In Black Caucus, a Fund-Raising Powerhouse

Corporate Donors Buy Access, and Push Agendas, at Lavish Events

By ERIC LIPTON and ERIC LICHTBLAU

WASHINGTON — When the Congressional Black Caucus wanted to pay off the mortgage on its foundation's stately 1830s redbrick headquarters on Embassy Row, it turned to a familiar roster of friends: corporate backers like Wal-Mart, AT&T, General Motors, Coca-Cola and Altria, the nation’s largest tobacco company.

Soon enough, in 2008, a jazz band was playing at what amounted to a mortgage-burning party for the $4 million town house.

Most political groups in Washington would have been barred by law from accepting that kind of direct aid from corporations. But by taking advantage of political finance laws, the caucus has built a fund-raising juggernaut unlike anything else in town.

It has a traditional political fund-raising arm subject to federal rules. But it also has a network of nonprofit groups and charities that allow it to collect unlimited amounts of money from corporations and labor unions.

From 2004 to 2008, the Congressional Black Caucus’s political and charitable wings took in at least $55 million in corporate and union contributions, according to an analysis by The New York Times, an impressive amount even by the standards of a Washington awash in cash. Only $1 million of that went to the caucus’s political action committee; the rest poured into the largely unregulated nonprofit network. (Data for 2009 is not available.)

The caucus says its nonprofit groups are intended to help disadvantaged African-Americans by providing scholarships and internships to students, researching policy and holding seminars on topics like healthy living.

But the bulk of the money has been spent on elaborate conventions that have become a high point of the Washington social season, as well as the headquarters building, golf outings by members of Congress and an annual visit to a Mississippi casino resort.

In 2008, the Congressional Black Caucus Foundation spent more on the caterer for its signature legislative dinner and conference — nearly $700,000 for an event one organizer called “Hollywood on the Potomac” — than it gave out in scholarships, federal tax records show.

At the galas, lobbyists and executives who give to caucus charities get to mingle with lawmakers. They also get seats on committees the caucus has set up to help members of Congress decide what positions to take on the issues of the day. Indeed, the nonprofit groups and the political wing are so deeply connected it is sometimes hard to tell where one ends

Continued on Page 24
**Part Political, Part Charitable**

Corporations, lobbyists and special interests that want to give money to the Congressional Black Caucus or its members have a variety of venues. Some of the places the money goes:

**Political Action Committees**

Subject to limits and disclosure requirements.

<table>
<thead>
<tr>
<th>Congressional Black Caucus PAC</th>
<th>Leadership PACs</th>
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<tbody>
<tr>
<td>Raised $925,000 from 2004 to 2008.</td>
<td>At least 20 of the 42 members operate PACs to raise money for other candidates. The National Leadership PAC, run by Representative Charles B. Rangel, a New York Democrat, raised $2.2 million in the 2008 election cycle.</td>
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**Charities and nonprofit groups**

Can accept unlimited amounts from corporations and other groups.

<table>
<thead>
<tr>
<th>Congressional Black Caucus Political Education and Leadership Institute</th>
<th>Congressional Black Caucus Foundation</th>
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</thead>
<tbody>
<tr>
<td>Raised $3.5 million from 2004 to 2007, the latest year for which data is available.</td>
<td>Raised more than $53 million from 2004 to 2008 from nearly 700 corporations and unions. Of the top 50 donors from that period, a tally of the industries that gave the most:</td>
</tr>
</tbody>
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Public records show only a range for each contribution. But in most cases, the donations are much closer to the maximum, the records suggest. Figures include money given by the charitable organizations associated with the corporations.

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Congressional Black Caucus members at a gospel event at the September 2007 conference.
### How the Money Was Spent

The charity’s mission is to help disadvantaged African-American students and to do public policy research, but a large share of the money is spent on special events.

**Spending on programs and research**

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<th>Year</th>
<th>Value</th>
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<td>2004</td>
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<td>2006</td>
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<td>2008</td>
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**Breakdown of 2008 spending**

- **$3.8 million** Programs, research
- **$4.8 million** Conference, special events
- **$1.7 million** Fund-raising, other costs

**Sources:** Annual reports and tax returns filed by the nonprofits; Federal Election Commission campaign finance reports

### Table: Top 50 Donors

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Minimum</th>
<th>Maximum</th>
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**FINANCE AND LENDING**

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**ALCOHOL AND TOBACCO**

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and the other begins.

Even as it has used its status as a civil rights organization to become a fund-raising power in Washington, the caucus has had to fend off criticism of ties to companies whose business is seen by some as detrimental to its black constituents.

These include cigarette companies, Internet poker operators, beer brewers and the rent-to-own industry, which has become a particular focus of consumer advocates for its practice of charging high monthly fees for appliances, televisions and computers.

Caucus leaders said the giving had not influenced them.

“We’re unbossed and un-bought,” said Representative Barbara Lee, Democrat of California and chairwoman of the caucus. “Historically, we’ve been known as the conscience of the Congress, and we’re the ones bringing up issues that often go unnoticed or just aren’t on the table.”

But many campaign finance experts question the unusual structure.

“The claim that this is a truly philanthropic motive is bogus — it’s beyond credibility,” said Meredith McGehee, policy director at the Campaign Legal Center in Washington, a nonpartisan group that monitors campaign finance and ethics issues. “Members of Congress should not be allowed to have these links. They provide another pocket, and a very deep pocket, for special-interest money that is intended to benefit and influence officeholders.”

Not all caucus members support the donors’ goals, and some issues, like a debate last year over whether to ban menthol cigarettes, have produced divisions.

But caucus members have attracted increasing scrutiny from ethics investigators. All eight open House investigations involve caucus members, and most center on accusations of improprieties and unearned income.

And an examination by The Times shows what can happen when companies offer financial support to caucus members.

For instance, Representative Danny K. Davis, Democrat of Illinois, once backed legislation that would have severely curtailed the rent-to-own industry, criticized in urban districts like his on the West Side of Chicago. But Mr. Davis last year co-sponsored legislation supported by the stores after they led a well-financed campaign to sway the

caucus, including a promise to provide computers to a jobs program in Chicago named for him. He denies any connection between the industry’s generosity and his shift.

Growing Influence

The caucus started out 40 years ago as a political club of a handful of black members of Congress. Now it is at the apex of its power: President Obama is a former member, though he was never very active.

Its members, all Democrats, include the third-ranking House member, Representative James Clyburn of South Carolina; 4 House committee chairmen; and 18 subcommittee leaders. Among those are Representative Charles E. Rangel, chairman of the Ways and Means Committee, and Representative John Conyers Jr., chairman of the Judiciary Committee.

There are hundreds of caucuses in Congress, representing groups as disparate as Hispanic lawmakers and those with an interest in Scotland. And other members of Congress have nonprofit organizations.

But the Congressional Black Caucus stands alone for its fundraising prowess. As it has gained power, its nonprofit groups — one an outright charity, the other a sort of research group — have seen a surge in contributions, nearly doubling from 2001 to 2008.

Besides the caucus charities, many members — including Mr. Clyburn and Representative William Lacy Clay Jr. of Missouri — also have personal or family charities, which often solicit donations from companies that give to the caucus. And spouses have their own group that sponsors a golf and tennis fund-raiser.

The board of the Congressional Black Caucus Foundation includes executives and lobbyists from Boeing, Wal-Mart, Dell, Citigroup, Coca-Cola, Verizon, Heineken, Anheuser-Busch and the drug makers Amgen and Glaxo-SmithKline. All are hefty donors to the caucus.

Some of the biggest donors also have seats on the second caucus nonprofit organization — one that can help their businesses. This group, the Congressional Black Caucus Political Education and Leadership Institute, drafts positions on issues before Congress, including health care and climate change.

This means, for example, that the lobbyists and executives from coal, nuclear and power giants like Peabody Energy and Entergy helped draft a report in the caucus’s name that includes their positions on controversial issues.

One policy document issued by the Black Caucus Institute last year asserted that the financial impact of climate change legislation should be weighed before it is passed, a major industry stand.

Officials from the Association of American Railroads, another major donor, used their board positions to urge the inclusion of language recommending increased spending on the national freight rail system. A lobbyist for Verizon oversaw a debate on a section that advocated increased federal grants to expand broadband Internet service.

And Larry Duncan, a Lockheed Martin lobbyist, served on a caucus institute panel that recommended that the United States form closer ties with Liberia, even as his company was negotiating a huge airport contract there.

The companies say their service to the caucus is philanthropic.

“Our charitable donations are charitable donations,” said David Sylvia, a spokesman for Altria, which has given caucus charities as much as $1.3 million since 2004, the Times analysis shows, including a donation to a capital fund used to pay off the mortgage of the caucus headquarters.

Elise L. Scott, chief executive of the Congressional Black Caucus Foundation, acknowledged that the companies want to influence members. In fact, the fundraising brochures make clear that the bigger the donation, the greater the access, like a private reception that includes members of Congress for those who give more than $100,000.

“They are trying to get the attention of the C.B.C. members,” Ms. Scott said. “And I don’t think there is anything wrong with that. They’re in business, and they want to deal with people who have influence and power.”

She also acknowledged that if her charity did not have “Congressional Black Caucus” in its name, it would gather far less money. “If it were just the Institute for the Advancement of Black People — you already have the N.A.A.C.P.,” she said.

She acknowledged that she had heard criticism that the caucus foundation takes too much from companies seen as hurting blacks. But she said she was still willing to take their money.

“Black people gamble. Black people smoke. Black people drink,” she said in an interview. “And so if these companies want
to take some of the money they’ve earned off of our people and give it to us to support good causes, then we take it.”

**Big Parties, Big Money**

The biggest caucus event of the year is held each September in Washington.

The 2009 event began with a rooftop party at the new W Hotel, with the names of the biggest sponsors, the pharmaceutical companies Amgen and Eli Lilly, beamed in giant letters onto the walls, next to the logo of the Congressional Black Caucus Foundation. A separate dinner party and ceremony, sponsored by Disney at the National Museum of Women in the Arts, featured the jazz pianist Marcus Johnson.

The next night, AT&T sponsored a dinner reception at the Willard InterContinental Washington, honoring Representative Bobby L. Rush, Democrat of Illinois and chairman of the House subcommittee that oversees consumer protection issues.

The Southern Company, the dominant electric utility in four southeastern states, spent more than $300,000 to host an awards ceremony the next night honoring Ms. Lee, the black caucus chairwoman, with Shaun Robinson, a TV personality from “Access Hollywood,” as a co-host. The bill for limousine services — paid by Southern — exceeded $11,000.

A separate party, sponsored by Macy’s, featured a fashion show and wax models of historic African-American leaders.

All of this was just a buildup for the final night and the biggest event — a black-tie dinner for 4,000, which included President Obama, the actor Danny Glover and the musician Wyclef Jean.

Annual spending on the events, including an annual prayer breakfast that Coca-Cola sponsors and several dozen policy workshops typically sponsored by other corporations, has more than doubled since 2001, costing $3.9 million in 2008. More than $350,000 went to the official decorator and nearly $400,000 to contractors for lighting and show production, according to tax records. (By comparison, the caucus spent $372,000 on internships in 2008, tax records show.)

The sponsorship of these parties by big business is usually counted as a donation in the caucus books. But sometimes the corporations pay vendors directly and simply name the caucus or an individual caucus member as an “honoree” in disclosure records filed with the Senate.

(The New York Times Company is listed as having paid the foundation $3,000 to $15,000 in 2008. It was the cost of renting a booth to sell newspapers at the annual conference.)

Foundation officials say profit from the event is enough to finance programs like seminars on investments, home ownership and healthy living; housing for Washington interns; and about $600,000 in scholarships.

Interns and students interviewed praised the caucus.

“The internship for me came at a very critical moment in my life,” said Ervin Johnson, 24, an intern in 2007, placed by the Justice Department. “Most people don’t have that opportunity.”

Still, Ms. Scott, the foundation’s chief executive, said that members of the caucus’s board had complained about the ballooning bills for the annual conference. And some donors have asked that their money go only toward programs like scholarships. She blamed the high prices charged by vendors mandated by the Washington Convention Center.

**Legislative Interests**

The companies that host events at the annual conference are engaged in some of the hottest battles in Washington, and they frequently turn to caucus members for help.

Internet poker companies have been big donors, fighting moves to restrict their growth. Caucus members have been among their biggest backers.

Amgen and DaVita, which dominate the kidney treatment and dialysis business nationwide, have donated as much as $1.5 million over the last five years to caucus charities, and the caucus has been one of their strongest allies in a bid to win broader federal reimbursements.

AT&T and Verizon, sponsors of the caucus charities for years, have turned to the caucus in their effort to prevent new federal rules governing how cellphone carriers operate Internet services on their wireless networks.

But few of these alliances have paid off like the caucus’s connection to rent-to-own stores.

Some Democrats in Congress have tried to limit fees charged to consumers who rent televisions or appliances, with critics saying the industry’s advertisements prey on low-income consumers, offering the short-term promise of walking away with a big-screen TV while hiding big long-term fees. Faced with rules that could destroy their business, the industry called on the caucus.

In 2007, it retained Zehra Buck, a former aide to Representative Bennie Thompson, Democrat of Mississippi and a caucus member, to help expand a lobbying campaign. Its trade association in 2008 became the exclusive sponsor of an annual caucus foundation charity event where its donated televisions, computers and other equipment were auctioned, with the proceeds going to scholarships. It donated to the campaigns of at least 10 caucus members, and to political action committees run by the caucus and its individual members.

It also encouraged member stores to donate to personal charities run by caucus members or to public schools in their districts. Mr. Clay, the Missourian, received $14,000 in industry contributions in 2008 for the annual golf tournament.

*Ron Nixon and Griffin Palmer contributed reporting.*
tourney tament his family runs in St. Louis. The trade association also held a fund-raising event for him in Reno, Nev.

“I’ll always do my best to protect what really matters to you,” Mr. Clay told rent-to-own executives, who agreed to hold their 2008 annual convention in St. Louis, his home district. Mr. Clay declined a request for an interview.

On a visit to Washington, Larry Carrico, then president of the rent-to-own trade association, offered to donate computers and other equipment to a nonprofit job-training group in Chicago named in honor of Mr. Davis, the Illinois congressman who in 2002 voted in favor of tough restrictions on the industry.

Mr. Davis switched sides. Mr. Carrico traveled to Chicago to hand over the donations, including a van with “Congressman Danny K. Davis Job Training Program” painted on its side, all of which helped jump-start a charity run by Lowry Taylor, who also works as a campaign aide to Mr. Davis.

In an interview, Mr. Carrico said support from caucus members came because they understood that his industry had been unfairly criticized and that it provided an important service to consumers in their districts.

While some caucus members still oppose the industry, 13 are co-sponsors of the industry-backed legislation that would ward off tough regulatory restrictions — an alliance that has infuriated consumer advocates.

“It is unfortunate that the members of the black caucus who are supporting this bill did not check with us first,” said Margot Saunders, a lawyer with the National Consumer Law Center. “Because the legislation they are supporting would simply preempt state laws that are designed to protect consumers against an industry that rips them off.”

The industry’s own bill, introduced by a caucus member, has not been taken up, but it does not really matter because the move to pass stricter legislation has ground to a halt.

“Without the support of the C.B.C.,” John Cleek, the president of the rent-to-own association, acknowledged in an industry newsletter in 2008, “our mission in Washington would fail.”
COMPANIES FIND
WAYS TO BYPASS
EARMARKS BAN

DEALS WITH NONPROFITS

House Pledged to Curb
Abuses, but Cash
Still Flows

By ERIC LIPTON
and RON NIXON

TOLEDO, Ohio — Just one day after leaders of the House of Representa-
tives announced a ban on earmarks to profit-making com-
panies, Victoria Kurtz, the vice president for marketing of a
small Ohio defense contracting firm, hit on a creative way
around it.

To keep the taxpayer money flowing, Ms. Kurtz incorporated
what she called the Great Lakes Research Center, a nonprofit or-
ganization that just happened to specialize in the same kind of
work performed by her own company — and at the same address.

Now, the center — which in-
tends to sell the Pentagon small
hollow metal spheres for body ar-
mor that the Defense Depart-
ment has so far declined to buy in
large quantities and may never use — has $10.4 million in new
earmark requests from Repre-
sentative Marcy Kaptur, Demo-
crat of Ohio.

The congresswoman, who has
received tens of thousands of dol-
ars in campaign contributions
from Ms. Kurtz’s family and her
business’s lobbyists, thought the
quickly hatched nonprofit organ-
ization was a convenient solution.

“They met the requirements of
the reform,” Ms. Kaptur said in
an interview. “Yes, they did.”

The proposed earmarks are
among dozens — totaling more
than $150 million — from around
the country that would indirectly
benefit profit-making companies,
according to an examination by
The New York Times of House
appropriation requests sub-
mittted after the new rule was im-
posed in March.

Adopted because of repeated
scandals over wasteful spending
— the bridges to nowhere and ex-
pensive pet projects like a water-
taxi service — the ban was in-
tended to help eliminate earmark
abuses. Critics say spending on
earmarks, which added $16 bil-
lion to the federal budget last
year, diverts money from higher
priorities, typically does not re-
quire competitive bids and is
often directed to experimental re-
search that will never be used.

But given the appeal of free
government money, the fees that
lobbyists can earn by helping
businesses grab a handful of it
and the persistence of lawmakers
in trying to satisfy constituents
or donors, the pay-to-play culture
in Washington has once again

Continued on Page A9
A Tally of Pet Projects

House Democratic leaders banned earmarks for private companies in March, limiting these Congressionally directed allocations to nonprofit groups, universities or government entities. Despite the ban, many Democrats have submitted requests for earmarks that would indirectly benefit profit-making companies. A sampling:

<table>
<thead>
<tr>
<th>Recipient</th>
<th>AMOUNT</th>
<th>PROJECT</th>
<th>RECIPIENT</th>
<th>COMMERCIAL PARTNER</th>
<th>PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maurice D. Hinchey, N.Y.</td>
<td>$26.5 million</td>
<td>Seven solar energy research and development projects</td>
<td>The Solar Energy Consortium</td>
<td>Multiple private companies</td>
<td></td>
</tr>
<tr>
<td>Marcy Kaptur, Ohio</td>
<td>$12.6 million</td>
<td>Three defense-related research and development projects</td>
<td>University of Toledo</td>
<td>University of Arizona</td>
<td></td>
</tr>
<tr>
<td>Ciro D. Rodriguez, Tex.</td>
<td>$8.5 million</td>
<td>&quot;Strategic biofuels supply program&quot;</td>
<td>Texas A&amp;M University</td>
<td>Raytheon</td>
<td></td>
</tr>
<tr>
<td>Gabrielle Giffords, Ariz.</td>
<td>$7 million</td>
<td>&quot;Hypersonic wind tunnel&quot;</td>
<td>University of Arizona</td>
<td>General Atomics</td>
<td></td>
</tr>
<tr>
<td>Corrine Brown, Fla.</td>
<td>$5.6 million</td>
<td>Two projects on medical simulation technology research</td>
<td>Interactive Media Institute</td>
<td>Virtual Reality Systems and others</td>
<td></td>
</tr>
<tr>
<td>Dennis J. Kucinich, Ohio</td>
<td>$5 million</td>
<td>&quot;Renewable hydrocarbon fuels for military applications&quot;</td>
<td>Ohio Aerospace Institute</td>
<td>Copper Development Association</td>
<td></td>
</tr>
<tr>
<td>Michael Arcuri, N.Y.</td>
<td>$4.1 million</td>
<td>&quot;Mass transit risk and energy mitigation&quot;</td>
<td>Copper Industry</td>
<td>General Atomics</td>
<td></td>
</tr>
<tr>
<td>Ben Chandler, Ky.</td>
<td>$3 million</td>
<td>&quot;Cellulosic-derived biofuels research&quot;</td>
<td>General Electric</td>
<td>Delphi</td>
<td></td>
</tr>
<tr>
<td>Kathy Dahlkemper, Pa.</td>
<td>$2 million</td>
<td>&quot;Clean and efficient diesel locomotive project&quot;</td>
<td>Rochester Institute of Technology</td>
<td>FodoDesign</td>
<td></td>
</tr>
<tr>
<td>Louise M. Slaughter, N.Y.</td>
<td>$2 million*</td>
<td>&quot;Accelerating fuel cell manu facturability and their application&quot;</td>
<td>Western New England College</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richard E. Neal, Mass.</td>
<td>$700,000</td>
<td>&quot;Next generation wind turbine&quot;</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

How One Business Secured Earmarks

Ms. Kaptur has also requested $10.4 million for defense-related research and development at the Great Lakes Research Center in Ohio. The nonprofit agency was created by executives at Imaging Systems Technology, a company whose owners have donated to Ms. Kaptur’s campaigns. Ms. Kaptur has sent $8.4 million in earmarks to the firm since 2008.

October 1997
Victoria Kurtz helps start Imaging Systems Technology in Toledo, which specializes in research on computer displays. Since its creation, the company has relied largely on federal grants to do its research.

2006 to 2008
Ms. Kurtz, other members of her family and PMA Group, a lobbying firm working for the company, send at least $36,000 in donations to Ms. Kaptur’s re-election campaign.

Early 2009
Ms. Kaptur requests an earmark for Imaging Systems to deliver new technology to the Defense Department for weapons armor. Congress approves $3.2 million in late 2009.

Mid- to Late 2009
The Office of Congressional Ethics conducts an investigation into a possible ethics violation by Ms. Kaptur, but it fails to establish a direct link between the earmarks and campaign contributions.

March 11, 2010
A day after the House leaders announce the ban on earmarks to private companies, Ms. Kurtz files an application to form a nonprofit group called the Great Lakes Research Center using the same address as Imaging Systems. Ms. Kurtz’s brother, Daniel K. Wedding, who is an executive at Imaging Systems, registers a Web site for the center.

Late March
Ms. Kaptur submits her earmark list for the 2011 fiscal year, which includes a $10.4 million request for the Great Lakes Research Center.

*The lawmaker’s office withdrew the earmark request after an inquiry by The New York Times.
 proves hard to suppress.

“It reminds me of the line from “Jurassic Park” — ‘Life will find a way,’” said Representative Jeff Flake, Republican of Arizona, who has pushed for nearly a decade to curtail earmarks. “When you have easy money like this, it finds a way, and members find a way to enable. And that is happening again.”

In ignoring the spirit of the ban, some lawmakers are leaving it up to Congressional committees to block them, a prospect that both Democrats and Republicans on Capitol Hill concede will be near impossible.

“No matter what they tell you, there is just no way they can police all that,” Mr. Flake said. “They just don’t have the time or resources.”

Creative Approaches

Companies have shown remarkable ingenuity in skirting the rule or veiling their requests through nonprofit organizations, the Times review found. Among the examples:

The Virtual Reality Medical Center, a California-based company that sells visual simulation headgear as an experimental form of medical therapy, had sought nearly $6 million in earmarks before the ban. Soon after, company officials instead proposed that the money go to the Interactive Media Institute, a nonprofit group controlled by the center’s top executives, which had been set up to sponsor educational conferences.

An aide to Representative Corrine Brown, the Florida Democrat who submitted the request, acknowledged consulting with Virtual Reality executives and then jointly deciding to redirect the earmark. “The rules were that nonprofits can apply, so a nonprofit did,” said Lee Footer, a senior legislative assistant.

In Pennsylvania, General Electric is likely to get as much as 80 percent of a $2 million earmark proposed by Pennsylvania State University for research on clean-burning GE locomotives. At the suggestion of the company and the university’s lobbyist, according to a Penn State professor, the university is listed as the lead player in the collaboration instead of GE, as was done previously. GE executives made a series of political contributions to Representative Kathy Dahlkemper, Democrat of Pennsylvania, days after she submitted the earmark request.

In New York, the Copper Development Association, a nonprofit group controlled by copper manufacturers, is pursuing a $4.1 million earmark to hire suppliers to install its members’ copper products in New York City subway cars, asserting that the metal has qualities that inhibit the spread of infectious diseases.

And a group called the Solar Energy Consortium in Kingston, N.Y., is pursuing nearly $30 million in earmarks, with the help of Representative Maurice D. Hinchey, Democrat of New York. The group, working out of a tiny office above a machine shop, does not perform its own research. Instead, it plans to pass on most of the earmark money to local businesses, some of which directly collected federal earmarks for solar projects this year but would no longer qualify.

Profit-making companies were singled out for the earmark ban because their requests, routinely submerged in giant budget bills by their allies in Congress, tended to be more questionable than those sought by nonprofit groups, which include charities, local governments and educational institutions.

House Republicans, trying to show their resolve to clean up Congress, pledged not to propose any earmarks this year, though at least three Republicans declined to go along. Democrats have submitted billions of dollars in requests; the exact total is unknown because there is no comprehensive listing of them.

Representative David R. Obey, a Wisconsin Democrat and Appropriations Committee chairman who announced the ban, declined to comment on the new earmark rule. But his spokesman, Ellis Brachman, said he was unaware of any cases in which profit-making companies had tried to circumvent it or in which House Democrats had assisted them. He added that the panel was committed to finding such cases, if they exist.

A Quick Response

At 9:33 a.m. on the day after Mr. Obey announced the earmark ban, Ms. Kurtz filed the necessary papers with the Ohio secretary of state for her nonprofit organization. She named herself the executive director, and that afternoon, her brother, Daniel K. Wedding, set up a Web site for the organization, even though it had not received the required federal approval to operate as a tax-free entity. With that,
they considered the problem of the earmark ban solved.

“It’s not illegal — so what?” said Carol Ann Wedding, who is Ms. Kurtz’s sister and the president of Imaging Systems Technology, their family-owned business. She and other family members defend the charity as legitimate, though they offered varying explanations for its purpose.

Over the last four years, Imaging Systems had failed to interest the Pentagon in buying more than a few samples of its hollow metal spheres.

Undeterred, Ms. Kaptur helped the company arrange a total of $8.4 million in earmarks, part of it essentially to force the Defense Department to buy a large order of the metal spheres, which is pending.

In March, Ms. Kaptur, a 14-term congresswoman, a member of the House Appropriations Committee and a top earmark sponsor, publicly praised the new ban, telling an Ohio newspaper that it “struck the proper balance between retaining a role for the legislative branch in funding worthy projects and eliminating any potential for abuse.”

But privately, Ms. Kaptur’s office encouraged Ohio companies whose earmark requests were in peril to quickly line up deals with nonprofit organizations. Members of her staff even called University of Toledo administrators to ask about forming partnerships with local defense contractors, said Frank J. Calzonetti, the university’s vice president for research.

As a result, Ms. Kaptur is seeking at least $12 million for the university for programs that this budget year were allocated directly to profit-making companies, with the understanding that the university will pass on most of the money to the companies previously involved.

Details of how these collaborations would work were left unresolved, Mr. Calzonetti said, though the university agreed to participate only if it could make a substantive academic contribution. And, he said, the university would get a portion — at least $70,000 on a $1 million appropriation — to cover the cost of a faculty member and a researcher to work with the partners.

One of the deals involved Nokomis, a Pennsylvania-based defense contractor for which Ms. Kaptur secured a $1.2 million earmark last year. (The company had opened a small office in her district — a standard courtesy, as were the company-affiliated campaign contributions.) Now, the university would accept the earmark and then funnel most of the money back to Nokomis for that same project — designing a new type of roadside bomb detector, Mr. Calzonetti confirmed.

Each of the companies has a lobbyist to smooth negotiations with officials in Washington. Nokomis, for example, retains Scott Harshman, a former aide to the late Representative John P. Murtha, the Pennsylvania Democrat and longtime Appropriations Committee chairman legendary for securing earmarks.

Ms. Kurtz’s business has a contract with Joseph F. Boessen, a former Armed Services Committee staff member and lobbyist at the PMA Group, a now-defunct firm under investigation over accusations that it traded campaign contributions for earmarks.

Happy to Oblige

Ms. Kaptur said she was pleased that the Ohio defense contractors could form alliances that allowed her office to resubmit the earmark requests. Her first commitment, she said, is to help the Pentagon defend the nation. But if she can deliver government money to local businesses, that is a bonus, she said.

“I am a member who does fight for my region and my state,” she said, then adding, “I don’t fight mindlessly.”

Some House members have backed away from the type of requests Ms. Kaptur has championed. Representative Jared Polis, Democrat of Colorado, for example, refused to request money for a similar collaboration between his state university and a defense contractor.

Representative Louise M. Slaughter, Democrat of New York, also withdrew a requested $2 million earmark to the Rochester Institute of Technology, which also had a corporate partner. But she did so only after being contacted by The Times last week. She said that she had misunderstood the new rules.

Many other members said through spokesmen that they were standing by their requests and leaving it up to the House Appropriations Committee to decide if they are acceptable.

Some of the earmark requests come from major corporations like General Atomics, perhaps best known for its Predator drones. Over the last several years, the company has approached state university officials in Kentucky, Mississippi and Texas about jointly pursuing federal money to accelerate research on its patented technology to convert algae into jet fuel.

Under these agreements, about half of the earmark money goes to General Atomics, officials involved in the deals said, an arrangement that would continue next year, despite the ban. But in at least one state, Texas, the company’s name has been stripped this year from the publicly listed sponsors of the project.

A General Atomics spokesman, Jim Elliott, declined to comment on the project, which is also supported through competitively awarded grants. “I don’t want to talk about how we get money,” he said. “There are a lot of competitors out there.”

Federal records show that the company has made a series of contributions to the sponsors of the requests, including Representatives Ben Chandler of Kentucky and Solomon P. Ortiz and Ciro D. Rodriguez of Texas, all Democrats.

General Atomics’s university partners defend the projects and their research contributions. But they concede that there is no mystery why General Atomics would seek local partners.

“Why would he do that?”
Congressional Charities

Pulling In Corporate Cash

Legal Provision Allows for Unlimited Giving to Lawmaker-Affiliated Groups

By ERIC LIPTON

WASHINGTON — Representative Joe Baca has achieved near celebrity status in his suburban Los Angeles district, as much for his record of giveaways — Thanksgiving turkeys, college scholarships, spare boots for firefighters — as for anything he has done in Congress.

That generosity is made possible by the Joe Baca Foundation, a charity his family set up three years ago to aid local organizations. It provides another benefit, too: helping the Democratic congressman run something akin to a permanent political campaign.

Joe Baca T-shirts and caps are given out at the charity’s events, where banners display his name. Local newspapers mention the charity’s donations, and cable stations show appearances by Mr. Baca and his family at functions his foundation supports.

“It’s great,” said Laura Goodloe, 36, as she watched her 3-year-old son, Jordan, play at the arena in San Bernardino, Calif., where the Baca Foundation offered a free basketball clinic last month. “He is giving back to the community.”

But unlike most private foundations, Mr. Baca’s gets little of its money from its founders’ pockets. Instead, local companies and major corporations that have often turned to Mr. Baca’s Washington office for help, and usually succeed in getting it, are the chief donors.

A review by The New York Times of federal tax records and House and Senate disclosure reports found at least two dozen charities that lawmakers or their families helped create or run that routinely accept donations from businesses seeking to influence them. The sponsors — AT&T, Chevron, General Dynamics, Morgan Stanley, Eli Lilly and dozens of others — contribute millions of dollars annually in gifts ranging from token amounts to a check for $5 million.

Since 2009, businesses have sent lobbyists and executives to the plush Boulders resort in Scottsdale, Ariz., for a fund-raiser for the scholarship fund of Representative Steve Buyer, Republican of Indiana; sponsored a skeet shooting competition in Florida to help the favorite food bank of Representative Allen Boyd, Democrat of Florida; and subsidized a spa and speedway outing in Las Vegas to aid the charity of Senator John Ensign, Republican of Nevada.

Just last month, they touted their largess with flags bearing their names near the tees at a golf tournament benefiting the foundation of Representative James E. Clyburn, Democrat of

Continued on Page A10
South Carolina.

Despite rules imposed in 2007 to curb the influence of special interests in Congress, corporate donations to lawmakers’ charities have continued, thanks to a provision that allows businesses to make unlimited gifts to them. And while business executives say they want to give to a good cause, their pattern of spending — contributions that often are not disclosed, in apparent violation of ethics rules — suggests another reason.

Altria, the cigarette maker, for example, sent at least $45,000 in donations over a six-week period last fall to four charitable programs founded by House members — including Representative John A. Boehner of Ohio, the Republican leader, and Mr. Clyburn, the Democratic whip — just as the company was seeking approval of legislation intended to curb illegal Internet sales of its cigarettes. An Altria spokesman said the donations were not related to the measure, which all four congressmen backed. (The other two are Mr. Boyd and Representative Bart Stupak, Democrat of Michigan.)

Tom Williams, a spokesman for Duke Energy, acknowledged that the company participates in lawmakers’ charitable events in part to get access to them and push its agenda. “We are not apologetic about it at all: it is part of our overall effort to work with policy makers,” he said. “Social settings are always a good way to get to know people.”

Like Mr. Baca, other members of Congress benefit from the good will that their corporate-financed philanthropy generates among voters. The lawmakers defend the donations, saying they have no influence on the politicians’ positions on legislation or policy. They also say that they typically do not serve on the charities’ governing boards or solicit contributions themselves.

“There is nothing improper here at all,” said Mark Hayes, a spokesman for Senator Richard G. Lugar, Republican of Indiana, who helped found two Indiana nonprofit groups that are supported by corporate contributions. “They are simply causes he believes in.”

But some current and former lawmakers, as well as ethics officials on Capitol Hill, find the charitable donations troubling, calling them one of the last large, unregulated fronts in the “pay to play” culture in Washington. The donations typically far exceed what companies are permitted to give to candidates in campaign contributions.

The Office of Congressional Ethics, a House oversight group, twice last year investigated lawmakers’ charities, but took no action, in part because the House granted waivers exempting the congressmen from prohibitions against soliciting donations from companies with business before their committees.

The donations by corporations and lobbyists to politicians’ favorite causes can create expectations that the lawmakers will return the favor, said Mickey Edwards, an Oklahoma Republican who served 16 years in the House.

“Almost all of these foundations, they were set up for a good purpose,” Mr. Edwards said. “But as soon as you take a donation, it creates more than just an appearance problem for the member of Congress. It is a real conflict.”

A Time for Giving

In August, with Congress in recess, the charity fund-raising effort goes into overdrive, and last month was no exception.

At a mountaintop resort spa in Utah, Senator Orrin G. Hatch, a Republican, hosted a golf tournament to raise money for the Utah Families Foundation, which he helped establish. Companies willing to donate at least $20,000 got to meet privately with the senator and received other perks.

The guests included executives from Cephalon and Watson Pharmaceutical, drug companies that have sought Mr. Hatch’s help in protecting them from federal regulators who have accused them of conspiring to delay the sale of lower cost generic drugs.

(Seven drug makers and big corporate players like Morgan Stanley, Qwest and Chevron donated enough last year to earn an invitation to the private reception, helping the charity raise a total of $900,000.)

In Alaska, Senator Lisa Murkowski, whose family began the Waterfall Foundation to finance breast cancer screening in rural Alaska, appeared at an exclusive fishing resort on Prince of Wales Island, reachable only by boat or seaplane. The guest list of nearly 100 was a who’s who of the global oil and coal industries, with lobbyists and executives from Exxon Mobile, ConocoPhillips, BP, Duke Energy and Royal Dutch Shell. (David Lawrence, the executive vice president for oil exploration, pulled in one of the biggest fish, a 105-pound halibut.)

Ms. Murkowski, the ranking Republican on the Senate Energy and Natural Resources Committee who just lost her re-election bid, has been a staunch advocate for the companies, which variously are seeking drilling rights off Alaska, federal assistance for new nuclear projects and a halt to efforts to impose a cap on carbon dioxide emissions.

Ms. Murkowski’s sister, Eileen Van Wyhe, the charity’s executive director, called the event a huge success. It brought in about $500,000, half of which was donated to the foundation and the rest largely covering the resort bill.

“Nothing about this is political,” she said. “Everyone is here just to support the charity.”

In San, S.C., Mr. Clyburn buzzed around glistening Lake Marion in a golf cart, hobnobbing with some of the 600 players at an annual tournament benefiting the James E. Clyburn Research and Scholarship Foundation.

The event pulls in more than $500,000. At a gala dinner, the charity gave out more than 100 scholarships worth $1,000 and free laptop computers, together worth more than $400,000, to students who otherwise might not be able to attend college.

“This is not about promoting Jim Clyburn, but about filling the real need in the community,” said Hope Derrick, the congressmen’s spokeswoman.

But the donors were not there simply to help needy youngsters, several acknowledged in interviews. In addition to drug makers, telecommunications firms and tobacco companies, nearly a dozen nuclear industry companies served as sponsors.

“When it comes to nuclear power, Jim Clyburn is always on our side,” said Robert Eble, a nuclear safety manager from Shaw Areva Mox Services. It has a multibillion-dollar federal contract to convert plutonium from old weapons into nuclear fuel, a South Carolina project Mr. Clyburn has pushed. “Whatever we can do to help him in return, we are there.”

It is difficult to determine how much corporate money flows into the lawmaker-affiliated charities. They are not required to disclose their donors or the amount of their gifts, and few of them do. After scandals involving Tom Daschle, a Texas Republican and former Senate majority leader, and the lobbyist Jack Abramoff, Congress adopted rules requiring corporations with lobbyists to report donations to charities established by a lawmaker.

The Times review, however, found that at least a dozen companies that appear to have violated the requirements. A search of the Senate Office of Public Records was barred from routinely checking lobbyist filings to ensure that they were honoring the rules.

It is illegal for lawmakers to use government resources — including letterhead or staff members — to help run their charities. But the lines are often blurred. For example, Dalton J. Tressvant, a full-time House aide to Mr. Clyburn, also organizes, as a volunteer, Mr. Clyburn’s annual golf tournament.

The fine print of ethics rules allows

Rebecca Cathcart contributed reporting from San Bernardino, Calif, and Ron Nixon from Washington.
lawmakers to be closely associated with fund-raising appeals, even if they do not solicit donations themselves. Senator John D. Rockefeller IV, Democrat of West Virginia, founded two nonprofit groups and has long ties to a third, the Washington Bach Consort. While the senator, one of the wealthiest members of Congress, has donated significant amounts of money to the charities, they still seek gifts from companies that regularly appeal to him as chairman of the Senate Commerce Committee.

At a May fund-raiser, Mr. Rockefeller made fun of the ethics restrictions that forced him to become an “honorary” member of the board of the Bach Consort. While aides say that Mr. Rockefeller does not personally ask for donations and that any gifts do not influence his stands, officials at one of the groups said he regularly invoked Mr. Rockefeller’s name when making fund-raising calls to businesses. The senator also sometimes thanks donors in person.

“This is a major, major — the major event for us,” Mr. Rockefeller told lobbyists and corporate executives at the May fund-raiser. “Many of you are here, and who have contributed, you are special to us.”

Overlapping Agendas

Perhaps nowhere is the mixing of charitable and political agendas more evident than with Mr. Baca and his family-run charity. It is not particularly large, taking in only about $200,000 in contributions this year, according to Joe Baca Jr., the lawmaker’s son. But the list of corporate donors and supporters serves almost like a road map to Mr. Baca’s major legislative actions.

Coca-Cola, which donated $40,000 in the last two years, is preparing to fight a proposal to prohibit the use of food stamps to buy high-calorie sodas, an issue that could be before the agriculture subcommittee that Mr. Baca leads.

The Lewis Group of Companies, a local development firm and a frequent sponsor of Baca Foundation events, is preparing to start construction on a 2,000-unit housing project built on land that Mr. Baca helped deliver by steering legislation through Congress to close the Rialto Municipal Airport, the current occupant. Mr. Baca last year helped secure a $500,000 budget earmark for Telacu, another local housing group that donates to his foundation.

Another donor to his foundation is Rentech, a California-based biofuels company that wants to build a new fuel plant in Mr. Baca’s district. After it made two donations last year, Mr. Baca’s son, who serves on the Rialto City Council, voted to endorse federal assistance for the project — even before the company had completed the local environmental permit reviews. Then Mr. Baca’s office in Washington declined to address questions about the charity, or about positions the congressman has taken that appear to benefit donors. “They do a lot of great work,” said Stephen Wall, a spokesman for Mr. Baca, referring to the foundation. “But as far as what we do, it is separate.”

Mr. Baca’s son, who handles administrative matters at the charity, said many of the other donors were small California businesses with no issues before lawmakers in Washington. “We have always been about giving back,” he said.

Scott Folkens, a Republican who is fighting what he acknowledges is an uphill battle to replace Mr. Baca, said the charitable work by his opponent was smart politically, but unfair.

“I have no problem with a congressman doing good for the community,” Mr. Folkens said. “But this is a way for him to campaign for himself and his family, with the bills being paid by corporate sponsors.”
PAYING FOR GOOD WILL A basketball clinic is one event sponsored by the foundation set up by the family of Representative Joe Baca, below left. The chief donors are companies that have often turned to his Washington office for help. The foundation of Representative James E. Clyburn, below right, holds a golf tournament. Drug makers, tobacco companies and nuclear industry companies have served as sponsors.
A Charitable Connection
At least 20 senators and representatives are associated with charities that routinely accept donations from corporations.

AN EXAMPLE

Senator John D. Rockefeller IV, Democrat of West Virginia, is the chairman of the Senate Commerce Committee, which oversees communications, transportation and other matters.

He is the honorary chairman and founder of the Blanchette Rockefeller Neurosciences Institute, which studies memory disorders like Alzheimer’s disease, received approximately $1 million in donations from corporations and foundations last year.

Companies with lobbyists that disclosed contributions of at least $10,000 in 2009 are shown at right.

THE NEW YORK TIMES
LARGE DONATIONS AID U.S. CHAMBER IN ELECTION DRIVE

DEMOCRATS TOP TARGETS

Group Doesn’t Disclose Names of Companies Giving Millions

This article is by Eric Lipton, Mike McIntire and Don Van Natta Jr.

Prudential Financial sent in a $2 million donation last year as the U.S. Chamber of Commerce kicked off a national advertising campaign to weaken the historic rewrite of the nation’s financial regulations.

Dow Chemical delivered $1.7 million to the chamber last year as the group took a leading role in aggressively fighting proposed rules that would impose tighter security requirements on chemical facilities.

And Goldman Sachs, Chevron Texaco, and Aegon, a multinational insurance company based in the Netherlands, donated more than $8 million in recent years to a chamber foundation that has been critical of growing federal regulation and spending. These large donations — none of which were publicly disclosed by the chamber, a tax-exempt group that keeps its donors secret, as it is allowed by law — offer a glimpse of the chamber’s money-raising efforts, which it has ramped up recently in an orchestrated campaign to become one of the most well-financed critics of the Obama administration and an influential player in this fall’s Congressional elections.

They suggest that the recent allegations from President Obama and others that foreign money has ended up in the chamber’s coffers miss a larger point: The chamber has had little trouble finding American companies eager to enlist it, anonymously, to fight their political battles and pay handsomely for its help.

And these contributions, some of which can be pieced together through tax filings of corporate

Continued on Page A4
The Top Non-Party Spender
Top 10 groups by campaign spending this election cycle, from Jan. 1, 2009 through Oct. 18, 2010. Figures in millions (includes both electioneering and other expenditures).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Group</th>
<th>Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>National Republican Congressional Committee</td>
<td>$34.3</td>
</tr>
<tr>
<td>2</td>
<td>Democratic Congressional Campaign Comm.</td>
<td>$26.3</td>
</tr>
<tr>
<td>3</td>
<td>Democratic Senatorial Campaign Committee</td>
<td>$22.0</td>
</tr>
<tr>
<td>4</td>
<td>U.S. Chamber of Commerce</td>
<td>$21.1</td>
</tr>
<tr>
<td>5</td>
<td>American Action Network</td>
<td>$15.3</td>
</tr>
<tr>
<td>6</td>
<td>American Crossroads</td>
<td>$12.9</td>
</tr>
<tr>
<td>7</td>
<td>Service Employees Intl. Union</td>
<td>$10.6</td>
</tr>
<tr>
<td>8</td>
<td>American Future Fund</td>
<td>$8.7</td>
</tr>
<tr>
<td>9</td>
<td>Nat'l Republican Senatorial Comm.</td>
<td>$8.5</td>
</tr>
<tr>
<td>10</td>
<td>Americans for Job Security</td>
<td>$8.0</td>
</tr>
</tbody>
</table>

**KEY**
- Red: Groups that are or lean Republican or conservative
- Light blue: Groups that are or lean Democratic or liberal

Sources: Federal Election Commission; Kantar Media/Campaign Media Analysis Group

Thomas J. Donohue, president of the U.S. Chamber of Commerce

74% of chamber money spent in federal races this cycle has gone to attacks on Democrats.

The headquarters of the U.S. Chamber of Commerce in Washington carries one of its messages.
From Page A1

foundations and other public records, also show how the chamber has increasingly relied on a relatively small collection of big corporate donors to finance much of its legislative and political agenda. The chamber makes no apologies for its policy of not identifying its donors. It has vigorously opposed legislation in Congress that would require groups like it to identify their biggest contributors when they spend money on campaign ads.

Proponents of that measure point to reports that health insurance providers funneled at least $10 million to the chamber last year, all of it anonymously, to oppose President Obama’s health care legislation.

“The major supporters of us in health care last year were confronted with protests at their corporate headquarters, protests and harassment at the C.E.O.’s homes,” said R. Bruce Josten, the chief lobbyist at the chamber, whose office looks out on the White House. “You are wondering why companies want some protection. It is pretty clear.”

The chamber’s increasingly aggressive role — including record spending in the midterm elections that supports Republicans more than 90 percent of the time — has made it a target of critics, including a few local chamber affiliates who fear it has become too partisan and hard-nosed in its fund-raising.

The chamber is spending big in political races from California to New Hampshire, including nearly $1.5 million on television advertisements in New Hampshire attacking Representative Paul W. Hodes, a Democrat running for the United States Senate, accusing him of being Nancy Pelosi’s “liberal express” down the road to financial ruin.

“When you become a mouthpiece for a specific agenda item for one business or group of businesses, you better be damn careful you are not being manipulated,” said James C. Tyree, a former head of the Chamber of Commerce, who has backed Republicans and Democrats, including Mr. Obama. “And they are getting close to that, if not over that edge.”

But others praise its leading role against Democrat-backed initiatives, like health care, financial regulation and climate change, which they argue will hurt American businesses. The Obama administration’s “antibusiness rhetoric” has infuriated executives, making them open to the chamber’s efforts, said John Motley, a former lobbyist for the National Federation of Independent Business, a rival.

“They’ve raised it to a science, and an art form,” he said of the chamber’s pitches to corporate leaders that large contributions will help “change the game” in Washington.

As a nonprofit organization, the chamber need not disclose its donors in its public tax filings, and because it says no donations are earmarked for specific ads aimed at a candidate, it does not invoke federal elections rules requiring disclosure.

The annual tax returns that the chamber releases include a list of all donations over $5,000, including 21 in 2008 that each exceed $1 million, one of them for $15 million. However, the chamber omits the donors’ names.

But intriguing hints can be found in obscure places, like the corporate governance reports that some big companies have taken to posting on their Web sites, which show their donations to trade associations. Also, the tax filings of corporate foundations must publicly list their donations to other foundations, including one run by the chamber.

These records show that while the chamber boasts of representing more than three million businesses, and having approximately 300,000 members, nearly half of its $140 million in contributions in 2008 came from just 45 donors. Many of those large donations coincided with lobbying or political campaigns that potentially affected the donors.

Dow Chemical, for example, sent $1.7 million to the chamber in the past year to cover not only its annual membership dues, but also to support lobbying and legal campaigns. Those included one against legislation requiring stronger measures to protect chemical plants from attack.

A Dow spokesman would not discuss the reasons for the large donation, other than to say it supports the chamber’s work.

Prudential Financial’s $2 million donation last year coincided with a chamber lobbying effort against elements of the financial regulation bill in Congress. A spokesman for Prudential, which opposed certain proposed restrictions on the use of financial instruments known as derivatives, said the donation was not earmarked for a specific purpose.

But he acknowledged that most of the money was used by the chamber to lobby Congress.

“I am not suggesting it is a coincidence,” said the spokesman, Bob DeFilippo.

More recently, the News Corporation gave $1 million to support the chamber’s political efforts this fall; Chairman Rupert Murdoch said it was in best interests of his company and the country “that there be a fair amount of change in Washington.”

Business interests also give to the chamber’s foundation. Its tax filings show that seven donors gave the foundation at least $17 million between 2004 and 2008, about two-thirds of the total raised.

These donors include Goldman Sachs, Edward Jones, Alpha Technologies, Chevron Texaco and Aegon, which has American subsidiaries and whose former chief executive, Donald J. Sheepard, served for a time as chairman of the U.S. Chamber of Commerce’s board.

Another large foundation donor is a charity run by Maurice R. Greenberg, the former chairman of the insurance giant A.I.G. The charity has made loans and grants totaling $18 million since 2003. U.S. Chamber Watch, a union-backed group, filed a complaint with the Internal Revenue Service last month asserting that the chamber foundation violated tax laws by funneling the money into a chamber “tort reform” campaign favored by A.I.G. and Mr. Greenberg. The chamber denied any wrongdoing.

The complaint, which the chamber calls entirely unfounded, raises the question of how the chamber picks its campaigns, and whether it accepts donations that are intended to be spent on specific issues or political races.

The chamber says that it consults with members on lobbying targets, but that it does not make those decisions based on the size of a donation or accept money earmarked to support a specific political candidate.

Endorsement decisions, chamber officials said, are based on candidates’ positions on a series of business-related bills, and through consultations with the chamber’s regional directors, state affiliates and members.

To avoid conflicts of interest,
individual businesses do not play a role in deciding on which races to spend the chamber’s political advertising dollars. The choices instead are made by the chamber’s political staff, based on where it sees the greatest chance of getting pro-business candidates elected, chamber executives said.

“They are not anywhere near a room when we are making a decision like that,” Mr. Josten said, of the companies that finance these ads. The chamber’s extraordinary money push began long before this election season. An organization that in 2003 had an overall budget of about $130 million, it is spending $200 million this year, and the chamber and its affiliates allocated $144 million last year just for lobbying, making it the biggest lobbyist in the United States.

In January, the chamber’s president, Thomas J. Donohue, a former trucking lobbyist, announced that his group intended “to carry out the largest, most aggressive voter education and issue advocacy effort in our nearly 100-year history.”

The words were carefully chosen, as the chamber asserts in filings with the Federal Election Commission that it is simply running issue ads during this election season. But a review of the nearly 70 chamber-produced ads found that 93 percent of those that have run nationwide that focus on the midterm elections either support Republican candidates or criticize their opponents.

And the pace of spending has been relentless. In just a single week this month, the chamber spent $10 million on Senate races in nine states and two dozen House races, a fraction of the $50 million to $75 million it said it intends to spend over all this season. In the 2008 election cycle, it spent $33.5 million.

To support the effort, the chamber has adopted an all-hands-on-deck approach to fundraising. Mr. Josten said he makes many of the fund-raising calls to corporations nationwide, as does Mr. Donohue. (Both men are well compensated for their work: Mr. Donohue was paid $3.7 million in 2008, and has access to a corporate jet and a chauffeur, while Mr. Josten was paid $1.1 million, tax records show.)

But those aggressive pitches have turned off some business executives. “There was an arrogance to it like they were the 800-pound gorilla and I was either with them with this big number or I just did not matter,” said Mr. Tyree, of Chicago.

Another corporate executive, who asked not to be named, said the chamber risks alienating its members.

“If you spend $250,000 to $500,000 a year, that is what they want for you to be one of their pooh-bahs, otherwise, they don’t pay any attention to you at all,” the executive said, asking that the company not be identified.

Chamber officials acknowledge the tough fund-raising, but they say it has been necessary in support of their goal of remaking Congress on Election Day to make it friendlier to business.

“It’s been a long and ugly campaign season, filled with partisan attacks and political squabbling,” William C. Miller Jr., the chamber’s national political director, said in a message sent to chamber members this week. “We are all tired — no doubt about it. But we are so close to bringing about historic change on Capitol Hill.”

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*Eric Lipton reported from Washington, and Mike McIntire and Don Van Natta Jr. from New York. Kitty Bennett and Griffin Palmer contributed research.*
R. Bruce Josten, chief lobbyist for the U.S. Chamber of Commerce, left, and the chamber president, Thomas J. Donohue.
A Journey From Lawmaker
To Lobbyist and Back Again

By ERIC LIPTON

WASHINGTON — When Cooper Industries, a century-old manufacturing company based in Texas, moved its headquarters to Bermuda to slash its American income tax bill, it had to turn to a Washington insider with extraordinary contacts to soothe a seething Congress.

Dan Coats, then a former senator and ambassador to Germany, served as co-chairman of a team of lobbyists in 2007 who worked behind the scenes to successfully block Senate legislation that would have terminated a tax loophole worth hundreds of millions of dollars in additional cash flow to Cooper Industries.

Now Mr. Coats, a Republican from Indiana, is about to make a striking transition. He is spinning the revolving door backward.

As part of the Republican wave in this year’s midterm elections, Mr. Coats will join the Senate again and is seeking a coveted spot on the Finance Committee, the same panel that tried to shut the tax loophole and that the Obama administration has pushed to again consider such a move.

There is no rule that would keep Mr. Coats from voting on issues that he handled as a lobbyist, and he does not intend to recuse himself when former clients are affected by his votes. But he

Continued on Page 28
has said he will not let prior connections influence him.

Mr. Coats is hardly the only former lobbyist to join Congress. The list includes Senator John Thune, Republican of South Dakota, and Representative Dan Lungren, Republican of California. Representative Doris Matsui of California, a Democrat, was also a lobbyist with a particularly extensive client list.

But few rival Mr. Coats, whose blue-chip list of 36 clients included corporate titans like General Electric and Google. These companies routinely have major legislative issues pending in Congress — and in the Senate Finance Committee — that Mr. Coats will now be asked to vote on, often with great consequences to their bottom line.

What makes Mr. Coats’s pedigree even more attention-grabbing is that he is part of a Republican class whose dominant narrative was anti-Washington, animated by a Tea Party movement that pledged to take back the Capitol from special interests.

Mr. Coats, who declined to be interviewed for this article, was originally opposed by Tea Party leaders, though he picked up their support after winning the Republican nomination.

With a salary of $175,600, he was co-chairman of the Washington government relations office of King & Spalding, a legal and lobbying powerhouse that in 2008 had more than two dozen registered lobbyists and took in $8 million in fees.

“He will come in with a lot of baggage,” said William H. Hudnut III, a former Republican member of Congress and longtime mayor of Indianapolis, who added that he has high respect for Mr. Coats. “People will say, in his back pocket he has this company he is friendly with, creating suspicions about whether he is being straight.”

Addressing the questions of a potential conflict, Mr. Coats told the editorial board of The Indianapolis Star: “It is like the dad who gets selected to be the umpire in Little League. His kid comes up, and you really want to call the strikes a little tighter.”

The nearly seven years that Mr. Coats, 67, worked as a lobbyist was a dominant issue in his 2010 campaign. (Mr. Coats and his opponent, Representative Brad Ellsworth, first met when Mr. Coats visited Mr. Ellsworth’s House office with a group of lobbying clients).

But voters in the state — which Mr. Coats represented for eight years in the House and then a decade in the Senate before he retired in 1999, citing a self-imposed term-limit commitment — seemed to accept his promise that he would not be beholden to special interests.

“From the moment of his return to Indiana politics to the election, that was the talking point that Democrats used,” said Brian Howey, an Indiana political analyst. “But it just did not stick.”

During the campaign, Mr. Coats was forthcoming, releasing a list of his clients, both from King & Spalding, where he worked from 2005 until he announced his candidacy in February, and from Verner Liipfert, where he worked from 1999 to 2001, when he became ambassador to Germany, a post he held for four years.

He said he intervened with members of Congress for Sprint as it sought protection from lawsuits for its role in assisting United States intelligence agencies in conducting a surveillance program without warrants.

He also said he contacted officials at the Defense Department on behalf of the Festo Corporation, a German company, as it successfully pursued a federal contract to train workers in Iraq to fix water pumps. And he helped Google increase its lobbying presence by introducing top executives to his former Senate colleagues.

The work his firm did to help Cooper Industries, now based in Ireland, with its tax loophole was not an issue during the campaign.

Lobbying disclosure reports filed by the company — and statements made by the company at the time — show that it retained Mr. Coats and King & Spalding, as well as another smaller lobbying outfit. Their goal was to block a bipartisan move by the Senate Finance Committee to repeal the loophole that Cooper Industries and just three other American companies had exploited by moving their headquarters overseas in 2002.

Five months after asking Mr. Coats’s team for help, company executives boasted to financial analysts about surging profits and their victory in the tax fight.

“We’ve hired a lobbyist, we’ve met with all of the senators and
Rahm Emanuel, the former White House chief of staff, announced his candidacy for mayor of Chicago on Saturday. Pledging to

Carolina agreed Saturday to fill a new leadership position when Mr. Clyburn initially decided to block a bipartisan move by the executive to his former Senate

Mr. Coats is hardly the only lobbyist elected to Congress, said that if Mr. Coats took up matters related to former clients, there could be an appearance of conflict because "he knows their arguments, and many of them know him personally."

Mr. Coats's aides reject that suggestion. "His only client is the people of Indiana that have entrusted him to represent their voices and values in the U.S. Senate," Mr. Seat said.

Several former Capitol Hill colleagues said Mr. Coats had a reputation for integrity and would just have to get used to the increased scrutiny.

"Almost everybody comes to Congress from some sort of a position where they have a history and vested interest," said Mickey Edwards, an Oklahoma Republican who served in the House with Mr. Coats. "One of the things you do when you take oath of office is set aside those past commitments."

Dan Coats has set his sights on a coveted spot on the Finance Committee.

Cooper Industries on the tax issue, meaning his colleagues at the firm directly handled the matter. The only direct work for Cooper Industries Mr. Coats could recall, Mr. Seat said, consisted of speaking with the Commerce Department on an unrelated international trade matter.

Cooper Industries, which paid $1.1 million in lobbying fees to King & Spalding from 2007 to 2009, is one of many former clients that are likely to have issues before the Senate Finance Committee in the coming years.

Mr. Coats, first in 2001 and then again from 2006 to 2009, served as a lobbyist for companies that dominate the multibillion-dollar kidney dialysis and treatment business in the United States, including Amgen and DaVita. They have repeatedly sparred with the federal government over how much it will pay for the services and drugs they provide.

Mr. Coats introduced DaVita's chief executive to members of Congress and their staffs.

One kidney care executive said that as the companies wait for the new rules governing reimbursement for dialysis care to go into effect, they are already considering appealing to the Senate Finance Committee, which has jurisdiction over Medicare, to intervene. And they are looking forward to having Mr. Coats in place to help push their cause.

Committee assignments have not been decided, and because the finance panel is one of the most coveted spots, it is unclear whether Mr. Coats will get a seat. James A. Thurber, a professor at American University who has tracked former lobbyists elected to Congress, said that if Mr. Coats took up matters related to former clients, there could be an appearance of conflict because "he knows their arguments, and many of them know him personally."

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