

# Republican Had Questions About Groups Tied to DeLay

By GREG HITT

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WASHINGTON—To critics, a recent Democratic racketeering lawsuit charging House GOP Whip Tom DeLay with violating campaign laws is an exercise in raw partisanship. Among the issues raised in the suit is the transfer of Republican Party money to a sympathetic independent group.

But it wasn't just Democrats with doubts about such transactions. Significantly, an Oct. 20, 1999, transfer of \$500,000 from the National Republican Congressional Committee to U.S. Family Network, a nonprofit advocacy group linked to Texas Rep. DeLay, was strongly opposed by Scott Hatch, then the NRCC's executive director, who acted on advice of legal counsel, according to people familiar with the matter. The concerns raised by Mr. Hatch centered on whether the NRCC would run afoul of Federal Election Commission rules on contributions to outside groups.

## 'There Are Lines That Remain'

More broadly, the controversy underscores the confusion that politicians face in trying to figure out where the legal lines are drawn in today's campaign-finance environment. The rules have been stretched so far by both parties that even those who want to follow them face big uncertainties. "There are lines that remain," says Trevor Potter, a GOP election lawyer and former FEC chairman. "There is also a gray area in the middle."

The transfer of funds to U.S. Family Network, until recently based in Great Falls, Va., came amid a contentious NRCC "issue" ad campaign waged in the fall against vulnerable House Democrats. Ed Buckham, perhaps the closest adviser to Rep. DeLay, approached party officials with a plan to open what amounted to a second front of ads. Mr. Buckham was soliciting \$500,000 for U.S. Family Network, a group dedicated to promoting conservative causes important to GOP leaders.

## Political Ad Wars

National Republican Congressional Committee's "It Takes a Thief" ad ran against selected House Democrats last year, and similar ads by a separate advocacy group are part of a fight with Democrats over independent campaign expenditures.



"The Democrats' and the presidents' budget plans could raid Social Security and spend our retirement money on more big government programs."



And, in fact, the contribution did go forward, drawn from the NRCC, the House GOP's campaign arm. Representatives of U.S. Family Network won't say what they did with the money.

Shortly after the NRCC check was cut, another nonprofit group with ties to Mr. DeLay, North Carolina-based Americans for Economic Growth, began running ads against Democrats that closely tracked the ads funded directly by the NRCC. Both campaigns aimed to ratchet up pressure on shaky Democrats to support a GOP leadership proposal aimed at ensuring that none of the Social Security surplus is used for domestic spending.

## Questions Among Democrats

The \$500,000 transaction is central to complaints made by Democrats in FEC filings and in a civil racketeering lawsuit alleging a conspiracy by Mr. DeLay to evade campaign laws. Mr. DeLay and advisers deny the charges. And even some Democrats have criticized the unprecedented suit, which was filed by Rhode Island Rep. Patrick Kennedy, who heads the Democratic Congressional Campaign Committee. But Mr. Hatch's stance shows it wasn't just Democrats with misgivings.

Representatives of Americans for Economic Growth declined to discuss the matter. An attorney for Mr. Buckham also wouldn't comment. Mr. Hatch refers all questions to the NRCC. An NRCC spokesman also declines to comment, citing the pending lawsuit. "My hands are tied," says NRCC spokesman Jim Wilkinson.

The soft-spoken Mr. Buckham, now a consultant and lobbyist at Alexander Strategy Group, is Mr. DeLay's former chief of staff and still his most trusted confidant. Over dinner last year, Mr. Buckham helped persuade Mr. DeLay to support the creation of the Republican Majority Issues Committee, a controversial nonprofit group run by another onetime DeLay aide that is pledged to raise as much as \$25 million to mobilize grass-roots voters this fall in key House districts.

## 'Our High-Dollar Guy'

Mr. Buckham is a fund-raiser for U.S. Family Network, which until recently operated in relative obscurity, and his wife was listed as secretary of the group in 1997 and 1998. She drew a \$59,000 salary in 1997, according to tax records. "Our high-dollar guy" is how Robert Mills described Mr. Buckham this spring. Mr. Mills was president of U.S. Family Network until a month ago, when he resigned after disclosures that he had embezzled money from a previous employer.

Mr. Mills, in an interview before his resignation, said the \$500,000 NRCC contribution wasn't passed along to Americans for Economic Growth. But he cited the GOP leadership's Social Security proposal, which would put the program's surplus in a so-called lockbox, among a handful of issues to be promoted by U.S. Family Network. Moreover, he disputed the contention by current NRCC officials that the contribution was intended to promote grass-roots activities among conservative voters.

"That's not what we do," Mr. Mills said.

Mr. DeLay and his political advisers were a driving force behind the NRCC Social Security ad campaign, arguing it would galvanize rank-and-file Republicans while pressuring key Democrats. Mr. Buckham's pitch to NRCC officials for the \$500,000 came as the committee's ad campaign was in midswing, and in some disarray. The execution of the plan proved less than perfect. Two targeted Democrats, Reps. Chet Edwards of Texas and Dennis Moore of Kansas, were successful in getting local stations to pull the ads, arguing they were inaccurate. And in Mississippi, an NRCC ad mispronounced the name of the targeted Democrat, Rep. Ronnie Shows.

## Unexpected Roadblock

Mr. Hatch, a former DeLay aide, proved to be an unexpected roadblock for Mr. Buckham. In early October, Mr. Hatch twice turned down Mr. Buckham, acting on the advice of legal counsel, according to those familiar with the matter. The concerns focused on whether the contribution to U.S. Family Network would put the NRCC at odds with arcane but important rules governing contributions by party committees to outside groups.

In October, the FEC won a court case against California Democrats alleging the party had circumvented such rules, which require contributions to outside groups to be a blend of both "hard" and "soft" campaign money. At the time, a similar enforcement case against the Senate GOP campaign committee was moving forward. The distinction is important, because hard dollars, which are subject to FEC contribution limits, are much more difficult for the parties to raise.

Ultimately, Mr. Buckham was able to work around Mr. Hatch, reaching out to other senior NRCC staffers, and eventually winning the support of Virginia Rep. Tom Davis, who heads the GOP campaign committee.

A few weeks later, Mr. Hatch took a leave of absence from his post after he was on the losing end of a power struggle among GOP campaign aides.

At the same time, Mr. Hatch was in failing health, suffering from a serious stomach ailment that required full-time medical attention. He is now a part-time NRCC consultant.

After the contribution became public in the fall, top NRCC aides met to discuss how to handle the matter.

Amid the give and take, it was suggested the controversy would likely fade if the money could be retrieved. An aide to Mr. Davis was dispatched to explore the possibility, but was told the cash had already been spent.

—Jim VandeHei  
contributed to this article.

## U.S. Says Surplus of State, Locals to Reach \$60 Billion

Dow Jones Newswires

WASHINGTON—State and local governments are expected to post a combined surplus of around \$60 billion this year, up from \$51 billion in 1999, according to the Commerce Department.

A study by Janet Kmitch and Bruce Baker of the department's Bureau of Economic Analysis estimated that state and local current receipts would jump by about \$45 billion, to \$1.185 trillion this year, while current expenditures would rise by \$35 billion, to \$1.125 trillion. The study was published in the May issue of "Survey of Current Business."

Those estimates appear conservative, based on what now looks to be pessimistic assumptions about U.S. economic growth; the authors expected the economy to grow at about 3% for the year and unemployment to rise somewhat. But first-quarter economic growth came in at a 5.4% annual rate while unemployment has remained low and actually dropped to 3.9% in April.

Overall state and local revenues were up 6.5% after a smaller 6.1% increase in 1998. But personal-tax and non-tax revenues grew 6.3% in 1999, down from the 9% gain seen in 1998.