearing.

Sincerely,

By: Cecile Richards
Cecile Richards

For: AMERICA VOTES

By: Steve Rosenthal
Steve Rosenthal

For: PARTNERSHIP FOR AMERICA'S FAMILIES

By: Ellen Malcolm
Ellen Malcolm

For: AMERICA COMING TOGETHER

By: Howard Wolfson
Howard Wolfson

For: NEW HOUSE PAC

By: Marc Farinella
Marc Farinella

For: DEMOCRATIC SENATE MAJORITY FUND

cc: The Honorable John B. Larson

The CHAIRMAN. To begin with, they refuse to appear because they do not—and this is a quote—they "do not believe that the committee has a legitimate purpose in undertaking an open-ended inquiry into ongoing core first amendment protected activities of private political groups."

First, let me say I am glad to hear that these Democrat organizations acknowledge that core first amendment activities are involved here. I made that point repeatedly to no avail during my efforts to defeat campaign finance reform. It is ironic to hear this raised as an objection now, though, given it is precisely because of the passage of BCRA that committee inquiry into these activities is appropriate and legitimate now more than ever to see if these laws are being followed.

The letter takes issue with my characterization of BCRA as having purported to bar the use of soft money to influence Federal elections, claiming this is a misstatement of both the intent and effect of BCRA.

I think it will certainly come as news to many of us, its congressional supporters, and to the American people that it was not the intent or effect of BCRA to get soft money out of Federal elections, just as we predicted.

The letter goes on to flatly state that a number of the organizations they represent will be seeking—this is their quote in the letter to the House Administration—will be seeking to elect Democratic Members in the Congress. How organizations that raise soft money could have this as a goal is, without question, a very legitimate subject for inquiry before this committee today.

Finally, the letter points out the fact that I opposed campaign finance reform and, thus, suggests that my interest in compliance with the law is evidence of a political motive.

Indeed, I do oppose campaign finance reform. I opposed it yesterday, I will oppose it today, I will oppose it tomorrow and every other day it remains on the books. That doesn't change the fact that it is the law, whether I like it or I don't, and it is the law of the land. And it was going to take soft money out of that system and officeholders can't raise it. As long as it is the law, it should be complied with. I would like to see this law repealed, frankly. However, until it is, I will see that it is complied with; and that is the duty of the House Administration Committee and the duty of the United States House.

I don't intend to sit idly by and watch people subvert a law that they said they wholeheartedly supported. Those who claimed to support campaign finance reform achieved a political benefit for making that claim back home with the voters. Now they seek to achieve a political benefit by evading the law they claimed to support. This cannot and will not be permitted. They must be forced to sleep in the bed they have made for themselves. If they find it uncomfortable, I have little sympathy for them today.

The sixth invitee, Gerald McEntee, wrote separately to decline our invitation and also to inform us he had resigned from Voices for Working Families. No other details, frankly, were provided in his letter.

I do note Mr. McEntee is the President of Ask Me, which recently, of course, endorsed Howard Dean. Mr. McEntee was re-

cently quoted in the Washington Post as having said: We will work like hell night and day to make Dean our nominee. When I read that quote, I wondered how this would leave him any time to do anything on behalf of Voices for Working Families. I will be interested to learn how he balanced his schedule prior to this resignation.

Finally, I note that media reports about the activities of these Democratic groups stand in stark contrast, frankly, to the activities of the Republican groups. These Democratic groups are far more numerous and far more active than anything that exists on the Republican side. You know, in the energetic give and take of public debate, it is fine to have groups. It is just that this is not how the law was intended for people soliciting for these groups.

Not surprisingly, seeing these reports, Republicans are starting to realize they need to get into the game. Mr. Terwilliger's group was recently formed, frankly, for that purpose. It is worth noting, though, that rather than just going ahead and engaging in questionable and highly suspect activities under the law, this group has drafted an extensive advisory opinion request seeking guidance from the Federal Election Commission on the types of activities in which 527 groups can and cannot engage.

I am not aware of any similar request, unless I stand corrected today, that has been made by any of the Democrat groups. Perhaps they did not ask because they don't really want to know the answer.

In any event, the advisory opinion request details a number of activities the groups are seeking to engage in and demonstrates the need for guidance in this area. I hope the FEC will pay prompt attention to it. I think it is important. I think it is critical.

With that, I yield to our Ranking Member, Mr. Larson.

Mr. LARSON. Thank you, Mr. Chairman; and I learned in politics a long time ago not to take matters personally but to make sure I take serious the responsibilities of my job.

You know, this committee started off with a great week; and I want to commend the Chairman and the staff of this committee for the extraordinary work that they did. I said on the floor on Tuesday evening that if it weren't for their efforts a very sensitive and important bill to my colleagues John Lewis and Eleanor Holmes Norton would not have made it to the floor and would not have been passed.

Just yesterday we had another hearing here in the committee. Again, I commend the Chairman. I commend him for the thoughtful deliberation and establishing the foundation and working even when we disagree bipartisanly to bring this forward. The Chairman also distinguished himself nationally with the passage of the Help America Vote Act. That bill served as a model and the committee participation served as a model after a highly contentious election in which partisanship could have reigned on the committee. Ranking Member Hoyer and Chairman Ney made sure that it didn't.

Only recently we had a forum that we put together for members on BCRA, and 527s were never discussed. And what is totally out of character for the Chairman, I learned about this concern through the press. I understand, nothing personal. I understand when there are agendas that have to be carried out. I understand

what happens when a committee swings from the purposes of having deliberate meetings to carrying out partisan agenda.

Here is what concerns me. There has been no foundation laid for the basis of questioning legal foundations of 527s. They are legal entities under the law. They have existed for nearly 30 years, since 1975. But there is now a sudden interest in this committee to focus on and interrogate a few of them, the majority of which are, as the Chairman says, Democratic leaning.

This I believe is undermining the credibility of the committee's oversight and brings into question the motives of the Republican-controlled House. Activities of 527s were legal before the enactment of BCRA, and they remain legal after BCRA. But even though they are legal political organizations, their status is being besmirched by rumor, innuendo, and suggestion.

I clearly can understand why the Republican-called witnesses did not show. I think the entire letter, which I would also submit for the record, fully explains itself and the concern. Many Republicans, as the Chairman duly notes, oppose BCRA, claiming it violated first amendment rights. Some of those same Members now want to suppress the exercise of 527s and their first amendment rights, which, again, I would reiterate are both legal under the IRS Code and the Federal Elections Campaign Act, both fully accounting for their actions as well.

As my grandfather Nolan used to say, well, I may have been born at night, but not last night. This is a partisan inquiry, evidenced by the imbalance of the targets of the invited witnesses. This hearing is viewed by many as the hijacking of official government resources to carry out the majority party's political agenda, as recently articulated to the media by National Republican Party Chairman Gillespie; and I would like to submit that in those press accounts in the record as well.

[The information follows:]

The Hill Article
(11/18/03)

Top Republicans mount 2-pronged attack on 527s

Effort aimed at curbing soft money
By Alexander Bolton *and* Sam Dealey

Top Republicans are aggressively questioning the legality of a host of newly created Democratic soft money organizations, sparking alarm among lobbyists and Democratic lawmakers, who accuse the GOP of having launched a partisan witchhunt.

House Republicans have asked six high-profile Democratic fundraising groups to testify before the Committee on House Administration.

Separately, Ed Gillespie, chairman of the Republican National Committee (RNC), yesterday sent letters to the heads of leading good-government groups questioning their silence on the activity of Democratic-aligned soft-money groups.

At issue is the proliferation of 527 political action committees. A campaign finance law enacted last year banned the traditional conduits for soft money through committees linked to the national parties.

So-called 527 groups have mushroomed in their place. Named after a section of the federal tax code, the groups may collect unlimited, undisclosed donations to pay for political activities such as voter registration drives, media campaigns and more fundraising.

Democrats charge the looming hearing is reminiscent of a series of investigations that Rep. Dan Burton (R-Ind.), then chairman of the Government Reform Committee, held on fundraising in the late '90s, which focused almost exclusively on Democratic political operations.

Democratic concern is compounded by the fact that half of the six Republicans on the House administration panel are officials of the National Republican Congressional Committee (NRCC), the House GOP's fundraising committee.

Committee Chairman Bob Ney (Ohio) and member John Doolittle (Calif.) oversee the House GOP incumbent-retention program as members of the NRCC's executive committee. Rep. Tom Reynolds (N.Y.), another panel member, serves as NRCC chairman.

Republicans have asked the following Democratic allies to testify:

• Gerald McEntee, president of the American Federation of State, County and Municipal Employees, who heads Voices for Working Families.

• Former AFL-CIO political director Steve Rosenthal, who now directs Partnership for

America's Families.

• Ellen Malcolm, president of Emily's List, who is spearheading Americans Coming Together.

• Howard Wolfson, former Democratic Congressional Campaign Committee executive director, who oversees New House PAC.

• Marc Farinella, former chief of staff to late-Gov. Mel Carnahan (D-Mo.), who is in charge of the Democratic Senate Majority Fund.

• Cecile Richards, a former aide to Minority Leader Nancy Pelosi [D-Calif.], who now heads America Votes.

Since word of the hearing leaked last week, Democrats on the panel have fielded a barrage of inquiries from Democratic colleagues, including Pelosi and sympathetic lobbyists, demanding to know why Republicans are holding the hearing.

"Some of our folks and House Administration people are concerned this is going to be a partisan hearing and a fishing expedition," said Brendan Daly, Pelosi's spokesman. "There's no indication that there's been anything that would merit investigation."

Another Democratic aide said: "It's a case of using official resources and an official committee to go on a partisan witchhunt."

The aide said Democrats are trying to "figure out where this is all coming from. Is it [White House political adviser] Karl Rove, is it [Majority Leader] Tom DeLay [R-Texas], is it the NRCC?"

But Republicans say they are merely trying to learn more about the organizations and their role in the political process and that Democrats passed on an opportunity to request other groups to testify.

In addition to the six Democratic-allied organizations, Republicans have also called on two pro-GOP fundraising groups to testify. They are the Leadership Forum, a group headed by former Rep. Bill Paxon (R-N.Y.) and DeLay's former chief of staff Susan Hirschmann, and Americans for a Better Country, which is run by GOP strategist Frank Donatelli.

"In recent months, many of us in the Congress have watched with increasing concern as organizations have been formed in the wake of BCRA with the apparent intent of using soft money to influence federal elections - something the Bipartisan Campaign Reform Act purported to ban," Ney said last week.

But Democrats charge the hearing is biased because the invited Republican-aligned groups have shown little activity this year, in contrast to their Democratic

counterparts.

For example, the Leadership Forum had not raised any money through the first six months of the year, according to reports filed with the IRS.

Republicans did not call on more active conservative groups, such as the Club for Growth, which has raised over $1.6 million, mostly in unregulated soft money, between January and September.

House Republicans say Democrats, who overwhelmingly supported passage of the new campaign finance law last year, would open themselves to charges of hypocrisy if they did not participate in a review of new fundraising groups.

"Congressman Doolittle is concerned that these 527 groups are violating the Bipartisan Campaign Reform Act, which Democrats championed just last year," said Laura Blackann, an aide to Doolittle. "Either Democrats want campaign finance reform and will get behind these committee hearings or they have something to hide."

Gillespie said: "I think there is a question here as to whether or not what these groups are doing is appropriate. And more than appropriate, is it legal?"

Mr. LARSON. No lawsuits or administrative complaints have been filed against any of these 527s. Now it would seem to me, with distinguished attorneys and people that are here and especially those witnesses that have been called, that if there was any concern of illegality that, both with the FEC and the IRS, where these groups have to fully disclose something I know Mr. Doolittle has been a champion of, this information, that that is the route that they would have chose, and yet we find ourselves here in this committee.

In the event of a 527 violation, the IRS, as everyone knows, would deny continued tax-exempt status, which essentially closes down the organization. Compared to the exaggerated but in reality minimal impact of 527s, the new nonprofits and charities look to be a much larger problem, at least according to last week's press accounts.

Mr. Chairman, I cannot sit here and allow to go unaddressed the rumor and innuendo which has attempted to paint Democrats attending hard money fund-raisers as somehow engaged in an illegal activity. That assertion is both untrue and beneath the dignity of any Member of the House of Representatives; And I will submit an attached article with respect to that as well.

[The information follows:]

Roll Call Article
(11/5/03)

Ney to Hold Hearings on Democratic Groups

November 6, 2003
By John Bresnahan,
Roll Call Staff

With two controversial Democratic fundraising organizations holding a big event Wednesday night, House Administration Chairman Bob Ney (R-Ohio) is planning hearings on the legality and activities of such groups.

The New House PAC and the Democratic Senate Majority Fund are designed to collect both hard and soft money. Under last year's Bipartisan Campaign Reform Act, soft-money fundraising is banned for the national parties, and some GOP operatives privately believe what both organizations are doing is illegal, although they have declined to file any type of complaint with the Federal Election Commission so far.

Several dozen Democratic lawmakers from both chambers - including House Minority Leader Nancy Pelosi (Calif.) and Senate Minority Leader Tom Daschle (S.D.) - were expected to attend Wednesday night's event at the Phoenix Park Hotel, which was expected to generate about $50,000 in hard money for the two organizations.

Ney wants to explore how these Democratic-linked organizations can operate under BCRA, and just what contacts lawmakers can have with individuals associated with such groups. He will hold hearings during the next few weeks, although no formal date has been set yet.

"I simply cannot understand why some of the biggest self-proclaimed opponents to soft money would support campaign finance reform one day and then seek to circumvent it the next," said Ney, who strongly opposed passage of BCRA. "It would appear, at least from initial reports, that organizations such as the Democratic Senate Majority Fund and the New House PAC violate the spirit, if not the letter, of [BCRA]."

But Howard Wolfson, one the co-founders of the New House PAC and a former executive director of the Democratic Congressional Campaign Committee, said his organization was well within its legal rights to raise both hard and soft money.

"Everything we have done has been within the law," said Wolfson, who added that the well-known Democratic law firm Perkins Coie LLP vetted, and approved, the organization's structure before it was created.

Neither the New House PAC nor the DSMF has raised large sums of money this cycle, although both have now accepted soft-money contributions. The New House PAC has raised $12,500 in soft money so far, while the DSMF reported taking in $35,000 in soft money through June 30. The two organizations have taken in several hundred thousands of dollars in hard money as well.

Democrats on the House Administration panel had not received any formal notification from Ney and declined to comment, but they would be expected to call several well-known GOP figures to appear at any hearing Ney convenes.

Susan Hirschmann, former chief of staff for House Majority Leader Tom DeLay (R-Texas), and ex-Rep. Bill Paxon (R-N.Y.), founded the Leadership Forum, a 527 organization, in late 2002 to collect soft money for House GOP races. The group first accepted, and then returned, a $1 million donation from the National Republican Congressional Committee and, while dormant most of this year, has recently begun raising money again.

A Senate Republican version of the Leadership Forum, the National Committee for a Responsible Senate, has apparently engaged in no fundraising activities.

Copyright 2003 (c) Roll Call Inc. All rights reserved

Mr. LARSON. Initially, I was at a loss to learn about this hearing, but I, like many, have been able to connect the dots with respect to what is happening and transpiring here. But evoking my grandfather Nolan again, it is not so much that I mind you dumping the buckets of cold water on my head, it is your insistence on telling me it is raining; and that is how we feel as a minority caucus.

If this committee is truly interested in holding constructive oversight hearings on the context of F–27s under BCRA, it astounds me that we would not have followed the outstanding model that this Chairman created, this model of inquiry during 2001 when he resolved to exercise the committee's jurisdiction over election matters to develop election reform legislation that eventually became the Help America Vote Act.

The Chairman evoked the names of McCain and Feingold and Shays and Meehan. I, too, wish that they were here. I don't understand why they weren't called, if in fact that is the concern that we were trying to address here.

It is my understanding that during the spring of 2001 the Chairman and then Ranking Member Hoyer held a series of hearings that investigated different aspects of this Nation's election system in a thoughtful, systematic, and collaborative manner, all in an effort to learn the truth about what ailed our election system and what needed to be done to reform it. These hearings were organized and carried out in the spirit of cooperation. At no point were the hearings used to demonize one party or the other or call into question the outcome of the controversial 2000 election, although they easily could have turned out that way if the members of the committee had chosen to do so. Members chose to take the high road, and the result was landmark legislation that everyone could be proud of.

To my great disappointment, this model has been tossed aside in favor of a hearing that has been hastily organized without any effort by the majority to work with the minority in any collaborative manner. The only conclusion that I can reach is that the majority is not interested in learning the truth about 527s. Instead, the majority intends this hearing to result in innuendo and suspicions about 527s and has guaranteed such an outcome by ignoring all the lessons that were applied so well in 2001.

It is my sincere hope that the committee can get back on track and repair the damage of the Republican party's foray into committee business that this has inflicted. We need to work together collaboratively to improve the operation of the House, the laws of the land, to conduct the oversight in a manner befitting of the House. If the Republican National Committee wants to challenge these groups, Chairman Gillespie should pursue his interest in court before the FEC or before the IRS and not ask this committee to achieve his party's aims. You have got the votes to inflict those ends, but this is a dangerous road we are considering. I make an appeal to the better angels of the good people on this committee. We owe that to this institution and to the people we are sworn to serve.

[The statement of Mr. Larson follows:]

527 Organizations and Soft Money:
Federal Elections in a Post-BCRA Environment

November 20, 2003
10:00 AM
1310 Longworth House Office Building

REP. JOHN B. LARSON'S OPENING STATEMENT

Mr. Chairman, the Bipartisan Campaign Reform Act, commonly referred to as BCRA, took effect November 6, 2002 – the day after the mid-term elections. Following enactment, many new regulations were adopted, including the ban on raising non-federal money by federal candidates. The new law does little to change the operation of independent political organizations and committees – 527's – which are not party entities.

527 political organizations, named for a section of the Internal Revenue Code (IRC), were authorized long before BCRA to participate in the political process under the First Amendment, and they continue after BCRA to exercise their rights of speech, press, association and petition regardless of underlining political leaning. As a matter of fact, organizations operating under IRC section 527 have a primary purpose which is defined as "...influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any federal, state, or local public office or office in a political organization, or the election of the presidential or vice-presidential electors." This provision was added to the IRC in 1975 by P.L. 93-625 to define the tax treatment of political organizations and tax-exempt organizations with political expenditures. And it was the Democrats who forced public disclosure of the financial activities of 527's over Republican objections at that time.

And 527s are regulated. They are subject to public disclosure and review by the Internal Revenue Service (IRS), and if they meet other requirements, the Federal Election Commission (FEC) as

well. If there is a question about the legality of a 527 organization, it should be raised before the IRS, the FEC, or the courts as appropriate, and if the law needs to be changed, the Committee will have the benefit of fact finding, judicial wisdom, and administrative proceedings to support its work. For example, just last week, Public Citizen, and Citizens for Responsibility and Ethics in Washington, filed a letter of complaint to the IRS calling for the agency to enforce its disclosure obligations on two 527s that have not met this requirement. I have included an article about the filing at the end of my statement.

I am very disheartened by the scheduling of this proceeding for many reasons, among them the following:

- I had to hear about this hearing in the press. The Chairman and I have had a wonderful, open, bipartisan dialog that I hope will continue, despite this partisan bump in the road.

- This appears to be a partisan initiative of the Republican Party acting through the Committee. No case has been made that this hearing would shed any light on political action committees and how they operate.

- The real effect of this hearing is to cast a pall over 527s, to dampen their efforts to exercise their free speech, which may be critical of the Administration, and to scare off potential contributors. This Republican Party strategy is manifest in attacks by RNC Chairman Gillespie and others. Its purpose is to quash political discourse about the performance of the Administration, and to establish the Republican Party message as the dominant message before the electorate. I have

attached an article about Chairman Gillespie's attack at the end of my statement.

- These are independent political organizations and political committees. They are not political party entities. And according to their letter to Chairman Ney, none of their planned activities will "...fall within any of the types of "soft money" activities proscribed by BCRA." I have included the full text of the letter to Chairman Ney at the end of my statement. I believe the letter speaks for itself, and fully describes the situation in which we find ourselves.

- This hearing is a blatant, tax-payer-financed attempt – through innuendo and inflammatory charges – to try and discredit legitimate grassroots, political organizations, which have a different political view than that of the Majority. I fear that partisan attacks under the guise of an investigative hearing undermine the credibility of the oversight functions of Congress.

- It is premature to hold this hearing before the Supreme Court has completed its review of the Bipartisan Campaign Reform Act. As you are aware, the case was argued in early September, and I anticipate a ruling before the Presidential primary season starts. After the court has rendered its decision, I would welcome the opportunity to discuss the ruling and its effect on BCRA.

- The Committee has not laid any foundation for, nor has it demonstrated any legitimate purpose for, undertaking an open-ended inquiry into ongoing core First Amendment protected activities by private political

groups. These groups, which have Constitutionally protected free speech rights, exist under Internal Revenue Code section 527, and their finances are subject to public disclosure.

- We should not be conducting a Republican Party juggernaut into activities of legal, private, political organizations exercising their first amendment rights. We should be addressing reported illegal or questionable activities that violate BCRA, as well as matters within our jurisdiction which are clearly in need of attention, and which cry out for review, such as Presidential Public Financing.

- And I cannot allow to go unaddressed the rumor-mongering and innuendo, which has attempted to paint Democrats attending hard-money fundraisers as somehow engaged in illegal activity. That assertion is untrue, and beneath the dignity of House Members to utter. I attached an article containing such disgraceful utterances at the end of my statement.

When our Committee Members work together, we can achieve fabulous results for the Members, the institution, and the nation. For example, when we worked together with a consensus, we realized the dream of a significant portion of the American population – the African American Museum – a matter of national and historical importance.

Even when we work together without consensus, we can achieve constructive legislative results and move the legislative process forward, such as favorably reporting continuity of Congress legislation. While I favor a different solution to the problem, I contributed to the debate, and in the end, we agreed to

disagree, without being disagreeable, and the legislative process was served.

But when the Committee is hijacked to carry out the National Republican Party's political attack agenda, as I believe it has been here, everything breaks down, and the Members, the institution, the taxpayers, and the nation are disserved.

The Committee should undertake its activities with a clear focus, in a positive and constructive way, and address real and significant problems. And it should do its information gathering and oversight work in an open and inclusive manner.

If this committee were truly interested in holding a constructive oversight hearing on the conduct of 527's under BCRA, the Chairman would have followed the outstanding model of inquiry he established in 2001, when he resolved to exercise the Committee's jurisdiction over election matters to develop election reform legislation that eventually became the Help America Vote Act.

It is my understanding that during the spring of 2001, the chairman and then-ranking minority member held a series of hearings that investigated different aspects of the nation's election system in a thoughtful, systematic, and collaborative manner, all in an effort to learn the truth about what ailed our election system and what needed to be done to reform it. These hearings were organized and carried out in a spirit of cooperation. At no point were the hearings used to demonize one party or the other, or call into question the outcome of the controversial 2000 election, although they easily could have turned out that way if the members of the Committee had so chosen. Members chose to take the high road, and the result was landmark legislation they could be proud of.

To my disappointment this model has been tossed aside in favor of a hearing that has been hastily organized, without any effort by the majority to work with the minority in a collaborative manner. The only conclusion I can reach is that the majority is not interested in learning the truth about 527s. Instead the majority intends this hearing to result in innuendo and suspicions about 527s, and has guaranteed such outcome by ignoring all the lessons that were applied so well in 2001. Today is a dark day for this committee that I hope is never repeated.

Republicans have called this hearing on 527 organizations – entities entitled by law to raise non-federal money – and whatever the merits or demerits of 527 organizations, they are legal under the Internal Revenue Code and the campaign finance laws, and they play, at most, a limited role in influencing policy. But there are other actions that raise far more serious and pressing questions about the influence of money on the political process for our Committee to investigate. There are recent legislative activities where campaign contributions are alleged to have influenced the outcome of legislation, and recent actions that have raised concerns about the undue influence of special interests and campaign finance abuses.

For example, several House members allegedly promised legislative favors in exchange for political donations from Kansas-based Westar Energy, Inc. Westar sought an exemption from a Securities and Exchange Commission rule, and Westar's Chairman pressed Westar executives to make a $31,500 investment in hard money, and $25,000 investment in soft money donations to key Republican congressional campaigns. Shortly thereafter, Westar's executives met with the Republican Leadership, and an exemption was inserted in the House version of the energy bill. Only when the exemption became the subject to public scrutiny, and an SEC fraud investigation was launched, was the amendment withdrawn.

Campaign contributions for legislative favors – that's something we could look into.

And how about special interest provisions in the 2003 energy bill. This year's energy bill is replete with favors to major political contributors, including specific subsidies and tax breaks to the oil and gas, coal, and nuclear industries, among others. One example is the $2 billion subsidy for gasoline additive producers, as well as liability and cleanup protection, which will cost the taxpayer an estimated $29 billion to clean up down the road. The gasoline additive producers have showered the three Members, who pressed for the subsidy, liability, and cleanup protection, with thousands of dollars in campaign contributions. A mathematician would describe such a situation as a "balanced equation".

Or we could look at the tens of millions of dollars in political contributions in recent election cycles which drug companies viewed as "investments," and the Medicare bill as a "return on investment." Here a mathematician would call the equation unbalanced in favor of the drug companies. Is money in elections paying off handsomely, or what?

I could go on and on, and as a matter of fact I may later on this afternoon. If the committee were to invest its time wisely, for example on corrupt practices and other matters of consequence, then it would hand back to the Republican National Committee the egg it left on the Committee's doorstep. Even presidential public financing, which cries out for a solution, and is clearly within our Committee's jurisdiction, has been ignored in favor of this 527 undertaking.

I challenge the Committee to get back on track and repair the damage this Republican Party foray into Committee business has inflicted. We need to work together collaboratively to improve the operation of the House, the laws of the land, and to conduct

oversight in a manner befitting this House. If the Republican National Committee wants to challenge these groups, Chairman Gillespie should pursue his interests in court, before the FEC, or before the IRS – and not ask this Committee to invoke government compulsion to achieve Republican Party aims. You've got the votes to inflict that compulsion, but that is a perverse and dangerous road you are considering, and I urge you not to go down that road, for the sake of your own conscience and the maintenance of our democracy.

Business Wire Article
(11/10/03)

November 10, 2003 02:47 PM US Eastern Timezone

DeLay's Former PACs Have Failed to File Full Financial Reports with the IRS and the State of Texas; Public Citizen and CREW File Complaint With IRS

WASHINGTON--(BUSINESS WIRE)--Nov. 10, 2003--

Public Citizen and Citizens for Responsibility and Ethics in Washington Call Upon the IRS to Enforce Section 527 Reporting Requirements

Public Citizen and Citizens for Responsibility and Ethics in Washington (CREW) today filed a letter of complaint with the Internal Revenue Service (IRS) calling upon the agency to enforce its disclosure requirements regarding contributions made to Section 527 groups originally founded by House Majority Leader Tom DeLay (R-Texas).

The complaint calls upon the IRS to require Texans for a Republican Majority Political Action Committee (TRMPAC) and its related entity, Americans for a Republican Majority Political Action Committee (ARMPAC), to comply with federal disclosure laws. It also calls upon the IRS to conduct a forensic audit of those groups.

Both groups operate Section 527 organizations, which permits them to collect unlimited "soft money" donations from corporations and wealthy individuals. The groups have either recently failed to file any financial disclosure statements or filed incomplete statements with the IRS in direct violation of the law.

TRMPAC's reporting violations are the most egregious. Since the end of November 2002, TRMPAC has stopped disclosing to either the IRS or the state of Texas the amount of contributions raised from corporations and how these corporate funds have been spent. The Section 527 group was originally organized by DeLay as a means of raising and spending money from corporations and individuals in Texas state elections. TRMPAC's spending in support of electing Republican legislators has been widely credited with helping DeLay achieve his goal of securing Republican control of the Texas House of Representatives, which was needed to push a new Republican redistricting plan in Texas that would jeopardize incumbent U.S. House Democrats and ensure DeLay's continued status as House Majority Leader. TRMPAC has become the focus of a grand jury investigation as to whether TRMPAC violated the state's prohibition on spending corporate money in state elections.

"It appears that they are deliberately hiding their corporate sources of money

because they want to stay out of the public eye," said Public Citizen President Joan Claybrook. "The public has a right to know who is contributing money, where it goes and whether it is illegal, especially if the money was used to undermine the current congressional district maps."

TRMPAC is required by Section 527 of the Internal Revenue Code to file all of its contributions and expenditures, including funds from corporate sources, with the IRS through the agency's online reporting system - unless the state of Texas requires TRMPAC to file comparable reports with the Texas elections agency. Texas has no requirement that TRMPAC file its corporate contributions and expenditures with the state, and TRMPAC has not made any such filings with either the IRS or the state of Texas.

DeLay remains associated with both TRMPAC and ARMPAC, DeLay's leadership PAC, although implementation of the Bipartisan Campaign Reform Act of 2002 required that DeLay sever his controlling role in the day-to-day activities of TRMPAC's soft money operations. Nevertheless, DeLay appointed his former political director and close confidant, Jim Ellis, to help lead TRMPAC, former Karl Rove associate, John Colyandro, to be TRMPAC's executive director, and DeLay's former deputy chief of staff, Tony Rudy, to run ARMPAC's soft money division. TRMPAC also shares many of the same donors as DeLay's election campaign.

"This is yet another example of Congressman Tom DeLay's skirting of ethics laws," said Melanie Sloan, executive director of CREW. "DeLay and his PACs have been either violating the law or on the edge of the law for years. It is time for the Commissioner of Tax Exempt and Government Entities Division, Evelyn A. Petschek, to take action to stop this egregious conduct."

In a second component of the complaint, ARMPAC appears to qualify as a "related entity" to TRMPAC under IRS regulations, since the groups share a principal officeholder, but ARMPAC has not declared any such relationship in its IRS filings. ARMPAC has also filed incomplete financial reports, overlooking contributions from such corporate entities as Bacardi and Epiphany Productions, Inc. The full complaint can be found on the Web at: http://www.citizen.org/congress/campaign/issues/nonprofit/articles.cfm ?ID=10656. (Due to the length of this URL, it may be necessary to copy and paste this hyperlink into your Internet browser's URL address field.)

Public Citizen is a national, nonprofit consumer advocacy organization, and CREW is a nonprofit government watchdog organization. Both are based in Washington, D.C. For more information about Public Citizen, please visit www.citizen.org.

Contacts

Public Citizen
Craig Holman, 202-454-5182
Angela Bradbery, 202-588-7741
or
CREW
Naomi Seligman, 202-628-7772
Melanie Sloan, 202-588-5565

The Hill Article
(11/18/03)

Top Republicans mount 2-pronged attack on 527s

Effort aimed at curbing soft money
By Alexander Bolton *and* Sam Dealey

Top Republicans are aggressively questioning the legality of a host of newly created Democratic soft money organizations, sparking alarm among lobbyists and Democratic lawmakers, who accuse the GOP of having launched a partisan witchhunt.

House Republicans have asked six high-profile Democratic fundraising groups to testify before the Committee on House Administration.

Separately, Ed Gillespie, chairman of the Republican National Committee (RNC), yesterday sent letters to the heads of leading good-government groups questioning their silence on the activity of Democratic-aligned soft-money groups.

At issue is the proliferation of 527 political action committees. A campaign finance law enacted last year banned the traditional conduits for soft money through committees linked to the national parties.

So-called 527 groups have mushroomed in their place. Named after a section of the federal tax code, the groups may collect unlimited, undisclosed donations to pay for political activities such as voter registration drives, media campaigns and more fundraising.

Democrats charge the looming hearing is reminiscent of a series of investigations that Rep. Dan Burton (R-Ind.), then chairman of the Government Reform Committee, held on fundraising in the late '90s, which focused almost exclusively on Democratic political operations.

Democratic concern is compounded by the fact that half of the six Republicans on the House administration panel are officials of the National Republican Congressional Committee (NRCC), the House GOP's fundraising committee.

Committee Chairman Bob Ney (Ohio) and member John Doolittle (Calif.) oversee the House GOP incumbent-retention program as members of the NRCC's executive committee. Rep. Tom Reynolds (N.Y.), another panel member, serves as NRCC chairman.

Republicans have asked the following Democratic allies to testify:

• Gerald McEntee, president of the American Federation of State, County and Municipal Employees, who heads Voices for Working Families.

• Former AFL-CIO political director Steve Rosenthal, who now directs Partnership for

America's Families.

• Ellen Malcolm, president of Emily's List, who is spearheading Americans Coming Together.

• Howard Wolfson, former Democratic Congressional Campaign Committee executive director, who oversees New House PAC.

• Marc Farinella, former chief of staff to late-Gov. Mel Carnahan (D-Mo.), who is in charge of the Democratic Senate Majority Fund.

• Cecile Richards, a former aide to Minority Leader Nancy Pelosi [D-Calif.], who now heads America Votes.

Since word of the hearing leaked last week, Democrats on the panel have fielded a barrage of inquiries from Democratic colleagues, including Pelosi and sympathetic lobbyists, demanding to know why Republicans are holding the hearing.

"Some of our folks and House Administration people are concerned this is going to be a partisan hearing and a fishing expedition," said Brendan Daly, Pelosi's spokesman. "There's no indication that there's been anything that would merit investigation."

Another Democratic aide said: "It's a case of using official resources and an official committee to go on a partisan witchhunt."

The aide said Democrats are trying to "figure out where this is all coming from. Is it [White House political adviser] Karl Rove, is it [Majority Leader] Tom DeLay [R-Texas], is it the NRCC?"

But Republicans say they are merely trying to learn more about the organizations and their role in the political process and that Democrats passed on an opportunity to request other groups to testify.

In addition to the six Democratic-allied organizations, Republicans have also called on two pro-GOP fundraising groups to testify. They are the Leadership Forum, a group headed by former Rep. Bill Paxon (R-N.Y.) and DeLay's former chief of staff Susan Hirschmann, and Americans for a Better Country, which is run by GOP strategist Frank Donatelli.

"In recent months, many of us in the Congress have watched with increasing concern as organizations have been formed in the wake of BCRA with the apparent intent of using soft money to influence federal elections - something the Bipartisan Campaign Reform Act purported to ban," Ney said last week.

But Democrats charge the hearing is biased because the invited Republican-aligned groups have shown little activity this year, in contrast to their Democratic

counterparts.

For example, the Leadership Forum had not raised any money through the first six months of the year, according to reports filed with the IRS.

Republicans did not call on more active conservative groups, such as the Club for Growth, which has raised over $1.6 million, mostly in unregulated soft money, between January and September.

House Republicans say Democrats, who overwhelmingly supported passage of the new campaign finance law last year, would open themselves to charges of hypocrisy if they did not participate in a review of new fundraising groups.

"Congressman Doolittle is concerned that these 527 groups are violating the Bipartisan Campaign Reform Act, which Democrats championed just last year," said Laura Blackann, an aide to Doolittle. "Either Democrats want campaign finance reform and will get behind these committee hearings or they have something to hide."

Gillespie said: "I think there is a question here as to whether or not what these groups are doing is appropriate. And more than appropriate, is it legal?"

Text of Letter to Chairman Bob Ney from invitees

November 18, 2003

Honorable Bob Ney
Chairman
Committee on House Administration
House of Representatives
1309 Longworth House Office Building
Washington, D. C. 205 15-6 157

Re: Hearing Request

Dear Chairman Ney:

On November 12 and 13, 2003, you sent identical letters to each of the undersigned requesting our presence at a hearing scheduled for this Thursday, November 20, to elicit "testimony... about [our]involvement in and activities on behalf of' the organization each of us leads "and any affiliates." In a Committee press release issued on November 12, you elaborate that the purpose of the hearing is to "explore how [our organizations]are operating under and complying with the Bipartisan Campaign Reform Act (BCRA)of 2002, and to "learn more about these organizations and their role in the political process."

The undersigned organizations are responding jointly through this letter, having determined that our position on your request is the same and that a consolidated response would enable us to clearly convey that position. We respectfully decline your invitation.

We do not believe that the Committee has a legitimate purpose in undertaking an open-ended inquiry into ongoing core First Amendment-protected activities of private political groups. The dangers of such an inquiry are particularly acute when six of the eight organizations that we understand to have been asked to testify share political views and objectives opposed to those of many, if not most, of the Committee majority. We note also that the Committee majority has scheduled this hearing on the cusp of a Presidential and Congressional election year, when a number of these organizations that are political committees will be seeking to elect Democratic members to the Congress -indeed, to seats now occupied by members of your Committee majority. The appearance of partisan political purposes was powerfully reinforced yesterday when the Republican National Committee held a teleconference with reporters to attack a number of our organizations. Indeed, the RNC attack was framed in a manner that echoes the Committee's release. This coordination of timing and message between a legislative committee and the national committee of a political party will leave many with little doubt about the intended purpose and effect of your Committee's "hearing."

Moreover, while the Committee expresses a concern with "compliance" with BCRA, it has scheduled this hearing before the Supreme Court has completed its review of major constitutional challenges to the new statute that will determine, in many respects, the nature of the compliance required under the new law. We note also that the Committee majority, including its Chair, actively opposed and voted against BCRA: you told colleagues on the

floor that Shays-Meehan, now BCRA, "burdens free expression and association." Cong. Rec., February 13, 2002 at H339. The Committee's curious decision to now hold a "compliance" hearing is certainly vulnerable to
the suggestion or appearance of a political purpose.

The Committee's press release also includes a pejorative characterization of our organizations as operating "with the apparent intent of using soft money to influence federal elections - something that BCRA purported to bar." This is, in fact, a misstatement of the intent and effect of BCRA: it imposed broad-ranging prohibitions and restrictions on the receipt or expenditure by national, state and local party committees, and it included also a prohibition on corporate or union "electioneering communications." Our organizations are independent political organizations and committees, not party entities, and none of the activities we have planned, publicly announced or will conduct fall within any of the types of "soft money" activities proscribed by BCRA.

This is not to say, however, that our committees are unregulated by the federal law, or that their activities are not subject to public disclosure and review. Each of the organizations we represent is, in whole or in part, a non-federal political organization organized and subject to Section 527 of the Internal Revenue Code, 26 U. S. C. 5 527. Several organizations also include a federal political committee that is additionally regulated by the Federal Election Campaign Act (FECA), as amended by BCRA. Through FECA, BCRA and the Internal Revenue Code (as amended in this regard in 2000 and 2002)Congress has legislated specific and extensive registration, reporting and disclosure requirements for federal and non-federal political committees. These include identification of key officers and personnel, virtually all contributions received and expenditures
made, including their dates, amounts and purposes, and the parties to those transactions. Each of the organizations signatory to this letter has complied with these requirements and will continue
to do so.

Your invitation asks that we appear before a Congressional Committee in a public session and open the whole range of our political programs and strategies to committee scrutiny. A Congressional Committee may not simply call political organizations to answer under oath to whatever questions, however politically sensitive, Members may have an interest in asking. The scope of the Committee's intended examination of our organizations in the upcoming hearing concerns matters of a "delicate nature.. .represen[ting]the very heart of the organism which the first amendment was intended to nurture and protect." See *Machinists Non-Partisan League v. FEC, 655* F. 2d *380, 388* (D. C. Cir.), *cert. denied, 454* U. S. 897 (1982). Even when a legislative inquiry uses compulsory process in aid of an investigation that "intrudes into the constitutionally protected rights of speech, press, association and petition," an "essential prerequisite to the validity" of the inquiry is that the committee "convincingly show a substantial relation between the information sought and a subject of overriding and compelling state interest." *Gibson v. Florida Legislative Committee, 372* U. S. 539, **546** (1963). "Mere official curiosity" -much less the prospect of partisan political advantage - cannot meet these constitutional requirements. *Machinists Non-Partisan League, 655* F. 2d at 388.

For these reasons, we decline to participate in the November 20 hearing.

Roll Call Article
(11/5/03)

Ney to Hold Hearings on Democratic Groups

November 6, 2003
By John Bresnahan,
Roll Call Staff

With two controversial Democratic fundraising organizations holding a big event Wednesday night, House Administration Chairman Bob Ney (R-Ohio) is planning hearings on the legality and activities of such groups.

The New House PAC and the Democratic Senate Majority Fund are designed to collect both hard and soft money. Under last year's Bipartisan Campaign Reform Act, soft-money fundraising is banned for the national parties, and some GOP operatives privately believe what both organizations are doing is illegal, although they have declined to file any type of complaint with the Federal Election Commission so far.

Several dozen Democratic lawmakers from both chambers - including House Minority Leader Nancy Pelosi (Calif.) and Senate Minority Leader Tom Daschle (S.D.) - were expected to attend Wednesday night's event at the Phoenix Park Hotel, which was expected to generate about $50,000 in hard money for the two organizations.

Ney wants to explore how these Democratic-linked organizations can operate under BCRA, and just what contacts lawmakers can have with individuals associated with such groups. He will hold hearings during the next few weeks, although no formal date has been set yet.

"I simply cannot understand why some of the biggest self-proclaimed opponents to soft money would support campaign finance reform one day and then seek to circumvent it the next," said Ney, who strongly opposed passage of BCRA. "It would appear, at least from initial reports, that organizations such as the Democratic Senate Majority Fund and the New House PAC violate the spirit, if not the letter, of [BCRA]."

But Howard Wolfson, one the co-founders of the New House PAC and a former executive director of the Democratic Congressional Campaign Committee, said his organization was well within its legal rights to raise both hard and soft money.

"Everything we have done has been within the law," said Wolfson, who added that the well-known Democratic law firm Perkins Coie LLP vetted, and approved, the organization's structure before it was created.

Neither the New House PAC nor the DSMF has raised large sums of money this cycle, although both have now accepted soft-money contributions. The New House PAC has raised $12,500 in soft money so far, while the DSMF reported taking in $35,000 in soft money through June 30. The two organizations have taken in several hundred thousands of dollars in hard money as well.

Democrats on the House Administration panel had not received any formal notification from Ney and declined to comment, but they would be expected to call several well-known GOP figures to appear at any hearing Ney convenes.

Susan Hirschmann, former chief of staff for House Majority Leader Tom DeLay (R-Texas), and ex-Rep. Bill Paxon (R-N.Y.), founded the Leadership Forum, a 527 organization, in late 2002 to collect soft money for House GOP races. The group first accepted, and then returned, a $1 million donation from the National Republican Congressional Committee and, while dormant most of this year, has recently begun raising money again.

A Senate Republican version of the Leadership Forum, the National Committee for a Responsible Senate, has apparently engaged in no fundraising activities.

Copyright 2003 (c) Roll Call Inc. All rights reserved

The CHAIRMAN. Before we move on, we need to address a couple of things. The minority could have had the opportunity to call Mr. Shays, Mr. Meehan, Senator McCain, and Senator Feingold. The minority was given ample opportunity under legal notice for this today. The minority has chosen not to ask one single person in either direction to be here today to testify. I want to point that out.

What my good friend is referring to is the original talk about this entire subject and the media reports on it. But ample legal notice was given, ample time was given. For whatever reason, the minority has chosen not to call witnesses.

I will also note for the record I have had zero conversations, directions, phone calls, et cetera, with Mr. Gillespie in any fashion or form.

Also, the Help America Vote Act, the conduct of this committee with Mr. Hoyer, with our Ranking Member, and the way the House institution functions has zero to do with campaign finance reform. Zero. The Help America Vote Act didn't claim it was going to do something in the voting system and then turn around and completely do the opposite.

The institution of the House also will continue to work daily. We are going to continue to work together for what is the best interests with security of the Capitol, the way the House functions, and Members. This hearing today in no way impedes anything to do with the operation of this House. But innuendo and rumors shall continue because people refuse to come here and even talk to Congress. We don't want to know how they function internally. We don't want to know what zip codes they are looking at. We simply wanted to talk to them. And I think they could have cleared up a lot of innuendo and a lot of rumor. In my opinion, they are now perpetuating that as groups.

Mr. LARSON. Mr. Chairman, would you yield?

The CHAIRMAN. Not at this point in time yet.

Let me read something: Operating on the same floor of a 14th Street office building as Wolfson is Mark Farinella, former campaign manager for the late Governor Mel Carnahan of Missouri and now executive director of the Democratic Senate Majority Fund. Quote: In three weeks, can I go to Microsoft and say Daschle, Reed, and other Senators are committed to this organization and ask the company for soft money?

Let me read the that again. Can I go to Microsoft and say Daschle, Reed, and other Senators are committed to this organization and ask that company for soft money, said Farinella. Yes, I can have a conversation like that. Their presence makes clear that they think this is an important organization that will ultimately make a difference to help Democrats regain the Senate.

Democrats will try to regain the House and Senate; Republicans will try and regain it. I have absolutely no problem with that. I have been in minorities. I have been in majorities. But when a law is passed that says it is going to stop the soft money and people make statements like this that in fact say, can I go and raise soft money on behalf of an officeholder, well, if you give me a quote by a Republican, I will be glad to make the same statements I am making.

Yield to Mr. Ehlers.

Mr. EHLERS. Thank you, Mr. Chairman.

Many years ago I joined Common Cause. In fact, I am a charter member. I greatly admire John Gardner. I thought he had great ideas, was forming an excellent organization; and I have maintained that membership all these years because I believe it is important to have a citizen organization that is looking over our shoulder and trying to help us do the right thing.

In spite of that membership, in spite of Common Cause's strong support for the campaign finance reform bill that was before us, I voted against BCRA because I knew it would not accomplish what Common Cause wanted to do. It would not accomplish what the authors of the bill wanted to do. It simply wouldn't do the job because there are loopholes in it.

I voted for almost every alternative campaign finance reform bill that was presented to us in amendment form, and I was sorry that they did not win. I voted to completely ban soft money in the political process. I think, in agreement with Mr. Doolittle, that all money used in campaigns should be openly accounted for; and the public, the news media, everyone should have complete and open access to every detailed record of anyone who contributes to a campaign. And BCRA did not do that.

It is true, as the Ranking Member has said, that 527s existed before BCRA. BCRA did not create them. BCRA did not create any laws about them, other than to regulate the participation of political leaders, elected leaders in these organizations.

That is what was new about BCRA. The 527s were still there. However, they became the new loophole, the new soft money loophole that everyone turned to once they couldn't give to political parties.

I thought it was a big mistake to decimate political parties. These are responsible parties. The public can identify them. We should have continued to let them remain as the financing organizations for campaigns for their parties. But we should have eliminated the soft money and said everything you do is going to be hard money. We did that much, but we left the loopholes.

Now this hearing has been labeled partisan both inside and outside this chamber. It is not. We have invited both Republicans and Democrats. The ones who made it partisan were the Democrats who chose not to show. I don't know why. They should show. They are running legal organizations, they should have no reason to stay away, and they should be here telling us what their organizations do and how they do it.

Another comment I wanted to make. The Ranking Member referred to these organizations, that they fully disclose to the IRS. They disclose to the IRS. They do not fully disclose to the IRS. Now they may be following the letter of the law, but, frankly, here is another loophole that I think should be closed. It is outside the jurisdiction of this committee to regulate these entities, Mr. Chairman, but the reports that they submit are far removed from the reports that are submitted to the Federal Elections Commission dealing with campaigns and campaign financing.

I think that if 527s are going to serve as they are beginning to serve, as chief political fund-raising organizations for the parties and for individuals, they should have the same high reporting

standards that all of us do when we report to the FEC; and that is clearly something that we should change if this pattern of behavior continues, because we want detailed financial reports. Frankly, I would like campaign finance limitations placed on contributions. I don't know if we can achieve that, but at least have the reporting totally open and above board so that everyone knows exactly who is giving, how much they are giving, when they give it, and also reporting as to what that money is to be used for, who gets it, where is it spent, by whom, and for whom.

So, Mr. Chairman, I think there is ample reason for a hearing. I am sorry that it has degenerated into a partisan battle here. It shouldn't. We should just be sitting here doing fact finding, and I hope that we do get participation from representative groups of all 527s who can come here and tell us what they are doing and why they are doing it.

Mr. LARSON. Would the gentleman yield?

Mr. EHLERS. I would prefer not to yield at this point. I want to continue this thought.

I hope that we—Mr. Chairman, that we will continue this not in the nature of a witch-hunt. I am the last one in this Congress who wants to be involved in a witch-hunt. First of all, I don't think there are any witches in Congress, to begin with. But—my neighbor says there a couple. We will let him identify them. But my point is simply we want to get the facts, find out what is going on. Is this something that needs addressing? If it does, let us address it. If it doesn't, fine. We will continue as it has.

I yield back, Mr. Chairman.

The CHAIRMAN. And Ms. Millender-McDonald.

Ms. MILLENDER-MCDONALD. Thank you. Good morning to all.

Mr. Chairman, the Ranking Member, and my fellow committee members, I want to commend our committee as a whole for the cooperative bipartisan spirit in which we have worked together since I have been on this committee. I have been impressed to date with the spirit of this committee, although there were times when we disagreed on different issues.

Mr. Chairman, just this week we passed H.R. 3491 to create the National Museum of African American Art and Culture. Clearly we know how to put our political differences aside in favor of the common good and working for the greater good when we choose to do so.

Today, however, I am disturbed that this great spirit of bipartisan cooperation has been cast aside in favor of holding a hearing under dubious pretenses. In all fairness, Mr. Chairman, how can we summon the leaders of organizations that operate well within the law before this committee to probe them about their activities and underlying political philosophy? It seems to me that this proceeding is unfair and smacks of partisan maneuvering.

As a veteran of the civil rights movement, I recall very clearly the open-ended inquiries by seven State legislators into the activities of organizations advocating on behalf of equality for African Americans and other minorities in the South from the 1950s through the 1960s.

As the committee charged with overseeing the internal workings of the House, we cannot conduct a witch-hunt designed to under-

mine the work of legally organized groups working in the public interest. I remember well when concerns were raised by my fellow Congressional Black Caucus members when campaign finance reform laws were revised, and I will not be a party to any proceedings that seek to dismantle the operations of any legitimate group. I value the work we have done together as a committee, and I sincerely hope that we can get beyond the questionable proceedings today and move on.

Mr. Chairman, I agree with the Ranking Member that the whole makeup of those whom you invited was imbalanced, six Democrats, three Republicans.

My dear friend Mr. Ehlers talked about a fact finding. It is concerning to me that, prior to the Congress making changes in Section 527 last year, did this committee look into fact finding of the 527 when at that time there was a lot of abuse on the side of the majority leadership? Did we go through fact finding at that point?

Mr. Chairman, you are an honorable man, and yet it is so uncharacteristic of you to say that those who did not attend today were thumbing their noses and did not feel comfortable in talking. I disagree with that characterization. It would appear to me, Mr. Chairman, that to keep that honorable position you would have simply stated your case without characterizing those who did not attend.

I suppose, being the only female on this panel, when you speak about Ms. Pelosi's statement on the floor, given the time of campaign finance reform, I think that is totally unrelated to this hearing today, because what she said then is not what she is doing now. So to bring her out among all of the statements that were made on the floor seems to me as an affront to the females of this House, and I do take exception to that.

I do hope that we will move again in a bipartisan fashion and not be hampered by the maneuverabilities of the political process as we move into an election year. It certainly seems to me that when the Chairman speaks of Members who have made overtures in favors, legislative favors or whatever—recently he quoted about Members making and being affiliated with certain groups. I bring up the House Members' allegedly promised legislative favors in exchange for political donations from Kansas-based Westar Energy, Incorporated. When they sought exemptions from the Securities and Exchange Commission, they were granted until public scrutiny had that exemption removed from legislation.

There are those on both sides of the aisle who we can point fingers to and say that they have been involved with organizations rather unscrupulously. But I would say, let us rise above the fray, Mr. Chairman. Let us continue to be the bipartisan committee that I have come to know, working in the spirit in which I have engaged in and appreciated, and hopefully that we can continue on that road.

Thank you, Mr. Chairman.

The CHAIRMAN. Before moving on, I would just note a couple comments. One, we are going to be bipartisan. We are going to continue that flavor. Two, on this question of I am imbalanced on the invite, I invited everybody, and I invited Republicans. You all could

have invited as many people as you wanted. You could have invited 10 Republicans.

Mr. LARSON. Would the gentleman yield?

The CHAIRMAN. I will yield.

Mr. LARSON. I would have loved to have invited people, especially people that, when we gave them the call of the hearing, who were looked at and said this question is so open-ended, what is the purpose? What are we driving at here? If you look at what the committee has done before, there is—it was—this was open-ended questions in terms of having people come out that—and completely legal, independent.

The CHAIRMAN. Reclaiming my time, because you wanted to respond why you didn't invite people, but you haven't done it. You didn't invite people. You had ample opportunity, you had ample legal notice, your staff had ample legal notice to invite people. You chose——

Mr. LARSON. We were at a loss to tell them what it was specifically about, the committee hearing.

The CHAIRMAN. Reclaiming my time—reclaiming my time, Mr. Larson. I would just note that we were here to discuss, simply discuss these issues.

Now having this hearing has nothing to do with the Help America Vote Act, security of the Capitol, running the institution, protecting the staff. It has zero to do with it. We will continue to do that. It simply has to do with the fact of a lot of statements made, of the fact that people weren't supposed to be out utilizing their names for soft money.

I am going to move on, but——

Mr. LARSON. Which totally smacks of a partisan agenda.

The CHAIRMAN. Mr. Larson, if you would like time, please ask for it. That is uncharacteristic of you.

I will move on. Mr. Mica.

Mr. MICA. Thank you, Mr. Chairman, for recognizing me.

You know, I think this committee is one of the most important in Congress. Because not only—and particularly on the House side. Because we have the responsibility for administration over the House of Representatives. But we also have one of the other most important charters of any committee, and that is to ensure the integrity of the election process and election reforms that go through this committee.

Now let me say at the outset that I did oppose the McCain-Feingold when it came through Congress. I opposed it not because I didn't want reform. There is no one who has cried out louder for election reform than me because I think that is an important charge. But I favored—I have looked at all the mouse traps that we built to conduct elections, and it is very difficult to catch all the rats. The only thing that I have seen that really gives the public the right to know what is going on is what Mr. Doolittle proposed, and that is full disclosure by everyone who participates in this.

Now some of you are very well intended on the other side, and I think you voted with good intentions to reform this system. But, my colleagues, we are facing right now the greatest assault I believe on the integrity of the Federal elections process we have ever seen; and what is really at stake is also the credibility of the Con-

gress and our elections process. Right now, we have got Americans dying thousands of miles from here, and for what purpose are they dying? It is because this country represents a true democratic process where people get to participate, where their vote is counted. And now we are seeing what some of you put your faith in, in reform being prostituted, and we are seeing the beginning of it in an unprecedented fashion.

I have been involved in politics. I have brothers who are on the Democrat side. One served in Congress. I have never seen an assault on the system like we are seeing here, and what it is going to do is destroy people's faith and belief in this system if we let this persist. So this isn't a partisan issue.

Mr. LARSON. Would the gentleman yield?

Mr. MICA. No, let me finish. I didn't interrupt anyone.

Now it is true we had 527s before, but you have never seen—we have never seen an assault like this. Just look at these 527s that have been created. The 527s are being turned into a conduit to really destroy the election system that we have. You wanted soft money banned, and here we see now a filtering of soft money in an unprecedented fashion to these organizations. Now it doesn't take Sherlock Holmes to look at these newly created organizations.

And then the cost of representation. I don't know who this Cecile Richards is, former Deputy Chief of Staff to Mrs. Pelosi. She is president of America Votes, created July 15th, 2003. Another new organization, America Coming Together. Here is Mr. Soros reported giving $10 million to one of these 527s and $20 million to another one, Center for American Progress. Look at the cross-representation and service on these new boards.

Again, new organizations created. Let us just go down a few of these: Fair and Balanced Pact, August 26, 2003; Grassroot Democrats, May 22nd, 2003; Voices for Working America, August 8, 2003; Center for American Progress, 2003, President, John Podesta. Look at again the cross-participation of these individuals.

So there is a loophole here that you can drive a Mack truck through that could destroy the system that, again, people are fighting and dying to preserve the integrity of. There are other electoral systems around the world, but ours people look at with some hope that the process can be honest, and here we see a subversion. So I demand that we subpoena those who haven't been here. I demand that the Internal Revenue Service, I demand that the Federal Elections Committee look at this, and I also demand action by this committee of Congress which has this important charge to take action before this is destroyed.

Finally, if you look at the amounts that they plan to raise, this is just the estimates that have been made public so far. You are looking at half a billion dollars plus with these new organizations.

The CHAIRMAN. The time has expired.

Mr. MICA. That is not right in anyone's book.

I yield back the balance of my time.

The CHAIRMAN. It is Mr. Brady's time. If you would like to yield, Mr. Brady.

Mr. BRADY. I will yield to my Ranking Member.

Mr. LARSON. I think the distinguished gentleman from Florida has raised—and would the Chair entertain, in the interest, and

since I share the deep and abiding concerns that the committee has about making sure that the integrity of the process be restored, that we join with the House Government Reform Committee and do a thorough joint investigation of this issue, including such things as the Westar example that I believe needs to be examined—because when you talk about integrity and you talk about a need for us to look into these things and the influence of money on election and corruption, I think all of these things have to be pursued. Why would you single out 527s out of all of them?

I understand the list there, and the Chairman has said before that, geez, he doesn't know why people didn't come, why people didn't feel comfortable to come to a fishing expedition. Well, certainly as this hearing goes on I can appreciate more deeply why they wouldn't.

Mr. Brady, thank you.

Mr. BRADY. Thank you, Mr. Larson.

I just have a problem with what is happening here today. I don't have a problem investigating. I don't have a problem with questioning anybody about what they are doing or how they are spending money or how they are raising money. My problem is the theater here today.

I would like to talk about nonpartisan, but I am partisan. I don't like to talk about anybody's name that is not in the same party that I am in when they are not here. You can go on and on, and there is a lot of documentation here about Members of the other party that are doing the same thing. But if we are trying to get to the bottom where we are trying to get some explanations, we are not doing it in the right way.

I thank the Chairman for adjourning this hearing because I knew this hearing was a farce and a sham, and I thank you for not having this theater today. And it is a theater. We knew and you had letters that said that these people are not going to show up, and yet there is an empty chair, there is a nameplate in front of them, there is press here. They can see it all; and that bothers me, because I thought that we were in a nonpartisan situation or a nonpartisan committee.

But I am kind of glad that we are in a partisan committee, because that is when I feel like I can do best. I don't mind fighting an opposition, I don't mind fighting an enemy, I don't mind fighting someone who is coming at me straight up. I can understand that and get behind the wolves' clothing and sheep's clothing and go head to head.

But my problem is simple. We had an election in the City of Philadelphia. These 527s entered into it. I have had labor unions in the City of Philadelphia that were against my candidate, that were for the Republican candidate, and all we did was beat them. We didn't complain, we didn't cry, we didn't find out why or how they got their money. We just went out and did our job and won an election, just like you have to win an election, like I have to win an election.

But my problem again—and I thank Mr. McEntee for not being here today, for recognizing the farce that this committee was. It just looks to me again that this committee is an attack on the men and working people in the United States of America and the unions

they represent. They have a right to allow money to be taken out of their hourly pay to go toward their political committees and have their leader decide who they think is best to serve them.

So I just think that, you know, if we are going to be partisan or nonpartisan, let us be what we are going to be. But let us be it amongst ourselves in the committee and not have such a farce out here; and, again, I thank Mr. McEntee for not having me to explain to him why I would have gotten up and walked out before this hearing was over.

Ms. MILLENDER-MCDONALD. Would the gentleman yield for a moment?

Mr. BRADY. Certainly.

Ms. MILLENDER-MCDONALD. Mr. Mica, you stated that it has become such an abusive environment that we are living in. Did you not see that before the campaign finance reform, the reason that came to be? Did you not see that in the 527s, the reason Congress altered the 527s last year? Did this not come before that committee then because of the abuse that we were seeing in that environment?

When you speak of chiefs of staff, please let us not ignore the chiefs of staff who have gone from this House on the majority side to form committees outside as well as former Members of Congress. Let us be fair, people. When you are going to talk about something, let us talk about it from both sides, not from one side.

Thank you, Mr. Brady.

Mr. BRADY. Thank you. And, again, I thank the Chairman for not having this farce. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. I appreciate the comments.

Mr. Doolittle.

Mr. DOOLITTLE. Mr. Chairman, is this a great country or what? I mean, your grandfather was a wise man, Mr. Larson. I agree with that.

Mr. LARSON. Thank you, Mr. Doolittle.

Mr. DOOLITTLE. This cold water you are pouring on my head with this abomination of the McCain-Feingold, and we are supposed to believe we have gotten rid of the influence of soft money and everything, you know, that is the rain that you are asking me to believe. I mean, look, I know right now it is the Democrats, because you have perfected this better than we have. But what is funny about this is, I guarantee you, if this is legal, we are going to be doing this, too. I mean, that is just, you know, whatever the rules of the game are. So I mean you are not doing anything that we are not going to do if this is legal. I just find it amazing, though—you know, this is a great quote; and I am not picking on you, Mr. Larson, because I think it typifies sort of the rhetoric that was used. But in 1999 and in the Congressional Record you have got a quote: Campaign finance reforms would reduce the impact of obscure, faceless groups and their money on our elections. We need to bring campaigns back to the basics so that big money influences are put in check and unregulated soft money is taken out of politics.

Then this article from the Washington Post that our Chairman quoted from, which is May 7th, 2003, there is a lot of great stuff in here. But, you know, the explanation of how it works: These

groups have hard money fund-raisers. And you get the Democrat leaders showing up. And then, after that, then the key operatives go and solicit Microsoft, which was, you know, the specific example in here, and make clear——

Well, let me just quote from the article: In 3 weeks, can I go to Microsoft and say Daschle, Reed, and other Senators are to committed to this organization and ask the company for soft money, said Farinella. Yes, I can have a conversation like that. Their presence makes clear that they think this is an important organization that will ultimately make a difference to help Democrats regain the Senate.

I mean, is this a great country or what? That is just amazing, isn't it? So much for the diminution and influence of special interest groups and soft money and all of this. What is sad to me, though, is we are going to do this, too.

Mr. DOOLITTLE. We have to. These are the rules. You know. And what I find offensive—and this is not a partisan statement, because I think we all ought to think about this— why is this preferable to what we had? At least political parties have a—people understand what they are. They have a point of view.

I mean, it is easier. You see, it is more accountable. This is what a lot of us said. I have no partisan axe to grind here, because I know—the law has been abused by both sides, mostly by the Democrats just because they were in power, by the way. But it has become a point of—it has been a club that both sides have tried to use against each other to get an advantage over, one of the other. And what I have been trying to say is this is wrong. The law should not be used in this fashion. We should deregulate this area. This is what has caused all of this problem is the regulation.

We should have the disclosure and the accountability, and then we go at it and we fight each other in the partisan arena. That is what this Republic is about. That is how we determine our government. There is nothing wrong with that. What bothers me is that we pretend that we have reformed this system.

We just passed this monstrous law, which unfortunately some Republicans cooperated in, and now we find out—I mean, in that great hearing we had the other day, we found out that if different candidates have the same political consultant, mail vendor or something, you may be in violation of the coordination rules.

I mean, this is going to tie us up all in knots. So let me say this, Mr. Chairman. I think it is good that you are having this hearing. I would love the world to see how this is supposed to operate. The Democrats have perfected this, and we will take a page out of their book, and we will ramp up our organizations, and this is how it is going to go. So it is not that we are pure and you are not, you are just better; you were more clever about this in figuring out earlier how to do it, and we will do that, too.

But, see, it doesn't advance the interest of free speech or the interest of Republic. We should deregulate. I will invite all of you to cosponsor my bill. I just reintroduced it yesterday, H.R. 3525, basically the same thing. We deregulate.

George Soros doesn't have to give $10 million to the ACT, or I think that is what the group is called; he can just give it directly to any candidate he wants. He can give it to Dean or Gephardt or

whoever the Democrat nominee is, $10 million; just report it. Barbra Streisand can send in her money, and Jane Fonda can send in her $7 million. They don't have to go through this subterfuge. Let us just get it out, be honest and have the fight.

The CHAIRMAN. Well, on cue. We are out of time. I would note, just for fairness purposes, Mr. Soros is also free to contribute to Dennis Kucinich of Ohio.

Ms. MILLENDER-MCDONALD. Mr. Chairman, may we please refrain from calling names? We can talk about the Majority/Minority, but, you know, you are throwing out the name of Daschle, you are throwing out the name of Pelosi. Let us not do that. I can throw out names of DeLay and others, but I refuse to do that.

Mr. DOOLITTLE. With all due respect now, I am quoting the Washington Post.

The CHAIRMAN. Reclaiming my time. By the way, as a male, I am very insulted you have attacked a male on this committee.

There are a lot of questions of why we had this hearing, and some of the rationale of why we had it, or what was stated, now, there has been a lot of smoke around here today, more than a cigarette factory on fire at times.

So having said that, the Chair lays before the committee a committee resolution authorizing the chairman of the Committee on House Administration to issue subpoenas to testify and subpoenas duces tecum to any and all persons, organizations with respect to matters involved in, relating to, or arising from the committee's investigation of 527 organizations.

This resolution is offered pursuant to rule 11, clause 1(b)(1) and clause 2(m)(1) and (3), of the Rules of the U.S. House of Representative, and rule 6 of the Committee on House Administration. Is there any discussion?

Mr. LARSON. Yes, Mr. Chairman.

The CHAIRMAN. Yes, Mr. Larson.

Mr. LARSON. Mr. Chairman, I agree with you that there has certainly been more heat and little light that has been shed with regard to this hearing today. And I would again reiterate, since this is a very serious thing that we are about to enter into, I would ask that the Chair join with me, and if we are going to tackle these problems, let us tackle them. And if we are going to tackle the problem with 527s, as well as all of the issues that pervade this great House and this institution, then so be it.

I am asking and calling directly for us to join with the Committee on Government Reform and to look directly at not only 527s, which are perfectly legal, but those activities that carry with them the hint of impropriety, donations from Kansas-based Westar Energy, Inc.; contributions made, enormous contributions made, by pharmaceutical companies prior to votes. And I suggest that we enter into a joint committee hearing.

I know that we have—on the Government Reform Committee, we have been trying for some time to look into this specific area, and now is the time for us to do that. And I appreciate the earnestness in which members of this committee wanted to look at and make sure that we restore integrity.

So let us let all of the poison caught up in the mud hatch out. Let us take a look at all of these circumstances. I think it gives credence to what Mr. Doolittle is attempting to do.

And on the other side of that coin, with those who want true campaign finance reform, the public financing of these campaigns one is well, and perhaps therein lies the true debate. But if we are after the truth, and not a partisan hunt narrowly after 527s, then if we are going to look at subpoenaing people, then let us bring them all in. Let us open this up and let us conduct a thorough investigation in the true manner in which you conducted HAVA. That is what I am going to suggest.

The CHAIRMAN. Well, that is what we are were trying to start today.

Mr. Ehlers.

Mr. EHLERS. Mr. Chairman, I move that the committee resolution authorizing the chairman of the Committee on House Administration to issue subpoenas related to the investigation of 527 organizations be adopted.

The CHAIRMAN. The question is on the motion. Those in favor of the motion, say aye.

Those opposed will say no.

Mr. LARSON. I ask for the yeas and nays.

The CHAIRMAN. The clerk will call the roll.

The CLERK. Mr. Ehlers.

Mr. EHLERS. Yes.

The CLERK. Mr. Mica.

Mr. MICA. Aye.

The CLERK. Mr. Linder.

[No response.]

The CLERK. Mr. Doolittle.

Mr. DOOLITTLE. Aye.

The CLERK. Mr. Reynolds.

[No response.]

The CLERK. Mr. Larson.

Mr. LARSON. No.

The CLERK. Ms. Millender-McDonald.

Ms. MILLENDER-MCDONALD. No.

The CLERK. Mr. Brady.

Mr. BRADY. No.

The CLERK. Mr. Ney.

The CHAIRMAN. Aye. Four to three, the motion is agreed to, and the committee resolution is adopted.

Finally, for the record, I would like to notice potential witnesses and their organizations that pursuant to the Rules of the U.S. House of Representatives and the rules of this committee, and I want to be clear on this, subpoenas compel both testimony and the production of documents and material related to any and all persons or organizations with respect to matters involved in, relating to, or arising from the committee's investigation of 527 organizations; therefore, potential witnesses and the organizations related thereto are not, absolutely not, to engage in the destruction of any such documentation or material that would be subject to subpoena and related to the committee's investigation of this matter.

I ask unanimous consent that Members have 7 legislative days for statements to be entered in the appropriate place in the record. Without objection, the statements will be entered.

COMMITTEE ON HOUSE ADMINISTRATION

Committee Resolution 108 - 5

Delegating to the Chairman the power to authorize and issue Subpoenas related to an investigation of 527 Organizations

Adopted on _____, 2003

1. ***Be it resolved by the Committee on House Administration***, that upon the adoption of
2. this Resolution, the Chairman of the Committee on House Administration may
3. authorize and issue subpoenas to testify and subpoenas duces tecum to any
4. and all persons or organizations with respect to matters involved in, relating to, or
5. arising from the Committee's investigation of 527 Organizations.
6. This Resolution is adopted pursuant to Rule XI, clause 1(b)(1) and clause 2(m)(1) and
7. (3) of the Rules of the U.S. House of Representatives, and Rule 6 of the Rules of the
8. Committee on House Administration.

Top Republicans mount 2-pronged attack on 527s
Effort aimed at curbing soft money
By Alexander Bolton *and* Sam Dealey

Top Republicans are aggressively questioning the legality of a host of newly created Democratic soft money organizations, sparking alarm among lobbyists and Democratic lawmakers, who accuse the GOP of having launched a partisan witchhunt.

House Republicans have asked six high-profile Democratic fundraising groups to testify before the Committee on House Administration.

Separately, Ed Gillespie, chairman of the Republican National Committee (RNC), yesterday sent letters to the heads of leading good-government groups questioning their silence on the activity of Democratic-aligned soft-money groups.

At issue is the proliferation of 527 political action committees. A campaign finance law enacted last year banned the traditional conduits for soft money through committees linked to the national parties.

So-called 527 groups have mushroomed in their place. Named after a section of the federal tax code, the groups may collect unlimited, undisclosed donations to pay for political activities such as voter registration drives, media campaigns and more fundraising.

Democrats charge the looming hearing is reminiscent of a series of investigations that Rep. Dan Burton (R-Ind.), then chairman of the Government Reform Committee, held on fundraising in the late '90s, which focused almost exclusively on Democratic political operations.

Democratic concern is compounded by the fact that half of the six Republicans on the House administration panel are officials of the National Republican Congressional Committee (NRCC), the House GOP's fundraising committee.

Committee Chairman Bob Ney (Ohio) and member John Doolittle (Calif.) oversee the House GOP incumbent-retention program as members of the NRCC's executive committee. Rep. Tom Reynolds (N.Y.), another panel member, serves as NRCC chairman.

Republicans have asked the following Democratic allies to testify:

• Gerald McEntee, president of the American Federation of State, County and Municipal Employees, who heads Voices for Working Families.

• Former AFL-CIO political director Steve Rosenthal, who now directs Partnership for America's Families.

• Ellen Malcolm, president of Emily's List, who is spearheading Americans Coming

Together.

• Howard Wolfson, former Democratic Congressional Campaign Committee executive director, who oversees New House PAC.

• Marc Farinella, former chief of staff to late-Gov. Mel Carnahan (D-Mo.), who is in charge of the Democratic Senate Majority Fund.

• Cecile Richards, a former aide to Minority Leader Nancy Pelosi [D-Calif.], who now heads America Votes.

Since word of the hearing leaked last week, Democrats on the panel have fielded a barrage of inquiries from Democratic colleagues, including Pelosi and sympathetic lobbyists, demanding to know why Republicans are holding the hearing.

"Some of our folks and House Administration people are concerned this is going to be a partisan hearing and a fishing expedition," said Brendan Daly, Pelosi's spokesman. "There's no indication that there's been anything that would merit investigation."

Another Democratic aide said: "It's a case of using official resources and an official committee to go on a partisan witchhunt."

The aide said Democrats are trying to "figure out where this is all coming from. Is it [White House political adviser] Karl Rove, is it [Majority Leader] Tom DeLay [R-Texas], is it the NRCC?"

But Republicans say they are merely trying to learn more about the organizations and their role in the political process and that Democrats passed on an opportunity to request other groups to testify.

In addition to the six Democratic-allied organizations, Republicans have also called on two pro-GOP fundraising groups to testify. They are the Leadership Forum, a group headed by former Rep. Bill Paxon (R-N.Y.) and DeLay's former chief of staff Susan Hirschmann, and Americans for a Better Country, which is run by GOP strategist Frank Donatelli.

"In recent months, many of us in the Congress have watched with increasing concern as organizations have been formed in the wake of BCRA with the apparent intent of using soft money to influence federal elections — something the Bipartisan Campaign Reform Act purported to ban," Ney said last week.

But Democrats charge the hearing is biased because the invited Republican-aligned groups have shown little activity this year, in contrast to their Democratic counterparts.

For example, the Leadership Forum had not raised any money through the first six

months of the year, according to reports filed with the IRS.

Republicans did not call on more active conservative groups, such as the Club for Growth, which has raised over $1.6 million, mostly in unregulated soft money, between January and September.

House Republicans say Democrats, who overwhelmingly supported passage of the new campaign finance law last year, would open themselves to charges of hypocrisy if they did not participate in a review of new fundraising groups.

"Congressman Doolittle is concerned that these 527 groups are violating the Bipartisan Campaign Reform Act, which Democrats championed just last year," said Laura Blackann, an aide to Doolittle. "Either Democrats want campaign finance reform and will get behind these committee hearings or they have something to hide."

Gillespie said: "I think there is a question here as to whether or not what these groups are doing is appropriate. And more than appropriate, is it legal?"

National Review

November 10, 2003, Monday

By George: The Democratic party is now brought to you by super-investor George Soros

BYLINE: By BYRON YORK

Last June, the billionaire investor George Soros announced that he was cutting back the work his foundation, the Open Society Institute, did in Russia so that he could focus his attention on the United States. The change was needed, Soros told reporters in Moscow, because the political scene in America had become "quite dangerous." In the Bush administration, Soros explained, "the executive branch has come under the influence of a group of ideologues who have forgotten the first principle of an open society: that they don't have a monopoly on truth."

Soros, a naturalized U.S. citizen born in Hungary, said President Bush had "abused" the September 11 terrorist attacks as a pretext to expand his own power and to run roughshod over other nations. Soros has included these concerns in a book, The Bubble of American Supremacy, due out next January, which will attack the so-called arrogance of the president's policies.

But Soros plans to do much more than write. Recently, he pledged $10 million to a new Democratic group devoted to defeating Bush in 2004. Soros's gift will be the largest single political donation from an individual in history, surpassing the $7 million check that film producer Haim Saban gave the Democratic party in 2002. "I've come to the conclusion that one can do a lot more about the issues I care about by changing the government than by pushing the issues," Soros told Fortune magazine recently.

It's not clear whether Soros can, in fact, change the government, but his $10 million pledge has instantly made him one of the most important men in the Democratic party. His money is going to a new group called America Coming Together (ACT), one of several organizations that have sprung up in the aftermath of the McCain-Feingold campaign-finance law. The law made it illegal for contributors like Soros to give $10 million to the Democratic party, so the founders of America

Coming Together created what is, in effect, a substitute party, which can still legally accept such large contributions. Such groups are often referred to as 527's, after the section of the tax code that allows them to operate.

ACT was put together by the main interest groups that make up the Democratic constituency. It was founded by **Ellen Malcolm,** who is the president of Emily's List; Steve Rosenthal, the former political director of the AFL-CIO; Andrew Stern, head of the Service Employees International Union; Carl Pope, executive director of the Sierra Club; and Cecile Richards, head of America Votes, a group similar to ACT that is made up of representatives of environmental, civil-rights, pro-abortion, and labor groups. Together, they represent pretty much everyone in the Democratic party.

Funded by Soros and others, ACT will assume some of the tasks that the party performed before reform. While it will not run ad campaigns or other media efforts, ACT will concentrate its resources on intensive get-out-the-vote efforts, now often referred to as "voter contact." When ACT announced its formation in August, its officials said it would focus on 17 states: Arizona, Arkansas, Florida, Iowa, Maine, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Mexico, Ohio, Oregon, Pennsylvania, Washington, West Virginia, and Wisconsin. Each state was tightly contested in the 2000 election and promises to be close again next year.

One other thing is notable about Americans Coming Together: There is no organization comparable to it on the right. A recent study by the non-partisan Center for Public Integrity found that so-called 527 groups actually got started before campaign-finance reform and played a significant role in the 2002 elections, the last before McCain-Feingold took effect. The center found that, in the 2002 cycle, Democratic-affiliated 527's spent $185 million in soft money -- more than twice the $82 million spent by Republican-affiliated groups.

The center found that all of the top five soft-money spenders during its study period, which began in August 2000 and ended this summer, were affiliated with the Democratic party. First was the American Federation of State, County, and Municipal Employees, which spent $37,990,064. Others included Emily's List and the Sierra Club. In fact, nine of the top ten organizations are Democratic, the only exception being the Bush-Cheney 2000 committee, which spent $13,820,764 during that election. For the top 527 groups, the ratio of Democratic to Republican spending during the study period was a bit more than 12 to 1.

The center also found that Democrats dominated the individual-contributions category. The biggest 527 contributor of all was actress Jane Fonda, who gave $12,918,450 to an organization called Pro-Choice Vote. The second-biggest soft-money donor, Alida Messinger, a Rockefeller heir, gave $2,413,000, most of it to the League of Conservation Voters. Beyond Messinger, nine of the top ten individual soft-money donors gave to Democratic causes. The only exception was retired pharmaceutical executive Daniel Searle, who gave $1,050,000 to the conservative Club for Growth (he placed ninth on the list). For the top ten individual donors, the ratio of Democratic to Republican contributions during the study period was 25 to 1.

And that was before George Soros and America Coming Together appeared on the scene. Their presence, and that of other Democrat-supporting groups, promises to make the Democrat-Republican disparity even more pronounced in 2004.

One might expect that such a massive Democratic soft-money campaign would ring alarm bells among Republicans, but it appears to have raised few concerns outside the circle of GOP insiders who work on such issues every day. In fact, a sort of false confidence appears to have taken hold in some parts of the GOP because of the success both the party and President Bush have had in raising hard money -- the contributions from individuals, limited to $2,000, that are allowed under McCain-Feingold.

According to FEC records, the three big Republican-party committees -- the Republican National Committee, the National Republican Congressional Committee, and the National Republican

Senatorial Committee -- have collected a total of $133,861,490 in limited, hard-money contributions so far in the 2004 election cycle. In comparison, the three analogous Democratic committees have collected a total of $45,662,730.

In the presidential race, Bush raised $49,187,571 in the third quarter of this year, all of it in limited, hard-money contributions, compared with Democratic challenger Howard Dean's $14,800,282, John Kerry's $3,927,059, and Richard Gephardt's $3,724,842.

When those numbers alone are considered, Republicans appear to be winning the money race. But reports of the GOP's substantial lead in hard-money contributions have largely ignored the Democrats' growing lead in soft-money donations to 527 groups. In addition to America Coming Together, the group America Votes promises to raise even more soft money for Democratic causes, and dozens of other groups will also raise significant amounts, including a so-far-unnamed organization being put together by former Clinton operative Harold Ickes.

It should be said that Republican-affiliated groups accept soft money, too. It's just that they are doing far less of it. In the new world of super contributions designed to skirt the requirements of McCain-Feingold, Democrats are the clear winners.

Of course, it was mostly Democrats who said they wanted to remove the allegedly corrupting influence of big contributions in politics. Now, however, the passage of McCain-Feingold has created an irony: By and large, Republicans are working within the spirit of a law they opposed -- that is, relying on limited hard-money contributions from individuals -- while Democrats are violating the spirit of a law they supported -- that is, relying on the kind of unlimited soft-money contributions they roundly condemned during the reform debate.

Back in March 2002, as the Senate prepared to pass McCain-Feingold, Kentucky Republican senator Mitch McConnell, the bill's most energetic opponent, rose to make a final summing-up. "Today is a sad day for our Constitution, for our democracy, and for our political parties," McConnell said. "We are all now complicit in a dramatic transfer of power from challenger-friendly, citizen-action groups known as political parties to outside special-interest groups [and] wealthy individuals."

What McConnell predicted has come to pass with the emergence of groups like America Coming Together. In the post-McCain-Feingold, Democratic-dominated world of 527's, the small donor has become less important, and mega-donors like George Soros have become even more important -- precisely the opposite of what reformers said they wanted.

Remember the Democrats who spoke so eloquently about the need to eliminate donations -- like Soros's $10 million -- from the political system? Never mind.

Fortune
November 10, 2003

The New Soft Money; Campaign-finance reform didn't kill big political donations, it just changed the rules of the game. Meet the players.

BYLINE: Jeffrey H. Birnbaum

The fourth floor of the building directly across the street from the AFL-CIO headquarters in Washington looks abandoned. No receptionist greets visitors. The hallway lights aren't turned on. Most of the offices are empty except for cardboard boxes left by tenants past. And in the floor's waiting room, the only indications that work is being done at all are paper signs taped to the walls.

It doesn't look like much, but it is the heart of the big-money movement to unseat George W. Bush next year. Here, in space provided by organized labor, four separate organizations--with innocuous-sounding names like Voices for Working Families and America Coming Together--have begun to collect large checks and to plot multistate strategies to remove the President from office. These groups are, in effect, taking over the function of the Democratic National Committee, now barred by law, that once took in the much-vilified and unrestrained contributions called soft money. "These groups are crucial" to the anti-Bush effort, says Governor Bill Richardson (D-New Mexico), who has a group of his own called Moving America Forward. "Now that campaign finance reform is law," he says, "organizations like these have become the replacement for the national Democratic Party."

McCain-Feingold, as the campaign-finance law is commonly known, was supposed to eliminate massive contributions from national politics. After years of struggle, reformers finally were able to persuade Congress and the President last year to close a loophole that allowed individuals, corporations, and labor unions to pour as much soft money as they liked into the national parties. The specter of the tobacco or pharmaceutical industries "buying off" the Republican Party with million-dollar donations, or the AFL-CIO doing the same with the Democrats, was supposed to be a thing of the past.

But campaign cash is like the Pillsbury doughboy, says Republican lobbyist Ron Kaufman: "You push it in one place, and it pops out in another." McCain-Feingold blocked soft money from going into the national party committees, but it didn't stop funds from being sent outside that system. The Constitution's right of free speech prevented reformers from imposing any sort of blanket restrictions. So party loyalists have been working overtime to develop ways of keeping the soft-money spigot open without also violating the complex new law. For Democrats, soft-money entrepreneurship is flourishing in this one building in downtown D.C., the petri dish of the new money politics.

Its existence proves that big money and federal elections are

inextricably linked. McCain-Feingold has spawned a new set of players to spread the lucre around. Most of these freshly minted kingmakers are Democrats, but not all of them. And additional groups are sprouting up all the time. There are so many, in fact, that the principals of these new organizations have to keep cheat sheets on their desks to follow all the changes. A pending decision by the Supreme Court about the constitutionality of McCain-Feingold could jostle the scene even more.

Everyone agrees that Democrats shot themselves in a vital spot when they championed McCain-Feingold. Many people believed that the Republican Party, with its far wealthier base of supporters, would be hardest hit by the law. But in fact, the GOP has spent years building a massive--and extremely responsive--small-donor list and doesn't need to rely on five-, six-, or seven-figure donations to make a go of it. Therefore, Democrats have no choice but to find new ways to funnel outsized contributions into the electoral process to remain even remotely competitive in Election 2004.

Enter Steve Rosenthal, Ellen Malcolm, Gerald McEntee, and Harold Ickes. None of these is a household name. But for Bush enemies they are the elite of the post-campaign-finance-reform world. They have all formed entities that can legally accept as much money as anyone cares to give and dispense the funds for political purposes--as long as their groups don't blatantly back any particular candidate. Their lawyers won't allow them to say so, but they are all determined, in effect, to elect Democrats in general, and the Democratic nominee for President in particular, next year. Think of them as directors of a privatized Democratic Party.

In some ways this setup is an improvement on the old party-centered system. In the last presidential campaign in 2000, the Democratic Party collected $ 245.2 million in soft money and spent it as it chose. Afterward, many prominent Democrats criticized its priorities, and for good reason: Al Gore lost his bid for the presidency, and Republicans won a majority of the nation's governorships as well as control of the U.S. Congress. The new, privatized structure allows donors to decide with much more precision where their money will go. Each organization has given itself a narrowly defined mission and is seeking funds for just that purpose and no other. For instance, Governor Richardson's group, Moving America Forward, will work to register Hispanic voters and get them to the polls in four states and also recruit more Hispanics to run for elective office.

In addition, the leaders of the largest new groups have created a coordinating council led by Cecile Richards, a former congressional aide who also happens to be the daughter of a Democratic icon, former Texas governor Ann Richards. The group, called America Votes, will try to encourage the new organizations as well as such traditional Democratic leaners as the Sierra Club, Planned Parenthood, and the Association of Trial Lawyers of America to complement one another's efforts rather than compete. After a recent meeting in Florida attended by about 20 of these like-minded groups, one of the representatives there approached Richards to say, "I guess this means we don't all have to go to Tampa."

But cooperation doesn't come naturally to Democrats, and it didn't come at all when these shadow parties were first established. One of the earliest groups, Partnership for America's Families, was formed by Rosenthal, a former political director of the AFL-CIO, and McEntee, president of the American Federation of State, County, and Municipal Employees. But the two headstrong laborites soon had a falling-out over who would be in charge. So McEntee started his own group, Voices for Working Families, and Rosenthal opened America Coming Together (ACT) along with one of the Democrats' top fundraisers, Ellen Malcolm, founder of Emily's List, the nation's largest political action committee. Both organizations have the same goal--mobilizing voters in swing states. The only major difference: ACT gets more of its money from non-union sources, including a $ 10 million gift from investor George Soros.

Malcolm is also raising funds with Ickes, a longtime friend and aide to former President Clinton, for an organization called, simply, the Media Fund. With about $ 5 million in pledges so far, the group will buy TV and radio commercials to promote the policies of whoever gets the Democratic nod for President. Ickes expects that Bush forces will barrage the Democratic nominee with ads as soon as he emerges next spring from the Democratic primaries. The Media Fund intends to fight back. "They're really going to pummel us and define the issues," Ickes says. "We need to be able to deal with that." He says his fund has already enlisted "some big names" as financial supporters, though he won't say who.

All of these programs are being undertaken despite a lot of disagreement about what the law truly means. One group, Grassroots Democrats, was put together in large part just to explain to state parties and to prospective donors what they can and can't do. "The law is so confusing that we believe there's a

great need for technical assistance," says the group's executive director, Amy Chapman. Her organization will serve as a kind of seal of approval for contributors who want to know which states are conforming most effectively to the new law's many restrictions--at least as far as anyone can tell.

Republicans aren't yet confident that they know what those restrictions are and have shied away from forming their own privatized enterprises. Last year a group led by a former aide to House Majority Leader Tom DeLay actually returned a $ 1 million gift from the House Republican's campaign committee. The group, called the Leadership Forum, apparently feared that working too closely with a party-connected committee might be deemed improper down the road. GOP insiders say that their richest benefactors will remain on the sidelines until the legality of such organizations is tested.

Such a test will probably come soon. Republican lobbyists have discussed asking the Federal Election Commission exactly what the law allows, perhaps using as a guinea pig a conservative group like Progress for America, which has lately stirred up grassroots backing for Bush's judicial nominees. In the meantime, even the President's most active advocates, like the National Rifle Association, are staying away from privatized parties. "The law is very threatening in terms of the possibility of prosecution," says Wayne LaPierre, the NRA's chief executive. "People are going to end up in jail under this law, and I'm going to make sure the NRA is squeaky-clean."

Some huge Republican checks are still being delivered, of course. The Republican Governors Association, which has separated itself from the Republican National Committee, is said to be a repository for many of them. Several industry associations that tilt toward the GOP also are attracting soft-money leftovers on the theory that they will work hard next year to get Republican voters to the polls. The National Federation of Independent Business, the small-business lobby, for instance, has increased its highest membership category from $ 10,000 to $ 25,000 and now has two staffers soliciting major contributions. Americans for Tax Reform (ATR), another pro-Bush organization, is scouting for the most generous donations it can find. "I've tried to tell all the rich people I know about my fine work," says Grover Norquist, president of ATR.

The fact is, however, that neither Bush nor his party will need as much of the former soft money as the Democrats will. The President's campaign is on track to shatter its own fundraising

record in 2000 ($ 101 million) by collecting at least $ 175 million and perhaps more than $ 200 million this time around. The Republican Party is also on a record-breaking pace thanks in large measure to sizable increases in the maximum amounts that individuals and PACs can contribute under the new law. The Democratic Party is making gains too, but no one expects Democrats to come close to Republicans on the money front in 2004.

Most experts even doubt that the Democrats' shadow organizations will be enough to allow the Dems to catch up. Prior to McCain-Feingold, both national parties lured soft money by promising donors personal meetings with senior elected officials. As distasteful as that sounds, it worked. But the new surrogate groups can't offer the same lobbying opportunity; they are prohibited from dealing directly with lawmakers or candidates. As a result, says Anthony Corrado, a Colby College campaign-finance professor, "the new groups are not going to amass the sums of money that the parties were capable of putting together prior to the new law. The donors used to think they needed to give in order to maintain their access on Capitol Hill, but the new groups don't provide that."

The people who will donate to these new organizations will have to feel strongly that George Bush must go. And those who do so will be investing in state-of-the-art political campaigns. ACT already has get-out-the-vote specialists canvassing homes in Ohio to identify the most virulent opponents of the President. When the effort is fully underway, says Jay Neel, ACT's director in the state, 4,000 people will go door-to-door, PalmPilots in hand, collecting detailed intelligence that will be fed into a giant database. The object, Neel says, is to register 200,000 new voters in all 88 counties and target each of them with the kind of information that will propel them to the polls on Election Day. Whether this works or is merely a pipe dream will depend on how widely the new money game is accepted by donors who have never dealt with anything like it before.

And what does this all mean for the regular old political parties? Both the Democratic National Committee and the Republican National Committee are not only still around, they're also raising more hard money than ever. That's the shorthand term for the small-chunk contributions (up to a grand total of $ 25,000 per calendar year from individuals, which is an increase from the old maximum of $ 20,000) that the new campaign-finance law allows the national parties to collect.

The Republican National Committee is raising so much hard money, in fact, that it could come close to replacing its soft-money losses. One reason: With the Republicans so thoroughly in control of Washington, petitioners are eager to please them. Few expect that the out-of-power Democratic Party can be as successful. "The DNC will not have the financial resources it had in prior presidential elections," Ickes says. "These groups were created in response to that." Whether George Bush is reelected may depend on their success.

BOX STORY:

Anti-Bush Groups Sprout Under New Law

Democratic activists have been more aggressive than Republicans in setting up new political organizations to raise money and find voters in 2004. Here is a cheat sheet for the latest entries:

PROJECTED BUDGET

America Coming Together $ 75 million

Ellen Malcolm, president of Emily's List
Steve Rosenthal, former political director of the AFL-CIO

Purpose: to identify, persuade, and turn out Democratic-leaning voters in 17 key states through house-to-house canvassing and high-tech means.

Partnership for America's Families $ 10 million

Andy Stern, president of Service Employees Intl. Union
Steve Rosenthal, former political director of the AFL-CIO

Purpose: to register and get to the polls "progressive" voters with an emphasis on cities such as Philadelphia, St. Louis, and Cleveland. The group is backed largely by labor unions.

America Votes $ 2.5 million

Cecile Richards, daughter of former Texas governor Ann Richards, and former senior aide to House Democratic Leader Nancy Pelosi

Purpose: to coordinate the efforts of more than 20 anti--George Bush groups and reduce duplication of their multistate get-out-the-vote tactics.

Voices for Working Families $ 20 million to $ 25 million

Gerald McEntee, president of the American Federation of State, County, and Municipal Employees

Purpose: to register and mobilize the votes primarily of minorities and women in 16 targeted states, using funds that mostly come from labor unions.

The Media Fund $ 50 million

Harold Ickes, deputy White House chief of staff under President Clinton

Purpose: to raise big money to buy TV and radio ads to bolster the Democrats after a presidential nominee is designated, up until the August national convention and perhaps beyond.

Moving America Forward $ 2 million

Bill Richardson, Democratic New Mexico governor

Purpose: to increase voting by Hispanics in Arizona, Florida, Nevada, and New Mexico, key states in the presidential contest.

Grassroots Democrats $ 10 million

Morty Bahr, president of Communications Workers of America
Joe Carmichael, former Missouri Democratic state chairman
Linda Lipsen, senior public affairs director of the Association of Trial Lawyers of America.

Purpose: to help state Democratic parties raise contributions and instruct the state parties in how to spend the money legally under the new campaign-finance law.

BOX STORY:

Funds raised by the national parties in the first six months of 2003

Democrats
$ 56.4 million

Republicans
$ 139.1 million

THOUGH LIMITED to raising hard money, the national parties are running true to form, with the Republicans far ahead.

FORTUNE CHART

BOX STORY:

"Organizations like these have become the replacement for the national Democratic Party," says Governor Bill Richardson.

The new, privatized structure allows donors to decide just where their money will go.

"The DNC will not have the financial resources it had in prior presidential elections."

BOX STORY:

FEEDBACK jbirnbaum@fortunemail.com

Wolfson, former executive director of the Democratic Congressional Campaign Committee, said the New House PAC plans to raise soft money, but due to the law, members of Congress won't be involved in that part of the group's fund raising. The New House PAC, designed to restore Democrats' House majority, was formed in November around the time the law took effect. It was originally called the PAC for a Democratic House.

- Associated Press, May 7, 2003 – "New partisan groups find way to keep raising money with members of Congress"

House Minority Leader Nancy Pelosi (D-Calif.) and Minority Whip Steny H. Hoyer (D-Md.) tonight will headline a fundraiser at the Hotel George for a new group called the New House PAC. Tonight the group will raise "hard money," a limited, regulated type of donation that lawmakers can legally solicit. But the group plans to ask donors for soft money later this year and serve as a sort of shadow campaign committee for the Democratic Party, according to sources familiar with the effort. The overt blessing of Pelosi, Hoyer and other party leaders is crucial to the group, which hopes to convince potential donors that it is the new surrogate for the Democratic committees no longer allowed to take soft money..... "It's hard to raise [soft] money if members of Congress can't ask for it," Wolfson said. "At the same time, the fact that members of Congress are supporting our hard-money effort . . . does send an important" signal to donors. Operating on the same floor of a 14th Street office building as Wolfson is Marc Farinella, former campaign manager for the late governor Mel Carnahan of Missouri and now executive director of the Democratic Senate Majority Fund. "In three weeks, can I go to Microsoft and say . . . Daschle, Reid and others senators are committed to this

organization" and ask the company for soft money? said Farinella. "Yes, I can have a conversation like that. Their presence makes clear that they think this is an important organization that will ultimately make a difference to help Democrats regain the Senate."

- Washington Post, May 7, 2003
  "Democrats Initiate New 'Soft Money' Campaign"

Roll Call

October 27, 2003 Monday

Leaders Fill PAC Coffers

BYLINE: By Chris Cillizza Roll Call Staff

Two Democratic fundraising organizations formed earlier this year to collect hard- and soft-money donations for House and Senate campaigns will hold their first joint fundraiser of the cycle Nov. 5.

The event, which will benefit the Democratic Senate Majority Fund and the New House PAC, will feature at least 60 Members, including a majority of the leadership in both the House and Senate. It will be held at the Phoenix Park Hotel.

Senate Minority Leader Tom Daschle (S.D.), Minority Whip Harry Reid (Nev.) and Democratic Senatorial Campaign Committee Chairman Jon Corzine (N.J.) all will attend. Sens. Patrick Leahy (Vt.), Jeff Bingaman (N.M.), John Breaux (La.), Byron Dorgan (N.D.), Tom Carper (Del.) and Bill Nelson (Fla.) will also serve as chairmen. Sen. Hillary Rodham Clinton (N.Y.), the only Member to donate to both committees in the first six months of the year, is not listed on the invite.

Among House leadership, Minority Leader Nancy Pelosi (Calif.), Minority Whip Steny Hoyer (Md.), Caucus Chairman Bob Menendez (N.J.) and Democratic Congressional Campaign Committee head Robert Matsui (Calif.) will be chairmen, as will South Carolina Reps. James Clyburn and John Spratt.

The other 45 House Members will be event hosts.

Chairmen are required to make a $5,000 donation, hosts $2,500 and guests $1,500.

The two groups have opened a joint fundraising committee for the event -DSMF/NHP 2003 - that will help pay the overhead costs and divvy up the final take.

"We are pleased to have such strong Member support for our hard-money efforts," said Howard Wolfson, who along with former Democratic Congressional Campaign Committee Finance Director Jonathan Mantz founded the New House PAC. Marc Farinella, a former campaign manager for former Sen. Jean Carnahan (Mo.), is the executive director of the DSMF.

Neither Wolfson nor Farinella would provide an estimate of the total they hoped to raise, but quick calculations based on their current Member support show that they have commitments of $187,500.

Each group has both a hard-money political action committee and a 527 apparatus aimed at collecting unlimited soft-money contributions that the national party committees are banned from accepting under the Bipartisan Campaign Reform Act. The Supreme Court is mulling an appeal to the law.

The joint fundraiser is the first major foray for either group since this spring. Each held an April event with Members and the DSMF also held a May gathering, but neither did significant fundraising over the summer and early fall.

"Summer is over and people are starting to think about this stuff a little more," said Farinella, who admitted that his group remains in something of a slow period as they await a ruling from the court.

The DSMF brought in $105,000 in the first six months of the year for its hard-dollar arm. Eight Democratic Senators gave $35,000 to the DSMF between January and June; Sens. Jeff Bingaman (N.M.), Edward Kennedy (Mass.), Tom Carper (Del.), Clinton, Corzine and Dick Durbin (Ill.) pitched in $5,000 apiece; and Daschle and Sen. Blanche Lincoln (Ark.) each gave $2,500. Its 527 raised $35,000 from Jan. 1 to June 30.

The New House PAC focused solely on raising hard dollars, raking in $101,000. Pelosi gave $5,000 to the committee from her personal campaign account and her leadership PAC.

The November fundraiser signals that Democrats continue to be more aggressive than Republicans in their efforts to collect soft money that had previously been directed to the parties.

House Majority Leader Tom DeLay's (R-Texas) former Chief of Staff Susan Hirschmann and former Rep. Bill Paxon (N.Y.) formed the Leadership Forum in late 2002 but through the first six months of 2003 had not raised any money.

Hirschmann has said the forum is now actively fundraising, and their efforts will be reflected in the 527's year-end report. In late 2002, the forum returned a $1 million soft-money donation from the National Republican Congressional Committee.

Senate Republican operatives formed the National Committee for a Responsible Senate in 2002, but there has been no activity on its behalf this year. Some familiar with the NCRS believe it will never get off the ground.

"We have a candidate who represents our values and who can defeat this president," AFSCME President Gerald McEntee said. "AFSCME is going to mobilize the largest and most aggressive grass-roots campaign this nation has ever seen. . . . We will work . . . night and day to make him our nominee."

- Chicago Tribune, November 13, 2003 – "*2 labor unions endorse Dean; Groups see him as best chance to oust Bush*"

Gannett News Service

October 07, 2003, Tuesday

Labor-sponsored political group targets voters in battleground states

BYLINE: BRIAN TUMULTY; Gannett News Service

WASHINGTON -- A political coalition led by the nation's largest public sector labor union announced Monday it hopes to register 500,000 new Hispanic voters in Arizona, Florida, Nevada and New Mexico in an effort to defeat President Bush in 2004.

"Most of our effort will be to get George Bush out of the White House," said Gerald McEntee, president of the American Federation of State, County, and Municipal Employees union and chairman of the new political action committee, Voices for Working Families.

McEntee described all 10 Democrats seeking their party's presidential nomination as "better than the man who is in there now."

The new organization hopes to raise $ 20 million to $ 25 million for voter registration, issue advocacy and get-out-the-vote efforts among Hispanics, blacks and women in 16 battleground states.

Targeted states range from union strongholds such as Wisconsin, Ohio and Michigan to several such as Arizona and Florida with low union membership where federal law prohibits unions from making direct political contact with nonunion households.

Although the group isn't legally connected to the Democratic Party, leading Democrats serving on the board include New Mexico Gov. Bill Richardson, former Democratic vice presidential candidate Geraldine Ferraro and former New York state comptroller Carl McCall. Richardson is the nation's only Hispanic governor and McCall was the first black elected to statewide office in New York.

Other affiliated groups include the National Association for the Advancement of Colored People and the youth-oriented Hip-Hop Summit Action Network.

"We look forward to trading our knowledge on how to turn people out for record sales and clothing lines," said Alexis McGill, the Hip-Hop network's acting political director.

Spokeswoman Christine Iverson of the Republican National Committee described the new organization as only one of many such groups that have been formed in support of Democrats by circumventing new limits on large direct donations to political parties.

"The Democratic Party is unable to reach out to a wide group of people because they don't have a positive message and they don't have a positive agenda," Iverson said. "So groups like this are a way to provide support to the Democrats through small groups of wealthy people or special interests."

The Center for Responsive Politics, a nonpartisan political watchdog group, agreed that Democrats have been more active in forming these so-called "soft money" political groups since passage of the McCain-Feingold campaign finance reform legislation last year. The new law severely restricts how political parties can raise

money and spend it on campaigns.

Special interest groups, such as the newly formed Voices for Working Families, can still raise unlimited amounts of soft-money donations.

"One of the questions now is what is their impact going to be on the election," said Larry Noble, executive director of the watchdog group. **"Clearly, they cannot coordinate with the political parties, but they can coordinate with each other."**

McEntee said his group already is meeting with two other similar committees, the Partnership for America's Families, headed by former AFL-CIO political director Steve Rosenthal, and America Coming Together, a group receiving multimillion-dollar support from Wall Street financier George Soros.

The three groups, which together expect to raise more than $ 120 million, are coordinating so they don't duplicate efforts, said Suzy Ballantyne, executive director of Voices for Working Families.

Roll Call

October 2, 2003 Thursday

Group Brings Labor, ATLA Together; 'Grassroots Democrats' Will Focus Efforts on Funding State Party Operations

BYLINE: By Chris Cillizza Roll Call Staff

Key leaders in the labor movement and trial lawyer community will convene a strategy session today with officials from roughly half of the state Democratic parties to tout the activities of a new fundraising organization designed to funnel money to local party operations.

The organization - Grassroots Democrats - is one of a number of fundraising entities formed in the wake of the Bipartisan Campaign Reform Act to harvest soft-money **donations.**

It is one of three groups that will be the prime beneficiaries of union giving, according to Communication Workers of America President Morty Bahr, one of the board members of Grassroots Democrats.

The other AFL-CIO "umbrella" groups are Partnership for America's Families, which is being headed by former AFL-CIO political director Steve Rosenthal, and Voices for Working Families, which has American Federation of State, County and Municipal Employees President Gerald McEntee **at its head.** Grassroots Democrats will seek to differentiate itself by focusing on channeling money to help state parties with party building and turnout efforts, said Executive Director Amy Chapman. The group is likely to focus its efforts on between 18 and 22 battleground states.

"We are the only 527 out there committed to working with state and local Democratic parties and providing them with guidance and assistance to help them raise nonfederal money for their coordinated campaigns," said Chapman.

The group is not expected to spend significant sums on issue advertising. As Bahr puts it: "We are not doing campaigning."

As a 527 organization, Grassroots Democrats can accept unlimited donations but must report its

financial activities to the Internal Revenue Service. They will file their first report at year's end.

Today's session, which comes on the eve of this weekend's Democratic National Committee fall meeting, is designed as a training ground for participants - mostly comptrollers and executive directors from a variety of states - in the new organization that will include special emphasis on how each state party can raise the maximum amount of soft money for the 2004 elections.

Chapman, who served as AFL-CIO campaign director in the 1998 and 2000 cycles, said Grassroots Democrats is hoping "for a strategic discussion to try and get a sense of how [state parties] see their fundraising and coordinated campaigns working in light of the campaign finance laws."

The group's four-member board represents an impressive amalgam of key Democratic interest groups that funnelled millions of dollars to the national party committee in past elections.

Bahr and AFSCME's McEntee both have spots on the board, as does Linda Lipson, the senior director for public affairs of the Association of Trial Lawyers of America. Former Democratic National Committee Vice Chairman Joe Carmichael rounds out the board.

Between CWA, AFSCME and ATLA, at least $500,000 has been committed to Grassroots Democrats.

Lipson is the most recent addition and her presence - along with the financial heft of ATLA - broadens Grassroots Democrats beyond being simply a labor group, according to its supporters.

Lipson said she chose to get involved with the group rather than the myriad other ventures because "this group is dedicated to building the party structures."

Several more board members are expected to be announced in the next few months, Bahr said. He noted that they are looking for "prominent people from the business world and private sector" to take leadership roles.

Labor groups donated roughly $97 million in the 2002 cycle, 93 percent to Democrats; law firms gave $95 million, with more than three-quarters of that total directed to Democrats, according to the Center for Responsive Politics.

Chapman said the budget for the group will be in the "low millions," an estimate significantly less than those put forward by other 527 groups such as Americans Coming Together, an organization funded in part by financier George Soros, which has set a budget of $75 million.

"We are not trying to build an organization, we are trying to work with organizations that currently exist," said Chapman. "We didn't start out saying we wanted the world."

As a result, Grassroots Democrats will not raise large amounts of money into the 527, focusing instead on channeling donations from traditional Democratic donors to state parties.

Under the Bipartisan Campaign Reform Act, an individual can give up to $10,000 per year to a state party, while multicandidate political action committees can give $5,000 a year.

"We need to be the one to identify the people who are Democratic donors and [explain to them] how they can be of the most help," said Chapman.

Another focus of the group - and several others 527s like ACT and America Votes - is turnout programs that come in response to the "72 Hour Program" that Republicans successfully employed in the previous cycle.

"The 2002 elections served as a powerful wake-up call for Democrats in every community," said a

Grassroots Democrats internal memo. "We saw Republicans begin to try our voter turnout projects but with one key difference. Instead of carrying a positive message of inclusion, they spread a negative message."

The fundraising and turnout efforts of Grassroots Democrats are likely to supplement the efforts by the Democratic National Committee, which although it is banned from raising and spending soft money has invested heavily in a voter database, known as "Demzilla," which attempts to collect hard-dollar donors into a central list.

The DNC raised $12 million from July 1 to Sept. 30 and retained $9 million on hand, according to figures released Wednesday.

They continue to be significantly outraised by their Republican counterparts, however.

In the third quarter the Republican National Committee raised $22 million and has $27 million in the bank.

The Washington Post
August 08, 2003, Friday, Final Edition
SECTION: A SECTION; Pg. A03

Liberals Form Fund To Defeat President; Aim Is to Spend $75 Million for 2004

BYLINE: Thomas B. Edsall, Washington Post Staff Writer

Labor, environmental and women's organizations, with strong backing from international financier George Soros, have joined forces behind a new political group that plans to spend an unprecedented $ 75 million to mobilize voters to defeat President Bush in 2004.

The organization, Americans Coming Together (ACT), will conduct "a massive get-out-the-vote operation that we think will defeat George W. Bush in 2004," said Ellen Malcolm, the president of EMILY's List, who will become ACT's president.

ACT already has commitments for more than $ 30 million, Malcolm and others said, including $ 10 million from Soros, $ 12 million from six other philanthropists, and about $ 8 million from unions, including the Service Employees International Union.

The formation of ACT reflects growing fears in liberal and Democratic circles that with Republicans likely to retain control of Congress, a second Bush term could mean passage of legislation, adoption of regulations and the appointment of judges that together could devastate left-supported policies and institutions.

Other groups joining the fight against Bush include the American Majority Institute, which was put together by John Podesta, a former top aide to President Bill Clinton. The institute will function as a liberal counter to conservative think tanks such as the Heritage Foundation. A network of liberal groups has formed America Votes to coordinate the political activities of civil rights, environmental and abortion rights

groups among others, and former Clinton aide Harold Ickes is trying to set up a pro-Democratic group to finance 2004 campaign television ads.

Another factor behind the surge of political activity is the fear that the ban on "soft money" will leave the Democratic National Committee without adequate funds to pay for state and federal "coordinated campaign" activities, which are voter mobilization efforts eight weeks before the election. In the past, the DNC paid for much of the costs with large "soft money" contributions from unions, corporations and rich people.

Republicans sent a warning shot across ACT's bow. "We are going to be watching very closely to make sure they adhere to their claim that they will not be coordinating with the Democratic Party," said Republican National Committee spokeswoman Christine Iverson. Such coordination would violate campaign finance laws.

Iverson contended that ACT's financing indicates that "the Democrats are addicted to special-interest soft money and this allows them to feed that addiction by skirting the spirit of the new campaign finance law."

The shifting focus of Soros, who is worth $ 5 billion and is chairman of Soros Fund Management LLC, from the international sphere to the domestic political arena is considered significant.

In a statement describing his reasons for giving $ 10 million, Soros said, "I believe deeply in the values of an open society. For the past 15 years I have focused my energies on fighting for these values abroad. Now I am doing it in the United States. The fate of the world depends on the United States and President Bush is leading us in the wrong direction."

Steve Rosenthal, whose mobilization of union members from 1996 through 2002 has been widely praised, will be ACT's chief executive officer. He said that ACT will hire hundreds of organizers, state political directors and others as the 2004 election approaches.

ACT plans to concentrate its activities in 17 states, all of which are likely to be presidential battlegrounds: Iowa, Maine, Michigan, Minnesota, New Mexico, Oregon, Pennsylvania, Washington, Wisconsin, Arizona, Arkansas, Florida, Missouri, Nevada, New Hampshire, Ohio and West Virginia.

Associated Press State & Local Wire
November 12, 2003

Progessive insurance CEO gives $12 million to anti-Bush campaigns

DATELINE: CLEVELAND

A Cleveland billionaire businessman well-known for giving millions to colleges and other charities has pledged more than $12 million to groups trying to defeat President Bush's re-election bid.

Peter B. Lewis, chairman of insurer Progressive Corp., promised the money to liberal groups that operate independently of the Democratic Party. The groups, MoveOn.org and Americans Coming Together, say they'll fund voter registration drives and advertising.

The groups have criticized Bush on the war in Iraq, the economy and other issues.

Lewis said in a statement released by MoveOn.org that he believes the group will help inform voters "and bring new people into the game." Messages left at his office and home Wednesday were not immediately returned.

Case Western Reserve University, Princeton University and the arts have received millions from Lewis, who made national headlines last year when he said he would stop donating to Cleveland causes because he was disappointed with the composition of Case Western's board and the way in which the private school was run. He ended the boycott last month.

This year, he's also made contributions of $1,000 to Democrat Eric Fingerhut's U.S. Senate campaign and $1,000 to Howard Dean's quest for the Democratic presidential nomination, according to campaign finance records examined by The Plain Dealer.

Last year, he gave $5,000 to the Ohio Democratic Party and $50,000 to the Democratic National Committee, which came on top of a $25,000 donation to the national committee during the last presidential race.

In the last election, he gave Green Party presidential candidate Ralph Nader $2,000, and Republican George W. Bush $1,000.

Lewis and billionaire George Soros, head of the Soros Fund Management, this week announced they would give $1 for every $2 raised by MoveOn.org and a combined $5 million if the group raises $10 million.

Lewis also has pledged $10 million to Americans Coming Together, a group led by Steve Rosenthal, the AFL-CIO's former political director, and Ellen Malcolm, president of Emily's List, which helps elect women.

Bush is expected to raise $100 million for his re-election bid, but his campaign isn't writing off groups like the ones Lewis is supporting, known as 527s under new campaign finance laws.

"When it comes to their money and their organization and all the soft money and the 527s and these other groups that they're putting together, we expect to be outspent," said campaign spokesman Kevin Madden.

The Washington Post
May 07, 2003, Wednesday, Final Edition
SECTION: A SECTION; Pg. A01

Democrats Initiate New 'Soft Money' Campaign

BYLINE: Jim VandeHei, Washington Post Staff Writer

Democrats today are kicking off a roundabout way of helping to finance their 2004 congressional campaigns with the very type of unlimited donations from corporations, unions and individuals that many party leaders had vowed to flush from the political system.

The strategy involves creating two new groups unmistakably aligned with the Democratic Party's long-standing campaign organizations for the House and Senate. Technically, however, the two groups are not arms of the Democratic Party. That is a key distinction, because the nation's new campaign finance law bars lawmakers from soliciting "soft money," the unlimited money that politicians still crave.

House Minority Leader Nancy Pelosi (D-Calif.) and Minority Whip Steny H. Hoyer (D-Md.) tonight will headline a fundraiser at the Hotel George for a new group called the New House PAC. Tonight the group will raise "hard money," a limited, regulated type of donation that lawmakers can legally solicit.

But the group plans to ask donors for soft money later this year and serve as a sort of shadow campaign committee for the Democratic Party, according to sources familiar with the effort. The overt blessing of Pelosi, Hoyer and other party leaders is crucial to the group, which hopes to convince potential donors that it is the new surrogate for the Democratic committees no longer allowed to take soft money.

Similarly, Senate Minority Leader Thomas A. Daschle (D-S.D.) and Minority Whip Harry M. Reid (D-Nev.) next week are scheduled to headline a hard money fundraiser at the Phoenix Park Hotel in Washington for the Democratic Senate Majority Fund. The new group bills itself in literature to donors as a legal way to funnel soft money through a "critical, and indeed, unique" venture to elect Democrats to the Senate.

Again, winning the imprimatur of Daschle, Reid and other top party members is vital to the group, which intends to operate as the all-but-official stand-in for the Democratic Senatorial Campaign Committee (DSCC), which for years was permitted to raise and spend soft money. The message to potential donors, say those involved with the new organization, is: of all the groups soliciting soft money to influence campaigns, this is the one best positioned to capture the attention and gratitude of powerful Democratic legislators.

The McCain-Feingold law, enacted last year with crucial support from Democratic lawmakers, barred the national political parties (including their House and Senate campaign committees) from raising soft money. Soft money supposedly is used only for party-building purposes such as voter registration, but in fact it often has financed "issue ads" that attack congressional candidates without explicitly calling for their defeat.

The creation of the two new fundraising groups underscores top Democrats' determination to continue steering soft money to their causes. Many GOP-leaning independent groups are poised to raise millions in soft money for Republican agendas, and Democrats fear a financial swamping in next year's elections if they do not find ways to fight back.

Sen. John McCain (R-Ariz.), co-author of the campaign finance law, said: "We all know that money is fungible in politics, so this isn't good."

A three-judge panel last week struck down the ban on soft money for national political parties, but left in place a law that prohibits federal lawmakers from raising soft money themselves. As a result, many legal experts believe congressional campaign committees, which are run by lawmakers, will find it difficult if not impossible to raise soft money for the 2004 elections. The Supreme Court will have the final word, but it is unclear when the high court will take up the case.

Republicans are setting up their own soft money groups, including one run by former representative Bill Paxon (R-N.Y.). The Federal Election Commission recently forced it to return a $ 1 million contribution from the National Republican Congressional Committee. The group,

called the Leadership Forum, is promoted by some as the soft money branch for House Republicans. GOP operatives plan several similar groups, but most are waiting for a court ruling before leaping ahead.

Some Democrats do not feel they have time to wait. With a soft-money ban in place, Republicans raised more than three times as much as Democrats during the first three months of this year. In recent years, Democrats had much better luck raising seven-figure checks from union leaders, trial lawyers and Hollywood moguls.

In 2002, nine of the 10 biggest soft-money donors were Democrats, according to PoliticalMoneyLine. The biggest donor was Haim Saban, creator of the "Power Rangers," who gave Democrats more than $ 9 million. The New House PAC will be run by former 2002 Democratic Congressional Campaign Committee head Howard Wolfson and finance director Jonathan Mantz, underscoring its close link to House Democratic leaders. Wolfson plans to ask donors for soft money to run TV ads and grass-roots operations on behalf of House Democrats, according to people familiar with the group.

"It's hard to raise [soft] money if members of Congress can't ask for it," Wolfson said. "At the same time, the fact that members of Congress are supporting our hard-money effort . . . does send an important" signal to donors.

Operating on the same floor of a 14th Street office building as Wolfson is Marc Farinella, former campaign manager for the late governor Mel Carnahan of Missouri and now executive director of the Democratic Senate Majority Fund.

"In three weeks, can I go to Microsoft and say . . . Daschle, Reid and others senators are committed to this organization" and ask the company for soft money? said Farinella. "Yes, I can have a conversation like that. Their presence makes clear that they think this is an important organization that will ultimately make a difference to help Democrats regain the Senate."

Associated Press Online
August 14, 2003 Thursday
SECTION: NATIONAL POLITICAL NEWS

Groups Try to Raise 'Soft Money' for Dems

BYLINE: SHARON THEIMER; Associated Press Writer

Democratic-leaning interest groups are emerging as a "shadow party" working to raise millions of dollars to try to defeat President Bush while working around a new law designed to take big money out of politics.

Unlike national party committees, the groups can accept soft money - donations from corporations and unions and unlimited contributions from any source - for next year's election.

"Welcome to campaign finance reform," said Harold Ickes, a former Clinton administration adviser taking part in the effort. "The genesis of all these new groups in large measure is the need to raise soft money and to do whatever they can do in terms of voter mobilization, within the bounds of the law."

While Democrats were key supporters of the new law, its ban on soft money has so far hit them harder than the GOP.

In the last election cycle, for example, the Republican National Committee raised about $170 million in "hard money" and $114 million in soft money, while the DNC collected about $68 million in hard money and $95 million in soft.

Since the law took effect in November, the national parties can collect only hard money: limited donations from individuals and political action committees. From January through June, the RNC raised about $55 million, the DNC $18 million.

Democrats expect President Bush to dwarf their presidential hopefuls' funding by collecting $250 million for the primaries, with the RNC raising at least another $250 million for the 2004 election, Ickes said.

The emerging network of Democratic-leaning groups covers a range of interests and spending:

-America Coming Together will register voters and urge them to the polls in presidential battleground states. Its projected $75 million in funding includes a $10 million pledge from multibillionaire George Soros and $8 million from labor groups.

-Another group will coordinate presidential get-out-the-vote spending among the new voter outreach group and trial lawyer, labor, environmental, abortion rights and civil rights groups.

-A media fund planned by Ickes will raise money for ads on Democratic issues, focusing on the presidency.

-New Senate and House groups will try to win Democratic control of Congress.

-A new think tank will promote Democratic policy views.

The Democratic National Committee also may benefit: Some groups are considering tapping the DNC's database of possible donors to raise money for themselves, then giving the DNC the names of those who do contribute, Ickes said.

Prospecting for new donors, often done through mailings, can cost millions of dollars. To comply with Federal Election Commission rules, such arrangements between the DNC and outside groups would have to be even exchanges or paid for at fair market value, among other conditions.

Under the law, groups that raise soft money must operate independent of the parties. But many of the new Democratic-leaning groups are run by partisan activists and former party operatives who know the needs of the party and its candidates well.

Party leaders aren't unaware of the efforts. America Coming Together president Ellen Malcolm, for example, said she phoned DNC Chairman Terry McAuliffe last week to tell him about the group.

DNC spokesman Tony Welch said the groups are independent of the party, and declined to comment on them. "Even some favorable comment, I would assume, can be interpreted as support," he said.

Republicans, too, are helped by special-interest spending, such as business groups organizing employer get-out-the-vote efforts, and have formed groups that can raise soft money.

They include The Leadership Forum, run by a former chief of staff to House Majority Leader Tom DeLay, R-Texas; the National Committee for a Responsible Senate; the Republican State Leadership Committee, focused on state and local elections; and the Republican Governors Association, which detached itself from the RNC so it could raise soft money.

The Democratic effort so far appears broader. Democrats and Republicans say the GOP has less need for new outside groups because it can raise millions more than Democrats in hard money.

"They'd better be doing something on the other side because their party committees are basically dead at this point," said Virginia Rep. Tom Davis, former head of the National Republican Congressional Committee. "I think what you're going to see is a lot of money unreported, going out to the fringes of politics, that used to go to the parties."

Davis accused Democrats of "trying to evade the law they championed."

Malcolm said that isn't true: "The law was passed and we're doing exactly what the law says. A political action committee can raise both hard and soft money."

Soft-money groups can finance voter outreach and ads that mention federal candidates. They cannot use corporate or union funds for broadcast ads identifying federal candidates in the weeks right before an election. They can use big individual donations to run such ads anytime if they keep the money separate, disclose the spending and do not call for a candidate's election or defeat, the FEC said

Mr. LARSON. Mr. Chairman, point of personal privilege. Will we have the ability to subpoena witnesses as well?

The CHAIRMAN. We will discuss the legal—this authorizes me to issue it. It doesn't mean that we are doing it today, just authorizing it.

Mr. LARSON. Will we have the right? The question I am asking is will we have the right to subpoena witnesses of our calling?

The CHAIRMAN. It authorizes me to subpoena.

Mr. LARSON. So you are saying that we won't have the right?

The CHAIRMAN. I am not saying that today. You didn't even exercise your right to a witness today at all. But I will be glad to talk to you about this.

Mr. LARSON. Well, this is far different. This is subpoenaing people. And not only are you subpoenaing them in here, you are also saying any and all persons or organizations with respect to matters involved in, relating to, or arising from the committee's investigation of 527 organizations.

I think that if we are going to go forward with this, if you are telling us that you have the exclusive authority——

The CHAIRMAN. I will be glad to sit with you if you want to consider some witnesses, just as we offered you witnesses today. I will be happy to sit with you on that.

Mr. LARSON. And also with respect to sitting with the House Government Reform Committee as well?

The CHAIRMAN. At this point in time I haven't made a decision on that. We couldn't even get them here today to House Administration. So I will be glad to talk with you about that.

Mr. LARSON. I think, given the direction in which we are heading, we would be more than happy to accommodate that.

The CHAIRMAN. I know we are running out of time. We actually didn't have to head in this direction if people would simply have come here and talked to the U.S. Congress instead of thumbing their nose at the Congress and trying to create a smokescreen for something that today would have been very, very easy.

If there is no objection, Members have 7 legislative days for statements to be entered into the appropriate place in the record. Without objection, statements will be entered.

I ask unanimous consent that staff be authorized to make technical and conforming changes in all matters considered by the committee at today's meeting. Without objection, so ordered.

Having completed our business, the committee is adjourned.

[Whereupon, at 10:20 a.m., the committee was adjourned.]

○