DIGITAL NEWSBOOK

The 2012 election was the most expensive and least transparent presidential campaign of the modern era. This project seeks to “out” shadowy political organizations that have flourished in the wake of the Supreme Court’s *Citizens United* ruling. As the nation prepares for major state-level elections in 2013 and critical midterms in 2014, we provide the narrative behind the flow of money and how professional politicking is influencing a flood of new spending.

The Center for Public Integrity

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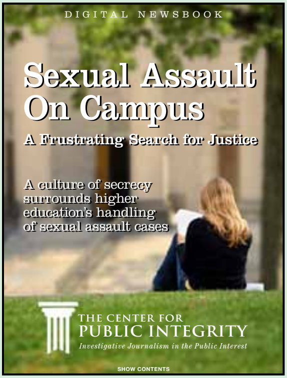
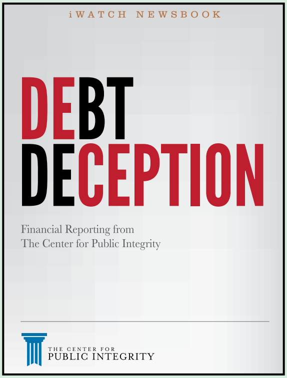
Go online for more stories and full profiles of super donors, super PACs, and nonprofit groups at: www.publicintegrity.org/politics/consider-source

The Center for Public Integrity

The Center for Public Integrity was founded in 1989 by Charles Lewis. We are one of the country's oldest and largest nonpartisan, nonprofit investigative news organizations. Our mission: To enhance democracy by revealing abuses of power, corruption and betrayal of trust by powerful public and private institutions, using the tools of investigative journalism.





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Introduction

THE 2012 ELECTION was the first presidential contest to be affected by the U.S. Supreme Court's landmark *Citizens United* ruling, which unleashed nearly $1 billion in new spending in federal races. The term "super PAC" became part of the national vocabulary. Billionaire casino mogul Sheldon Adelson became a household name by spending more than $90 million in an attempt to elect conservative candidates. And laws restricting spending by outside interest groups in elections were invalidated in 24 states, extending the impact of the high court decision to races for governor, state supreme court and beyond.

The Center for Public Integrity launched the Consider the Source project in January, 2012, in an effort to explain the new campaign finance landscape and track the impact of this unlimited form of spending on both state and federal election contests. Project staff authored more than 250 stories that tracked the effect of money on the political process, with a special focus on the *Citizens United* decision.

We produced detailed profiles of the most influential super PACs and the top 25 "super donors" who fueled their spending. We also wrote profiles about the secretly funded nonprofits that pay for the same kinds of advertising as super PACs.

Among our stories, the tale of a mysterious shell company that became the top corporate donor to super PACs; a story about a foreign-owned reinsurance firm that gave $1 million to a super PAC supporting the candidacy of Republican presidential nominee Mitt Romney — something that would have been banned if the donation came from the foreign company's chairman; and a series of stories on the byzantine process used by the Republican and Democratic Governors Associations to get around campaign finance limits in the states.

The *Citizens United* decision and subsequent spending blitz led to a public outcry and calls for reforms not seen since the run-up to passage of the McCain-Feingold campaign finance law in 2002. To date, efforts to require more disclosure of donations to spending groups have failed and the Federal Election Commission has been unwilling to act on even the most basic enforcement issues thanks to its 3-3 partisan split.

With that in mind, the Consider the Source team has much to do between now and the 2016 election. ■

Top 25 super PAC donors for 2012 election cycle

Rank	Name	Total Given	Ideology
1	Sheldon Adelson & family	$93.3 million	*Republican*
2	Harold Simmons & wife, companies	$30.9 million	*Republican*
3	Bob Perry	$23.5 million	*Republican*
4	Fred Eychaner	$14.1 million	*Democratic*
5	Joe Ricketts	$13.1 million	*Republican*
6	William S. Rose (Specialty Group)	$12.1 million	*Republican*
7	United Auto Workers	$11.8 million	*Democratic*
8	National Education Association	$10.8 million	*Democratic*

Rank	Name	Total Given	Ideology
9	Michael Bloomberg	$10 million	*Independent*
10	Republican Governors Association	$9.8 million	*Republican*
11	James H. Simons	$9.6 million	*Democratic*
12	AFSCME	$8.2 million	*Democratic*
13	AFL-CIO	$7.4 million	*Democratic*
14	Robert B. Rowling	$6.1 million	*Republican*
15	American Federation of Teachers	$5.8 million	*Democratic*
16	Robert Mercer	$5.5 million	*Republican*
17	Steve and Amber Mostyn	$5.2 million	*Democratic*
18	George Soros* & family	$5.1 million	*Democratic*
19	William Koch	$4.8 million	*Republican*
20	Peter Thiel	$4.7 million	*Republican*
21	SEIU	$4.4 million	*Democratic*
21	Joe Craft	$4.4 million	*Republican*
23	John Childs	$4.2 million	*Republican*
23	Plumbers and Pipefitters Union	$4.2 million	*Democratic*
25	Jerry Perenchio	$4.1 million	*Republican*

Full profiles of top super PAC donors for 2012 election cycle can be found at: www.publicintegrity.org/politics/consider-source/super-donors.

* George Soros is the chairman of the Open Society Foundation, which provides funding for the Center for Public Integrity. See list of the Center's donors at: www.publicintegrity.org/about/our-work/supporters.

J. Scott Applewhite/AP

Big bucks flood 2012 election

What the courts said and why we should care

A CITIZEN'S GUIDE TO *CITIZENS UNITED*

By John Dunbar

Published Online: January 3, 2012

IN 2010, the courts reversed decades of legal precedent when they said it was OK for corporations and unions to spend as much as they want to put their favorite candidates in office.

Laws aimed at limiting the corrupting influence of corporate money in elections go back more than a century while restrictions on union spending go back more than 60 years.

So what happened?

The short answer is, the First Amendment happened — or at least a new interpretation of it did.

In a nutshell, corporations and unions now have the same First Amendment right as people do to spend as much money as they want on advertising and other political spending to get candidates elected — as long as they aren't in cahoots with them.

Some history

The government has been consistent, though not always effective, in attempting to insulate elections from the corrupting influence of corporations and labor unions.

Congress first banned corporations from funding federal campaigns in 1907 with the Tillman Act. President Theodore Roosevelt, the great reformer of the Gilded Age, said at the time that such a prohibition would be "an effective method of stopping the evils aimed at in corrupt practices acts."

(Ironically, it was Roosevelt himself who benefited from those contributions.) In 1947, the Taft-Hartley Act extended the ban to labor unions. The laws were weak and largely unenforceable.

It wasn't until 1971 that Congress got serious and passed the Federal Election Campaign Act. It required the full reporting of campaign contributions and expenditures. It limited spending on media advertisements. But that law was ruled unconstitutional.

In 1972, burglars broke in to the Democratic National Committee headquarters in the Watergate complex in Washington, D.C. and everything changed.

It turned out that the break-in was funded by the Committee to Re-elect the President. CREEP was a campaign committee to fund Nixon's 1972 campaign, but was likened to a "slush fund" filled with cash contributions from corporations and various unsavory characters.

Nixon's subsequent efforts to cover up the administration's involvement in the break-in led to his resignation in 1974 — and major reforms of campaign finance laws.

Post-Watergate

In 1974, Congress amended the law to, among other things, create an enforcement body — the Federal Election Commission to enforce limits on both contributions and expenditures. The constitutional-

The Supreme Court reinterpreted the law about how money from corporations and unions could be spent on campaigns. Super PACs and other outside groups made possible by the court's decision spent nearly $1 billion on advertising in federal races.

ity of the new laws was challenged in the 1976 Supreme Court case known as *Buckley v. Valeo*.

The court upheld limits on contributions to candidates, saying they were "primary weapons against the reality or appearance of improper influence stemming from the dependence of candidates on large campaign contributions."

But the court rejected limits on expenditures, arguing that such restrictions "limit political expression at the core of our electoral process and of First Amendment freedoms."

That balancing act — protecting free speech versus keeping government free from corruption — remains at the center of the debate over campaign finance reform.

These "independent expenditures" by individuals are permitted, but the spenders are prohibited from acting in concert with a candidate.

The court ruled the "absence of prearrangement or coordination of the expenditure with the candidate or his agent alleviates the danger that expenditures will be given as a quid pro quo for improper commitments from the candidates."

Corporations and labor unions were still banned from making those expenditures, or contributing to organizations that made those expenditures.

McCain-Feingold and electioneering

In 2002, Congress updated the campaign finance laws — again. The Bipartisan Campaign Reform Act, also known as McCain-Feingold, identified a new kind of spending, known as an "electioneering communication."

This is basically a broadcast or cable advertisement that refers to a candidate but doesn't urge the audience to vote for or against him — though the intent is usually pretty clear. Similar to independent expenditures, electioneering groups were banned from using corporate or union contributions to purchase advertising close to an election.

McCain-Feingold's primary concern was to close a loophole on that was allowing donations from corporations and unions to the national party committees which had been growing rapidly during the 1990s. These unregulated contributions, often called soft money, poured in from corporations and labor unions and were used to fund campaign-related "issue ads."

Issue ads were used to help or hurt a candidate's chances, but were generally unregulated as long as they avoided using certain words like "elect" or "support" or "oppose."

The *Citizens United* ruling, released in January, 2010, tossed out the corporate and union ban on making independent expenditures and financing electioneering communications. It gave corporations and unions the green light to spend unlimited sums on ads and other political tools, calling for the election or defeat of individual candidates.

The court said that because these funds were not being spent in coordination with a campaign, they "do not give rise to corruption or the appearance of corruption."

The court did not, however, strike down disclosure requirements. Organizations that make these types of expenditures are still required to report their expenditures and donors. Unfortunately for advocates of transparency in elections, that disclosure requirement apparently does not apply to nonprofit corporations.

SpeechNow.org raises the stakes

Only a couple of weeks after the *Citizens United* ruling, a lesser-known case in the District of Columbia Circuit Court of Appeals, upped the ante.

The "SpeechNow.org" case, using the Supreme Court's reasoning, decided that limits on individual contributions to groups that make independent expenditures are unconstitutional.

These two major court decisions led to the creation of what we now call "super PACs" — political organizations that can receive unlimited corporate, union and individual contributions and make unlimited expenditures to advocate for the election or defeat a federal candidate.

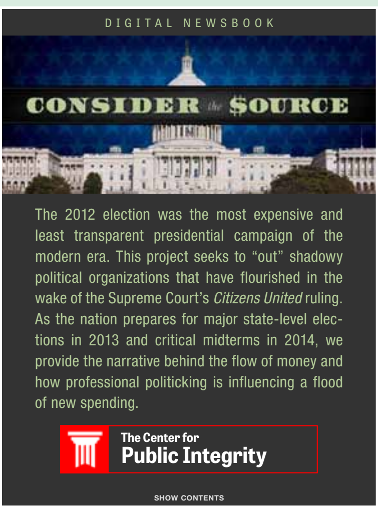
These new super PACs are still required to report their donors. Unfortunately, those disclosure reports will not be made available until after the January contests in Iowa, New Hampshire, South Carolina and Florida.

Of equal or possibly greater concern, in terms of transparency of donors, are nonprofits.

In the past, nonprofits known as "social welfare organizations" were permitted to make independent expenditures and electioneering communications — but only if they did not accept corporate or union contributions. Thanks to *Citizens United*, that restriction has been removed.

But unlike the super PACs, the nonprofits do not report who funds them. For example, Crossroads GPS has spent millions of dollars to help elect Republicans to office, but does not report its donors to the Federal Election Commission.

Meanwhile, the FEC — which has three members of each party — has yet to update its rules to reflect the courts' rulings. ■



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Crossroads political machine funded mostly by secret donors

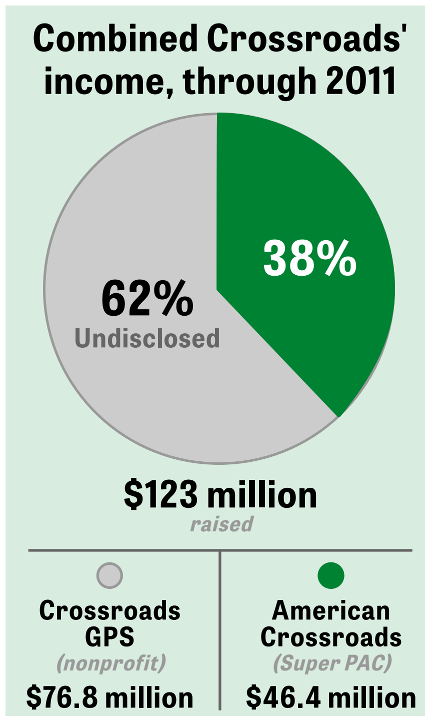
By Michael Beckel

Published Online: April 20, 2012

SIXTY-TWO percent of funds raised by two conservative groups associated with former Bush adviser Karl Rove have come from mystery donors, a statistic that shows the increasingly important role being played by nonprofits in a post-*Citizens United* political world.

American Crossroads, a super PAC, and Crossroads Grassroots Policy Strategies, a nonprofit, were founded in 2010 by Rove and another former Bush adviser, Ed Gillespie. Together, they raised $123 million through the end of 2011, according to a Center for Public Integrity review of Federal Election Commission data and Internal Revenue Service filings.

Of that sum, $76.8 million, or 62 percent, went to Crossroads GPS, which is a nonprofit, "social welfare"



Karl Rove, former Senior Advisor to President George W. Bush Sue Ogrocki/AP

group organized under Section 501(c)(4) of the U.S. tax code. Like American Crossroads, Crossroads GPS can pay for advertising that attacks political opponents by name and urges viewers to vote against them.

But unlike the super PAC, GPS is prohibited from making politics its "primary purpose," according to the IRS, a rule that these politically active nonprofits have interpreted to mean they can spend up to 49 percent of their funds on such advertising.

As a nonprofit, the group is not required to publicly name its donors, except if they give "for the purpose of furthering" a political advertisement. (GPS has told the

FEC that it has not "solicited or received" contributions earmarked for such expenditures.)

Jonathan Collegio, the communications director of Crossroads GPS, said that the group's unnamed donors, which number fewer than 100, are "individuals and businesses that support its vision of lower taxes and smaller government."

Election law expert Rick Hasen, a professor at the University of California-Irvine law school, told the Center for Public Integrity that he wasn't surprised that more money was flowing into Crossroads' "secret money option."

"For every Bob Perry who craves the attention, there are many others, including corporations, who hope to influence politicians and policy without any public accountability," he said.

Perry is a well-known donor to conservative causes, and he was one of the financiers behind the Swift Boat attacks in 2004 on former Democratic presidential candidate Sen. John Kerry of Massachusetts.

Both Crossroads groups are allowed to accept unlimited contributions from individuals, corporations and other groups for political advertisements, thanks to changes in the country's campaign finance system in the wake of the U.S. Supreme Court's *Citizens United* decision and a lower court ruling called SpeechNow.org v. Federal Election Commission.

American Crossroads is required to report its donors to the FEC and does not have the same limitations on spending as its sister organization.

American Crossroads, which was launched in March of 2010, quickly established itself as the biggest super PAC, raising $28 million by the end of 2010, according to records filed with the IRS and FEC. It pulled in another $18.4 million last year – with millions more flowing into its coffers this year.

Records show that Texas billionaire homebuilder Perry, along with fellow billionaire businessmen Harold Simmons and Robert Rowling, rank as the super PAC's top donors, having collectively donated $24.5 million through the end of 2011, through their personal and corporate accounts.

Meanwhile, Crossroads GPS, which was created a few months after the super PAC, collected a total of $76.8 million between June 1, 2010, and Dec. 31, 2011, according to tax forms released by the group Tuesday.

Earlier this year, the Center for Responsive Politics reported that the Republican Jewish Coalition gave Crossroads GPS $4 million, and the Center for Public Integrity previously reported that casino executive Sheldon Adelson gave the group a seven-figure check for an unspecified amount.

Little is known about the group's other donors.

The tax forms released by Crossroads GPS show 96 contributors, two dozen of which gave at least $1 million, including one for $10 million and one for $10.1 million.

The two Crossroads groups have a combined fundraising goal of at least $240 million for the 2012 election cycle, as the Center for Public Integrity previously reported, and they are already spending heavily on negative ads targeting President Barack Obama, as well as Democrats in several top-tier U.S. Senate races.

Through the end of 2011, Crossroads GPS paid the Virginia-based Crossroads Media more than $38 million, according to the tax forms released by the group Tuesday – money that frequently went toward placing issue ads and ads that expressly advocated for or against federal candidates.

Key findings:

— Crossroads GPS is a nonprofit 501(c)(4) organization, a name that comes from the IRS tax code. They can **raise and spend up to 49 percent of their funds** attacking or supporting candidates, but cannot contribute directly to a campaign.

— Unlike a super PAC, donations to nonprofits can remain **completely anonymous**. Super PACs, such as American Crossroads, must disclose donors' names and amounts contributed, which most do either once a month or once a quarter.

— Both Crossroads organizations, which are associated with former Bush adviser Karl Rove, are on the front lines of political spending. They hope to raise **at least $240 million** total during the 2012 election cycle, a figure that would more than triple the amount they raised ahead of the 2010 midterm election.

— Steven Law, the president of both Crossroads groups, **made a combined $1.09 million** between June 2010 and December 2011.

Crossroads Media, which describes itself as the "premier Republican media services firm," was founded in 2001 by GOP political operative Michael Dubke.

According to Crossroads GPS's tax filings, it has spent more than $17 million on "direct" political expenditures and more than $27 million on "grassroots issue advocacy" through the end of 2011. But only some of this spending was required to be reported to the government agency tasked with regulating federal elections.

According to the group's FEC filings, it spent $16 million on ads expressly advocating for or against federal candidates in 2010 and another $1.1 million on issue ads mentioning a specific candidate ahead of high-profile elections in 2010 and 2011.

Its tax forms indicate that the big spending on "paid advertising, mailings, emails and web-based advocacy tools" is to "influence policymaking outcomes through grassroots mobilization."

It also allotted nearly $16 million in grants to a total of 13 other conservative organizations.

That includes $4 million to anti-tax crusader Grover Norquist's Americans for Tax Reform, $3.7 million to the National Federation of Independent Business, $2 million to the National Right to Life Committee, $600,000 to the lobbying arm of the National Rifle Association, $500,000 to the conservative nonprofit American Action Network and $250,000 to the Republican Jewish Coalition.

These grants are accompanied by a letter stating that "the funds are to be used only for exempt purposes, and not for political expenditures," according to Crossroads GPS's tax filings.

Steven Law, the president of both Crossroads organizations, worked 60 hours a week, split between the two groups — with more time being spent aiding Crossroads GPS during the second half of 2011.

For his work, Law — who served as President George W. Bush's deputy secretary of Labor and later general counsel of the U.S. Chamber of Commerce — collected a combined $1.1 million in salary and other compensation for both groups, including $270,000 in bonuses.

"Crossroads is a serious organization," Collegio told the Center for Public Integrity. "Free market conservative donors know that hiring top CEO talent requires real compensation." ■

Finance industry makes up nearly half of pro-Romney super PAC's donations

By Alexandra Duszak and Rachael Marcus

Published Online: April 2, 2012

LAST SUMMER, hedge fund pioneer Julian Robertson made the maximum $2,500 contribution to Mitt Romney's campaign for the Republican presidential nomination. With a net worth somewhere north of $2 billion, it seemed as though he could do a lot more.

Julian Robertson seen here with his wife Josie in this undated photo. AP

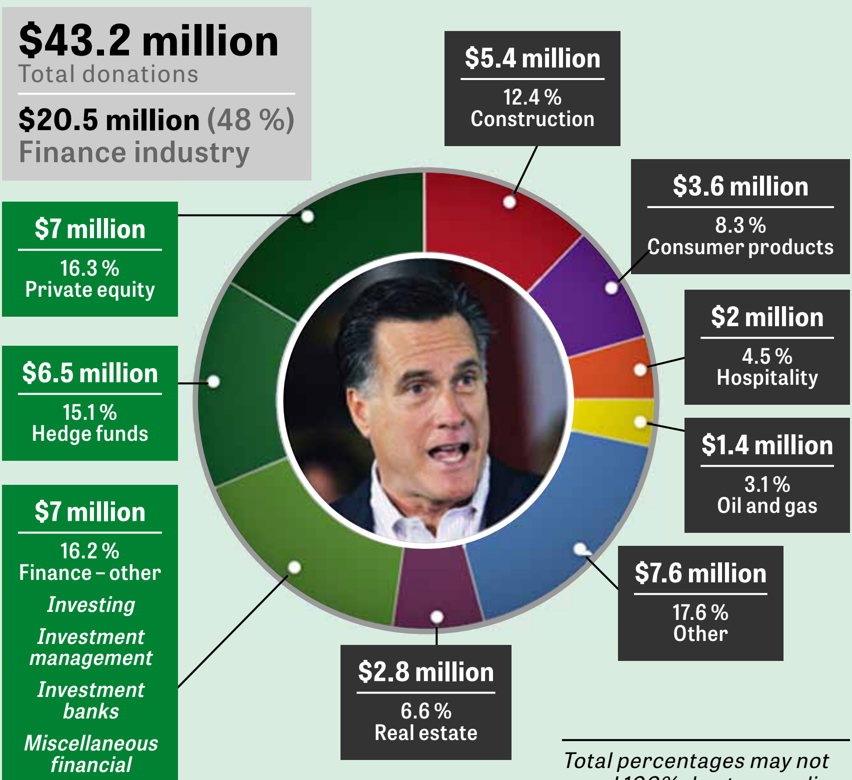
Thanks to the Supreme Court's *Citizens United* decision, he did.

Robertson gave $1.25 million to Restore Our Future, a super PAC that has underwritten a relentless advertising campaign ripping Romney's opponents. That's 500 times the contribution he made in June.

Robertson is not alone. Of the $43.2 million raised by the attack PAC, $20.5 million, or 48 percent, came from finance industry donors, according to an analysis of Federal Election Commission data by the Center for Public Integrity.

Pro-Romney super PAC dominated by investment pros

Nearly half of the contributions to the pro-Romney super PAC Restore Our Future come from investment managers and other finance interests that want to toss out financial reforms, including a combined $13.5 million from equity and hedge fund groups.



Total percentages may not equal 100% due to rounding.

At least $13.5 million came from private equity firms ($7 million) and hedge funds ($6.5 million) while most of the rest came from investment banks and other asset managers. So-called "non-bank lenders" that run storefront cash-for-title and payday lending operations gave the super PAC $437,500, according to the analysis.

Restore Our Future is by far the best-funded of the super PACs backing presidential candidates in the 2012 election. The super PAC closed out the month of February with $10.5 million cash on hand, more than Romney's campaign, according to FEC records.

Romney, a former private equity executive, wants to repeal the Dodd-Frank Wall Street Reform and Consumer Protection Act and has said he is opposed to doing away with a tax loophole that has helped make private equity and hedge fund managers enormously wealthy over the years.

The finance industry's total percentage of contributions would be greater were it not for homebuilder and long-time Republican donor Bob Perry, who gave $3 million to the super PAC in February, bringing his total contributions to $4 million.

Romney has battled the perception that he is out of touch with working-class Americans. The list of donors to his super PAC isn't going to help much; the average contribution was a little more than $83,000.

High court changes the game

The 2010 *Citizens United* Supreme Court decision led to the creation of super PACs, which can accept unlimited donations from corporations, labor unions and wealthy individuals and use the funds to pay for advertising and other campaign expenses, as long as they do not coordinate with candidates.

Hedge funds are private, largely unregulated investment pools that are typically overseen by a single manager and usually available only to high-value investors, like wealthy individuals, private banks, pensions, corporate treasuries and endowments. Private equity companies are more hands-on but are also mostly unregulated and attract the same type of investor.

The firms and their trade associations share Romney's view that Dodd-Frank should be repealed. Investment managers also want to make sure "carried interest," which accounts for much of their income, as well as Romney's, continues to be taxed at the modest capital-gains rate of 15 percent.

Romney opposed changes in taxation of carried interest when he ran in 2007, although his current position is less clear.

Romney is the top choice of the securities and investment industry. His campaign has received $6.8 million with President Barack Obama a distant second at $2.3 million, according to the Center for Responsive Politics. The pro-Obama super PAC, Priorities USA Action, has collected $175,000 from the industry.

Wall Street investment bank Goldman Sachs' employees have given $670,000 to the super PAC. According to the Center for Responsive Politics, Goldman employees have given more than $535,000 to the Romney campaign itself — the largest amount contributed by employees from any one company.

Neither the Romney campaign nor Restore Our Future responded to requests for comment for this story.

Top donors

Robertson is the founder of the now-defunct Tiger Management Corp. Now retired, he invests directly in other hedge funds, and has a network of "Tiger cubs" — hedge fund managers he mentored while they cut their teeth at Tiger Management.

He is a generous philanthropist, pledging more than half his wealth in line with Bill Gates' and Warren Buffett's Giving Pledge, a charitable effort focused on earning the support of billionaires. He also funds more than 30 full scholarships for students at Duke University and the University of North Carolina at Chapel Hill, his alma mater.

Of more than $3 million in federal contributions Robertson has given since 1996, $2.9 million have gone to Republicans and Republican committees. Robertson could not be reached for comment for this article.

Among other seven-figure donors is Edward Conard, who originally made his $1 million donation under the name "W Spann LLC." Conard is a former managing director of Bain Capital — the private equity company co-founded by Romney.

Current and former executives at Bain Capital and their families gave at least $3.1 million to Restore Our Future, including two households that contributed $1 million or more.

Conard came forward after numerous media outlets raised questions about the legitimacy of W Spann LLC. Conard could not be reached for comment.

Paul Singer, another $1 million donor, is the founder of Elliott Management, a hedge fund with $19 billion under management. Singer, whose net worth is estimated at $1 billion, made some of his fortune by purchasing debts owed by countries including Peru and the Republic of the Congo and suing them for payment.

Singer is a fiscal conservative and an outspoken critic of the Federal Reserve. But he's not afraid to disagree with the Republican Party's social conservatives. He also supports gay rights and was a key backer of the campaign to legalize gay marriage in New York.

A spokesman for Elliott Management who was familiar with Singer's giving would not comment on the donation.

John Paulson was an early million-dollar donor. He is founder of Paulson & Co., a hedge fund with $22 billion under management. He made $15 billion during the recession by short-selling subprime mortgages, according to multiple news reports. He also could not be reached for comment.

Robert Mercer, another $1 million donor, is president and CEO of Renaissance Technologies, a Manhattan-based hedge fund. Mercer, an NRA member and Long Island resident, earned $125 million in 2011, ranking him 16th among hedge fund managers, according to Forbes. He is a frequent contributor to Republican candidates and causes, notably donating more than $640,000 to Concerned Taxpayers of America.

Though he primarily donates to Republican candidates, including Rep. John Boehner, R-Ohio, and Sen. Pat Toomey, R-Pa., he has also given to Sen. Chuck Schumer, D-N.Y., and former Sen. Chris Dodd, D-Conn., among others. Mercer could not be reached for comment.

Legislative priorities

The Dodd-Frank financial reform act requires investment advisers who manage assets worth more than $150 million to register with the SEC. The firms must provide basic information about their organizational structure, individuals who fill key roles, the types of clients they advise and any conflicts of interest. With registration also comes the possibility of surprise inspections by the SEC.

Investment managers oppose portions of Dodd-Frank because it endangers their business model, said Lynn Stout, a corporate law professor at Cornell University. "Many people have doubts as to whether this sector of the economy is really socially beneficial," she said.

But the issue nearest to the heart and wallets of Romney's former colleagues is undoubtedly carried interest.

Hedge fund and private equity managers don't make money like most working people. They live off the profits generated from investments they manage. Those are considered "capital gains" and are taxed at a maximum rate of 15 percent. If that income were taxed the same as earnings, the rate could be as high as 35 percent.

The relatively obscure issue became big news when Mitt Romney, a beneficiary of the carried interest rule, released his tax returns, which showed he paid about a 14 percent tax rate for 2010 and 2011.

President Barack Obama's new corporate tax plan, unveiled Feb. 23, would treat carried interest as earned income. There are also proposals in both houses of Congress from brothers Sen. Carl Levin, D-Mich., and Rep. Sander Levin, D-Mich., to do the same.

Private equity groups, including Bain, and hedge funds, have lobbied to keep this change from happening. In 2011, the Managed Funds Association spent $4 million on lobbying, the Private Equity Growth Capital Council spent $2.2 million and the National Venture Capital Association spent $2.5 million.

Private Equity Growth Capital Council president Douglas Lowenstein described the proposed change in status as a "punitive 157 percent tax hike [that] will hurt those companies that are most desperately in need of capital to sustain or create jobs and drive growth."

Payday lenders for Romney?

Restore Our Future has also benefited from non-bank lenders that make payday loans, title loans and operate check cashing services. Dodd-Frank imposes federal regulatory oversight of these lenders.

"The payday lenders are under the full power of the CFPB (Consumer Financial Protection Bureau), just as are the big banks," said Ed Mierzwinski, consumer program director at U.S. PIRG. "And it's a very important power, so the payday lenders do not like the CFPB."

Rod Aycox, of Loan Max, and his title loan company Select Management Resources gave $200,000 to the super PAC. His company makes title loans, in which the borrower turns over his car title as collateral and receives a loan at a very high interest rate, usually based on the value of the car.

Las Vegas-based REBS Inc. donated $25,000 to Restore Our Future, listing an address in a shopping center in Las Vegas. State documents show REBS' president is James Marchesi, the founder and president of Check City, a chain of payday lenders, one of which has the same address as REBS in the Las Vegas shopping center.

Marchesi is also on the board of the Financial Service Centers of America (FiSCA), the national trade association for non-bank entities that provide financial services like payday loans, money transfers and check cashing. He could not be reached for comment.

Jones Management Services, run by Allan Jones, gave $35,000. He is also CEO of one of the country's largest payday lenders, Check into Cash Inc.

Payday loans, also known as payday advances, are short-term loans secured against the borrower's next paycheck. These loans often trap borrowers in a cycle of borrowing and high interest, which averages around 400 percent, according to the Center for Responsible Lending.

Other payday lenders that gave money to Restore Our Future are Community Choice Financial, ($30,000), QC Holdings ($25,000), Amscot Corp. ($10,000) and Express Financial Services ($2,500).

Another donor, RTTTA LLC, gave $75,000 and is linked to J. Todd Rawle. Rawle's company Softwise makes software for these lenders. Katsam LLC (spelled "Katsum" in filings), is linked to payday lender Moneytree founders Dennis and David Bassford and gave $35,000. The Bassfords could not be reached for comment.

FiSCA opposes further regulation of financial service centers on the grounds that it "could significantly reduce, if not eliminate altogether, Americans' access to small dollar credit and other financial products," according to its guide to the Dodd-Frank financial reform act.

Donors to Restore Our Future may be hoping for special treatment from a Romney presidency. But given that the candidate is largely with them on the issues already, that might not be the case — they may just want him to win.

"They view him as far and away the candidate that's most likely to be sympathetic to be preserving business as usual in the financial sector," Stout, the Cornell professor, said. "They've been making a ton of profit and they don't want anyone to stop the party." ■

John Dunbar contributed to this report.

Big business prefers GOP over Democratic super PACs

By Michael Beckel

Published Online: July 25, 2012

REPUBLICAN-ALIGNED super PACs have benefited from far more corporate cash than their Democratic counterparts — a revenue stream created in the wake of the controversial *Citizens United* U.S. Supreme Court decision two years ago.

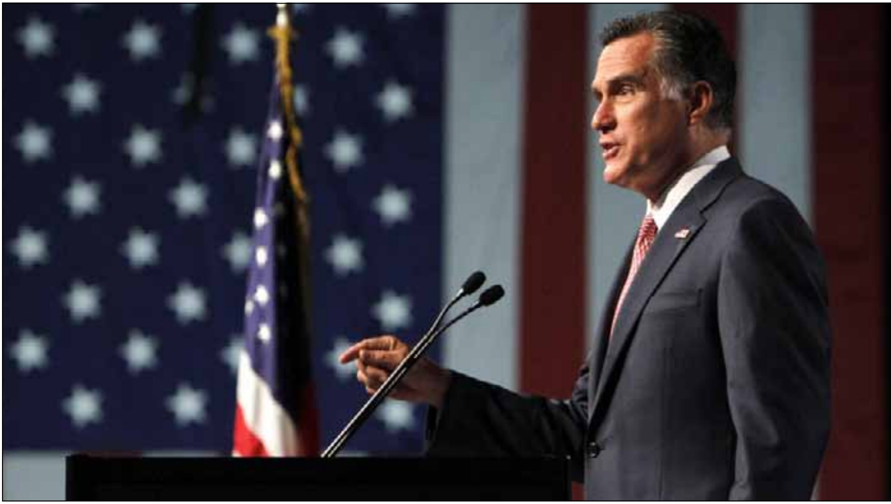
The top two super PACs — the pro-Mitt Romney Restore Our Future and Karl Rove's American Crossroads — have raised nearly $24 million in contributions from companies so far this election cycle, a Center for Public Integrity analysis has found. Donors include hedge funds, energy companies, dietary supplement makers and even a popcorn manufacturer.

The list includes a handful of Fortune 500 and other publicly traded corporations, but donors are more likely to be privately held businesses, often organized as limited partnerships or limited liability companies.

Businesses account for only about 5 percent of donations to the four most prominent Democratic super PACs. Labor unions, which were also given greater spending freedom thanks to the *Citizens United* decision, make up a much larger percentage of receipts.

Proponents of campaign finance deregulation have frequently downplayed the role of money from profit-making businesses to super PACs, but their presence worries campaign finance reform advocates.

The Center's analysis found that more than 100 companies have collectively donated more than $14.2 million to Restore Our Future, the pro-Romney super PAC started by aides of the GOP presidential



Republican presidential candidate, former Massachusetts Gov. Mitt Romney
Rich Pedroncelli/AP

nominee. That's 17 percent of the $82 million the group has raised through the end of June.

Meanwhile, about two-dozen companies have combined to give $9.4 million to American Crossroads, the super PAC co-founded by top GOP strategists Rove and Ed Gillespie, who left American Crossroads in April to become a senior adviser to Romney's presidential campaign. That's about 23 percent of the $40 million the group has raised through the end of June.

The leading Democratic super PACs have struggled to keep pace with the GOP's big-money operation.

Collectively, the four main Democratic super PACs have combined to raise about $48 million, according to their most recent campaign finance filings. These groups — Priorities USA Action, Majority PAC, House Majority PAC and American Bridge 21st Century — have relied extensively on unions and wealthy individuals for their funding.

Super PACs are legally required to disclose their donors on a regular basis with the Federal Election

Commission, although they are not the only groups running political advertisements this year.

Politically active nonprofit organizations, which outspent super PACs in 2010 and are likely to do so again this election, are also spending big bucks. How much corporate money is flowing to politically active nonprofits, which are not legally required to publicly reveal their donors, is unknown. So far, the public has only had glimpses.

For instance, last month, health insurer Aetna accidentally revealed that it had contributed $3.3 million last year to the conservative advocacy group American Action Network, a nonprofit organized under section 501(c)(4) of the U.S. tax code that was one of the biggest spenders on political ads during the 2010 midterm elections.

As Democrats in Congress have pushed the DISCLOSE Act as a means to create new reporting requirements for groups that make political ads, conservatives have questioned the necessity of doing so.

Senate Minority Leader Mitch McConnell, R-Ky., a fierce opponent of campaign finance regulations, has argued that Democrats are promoting the DISCLOSE Act to "create the impression of mischief where there is none" and that "the much predicted corporate tsunami simply did not occur."

And in June, Republican lawyer Jan Baran, who filed a brief with the U.S. Supreme Court in support of *Citizens United*, told the New York Times that super PACs have not spent a "nickel" of Fortune 500 money. He was wrong. Baran could not immediately be reached to comment for this story.

In May, Florida-based Fidelity National Information Services became the second Fortune 500 company to donate to Restore Our Future, giving $75,000. The first was CONSOL Energy, which donated $150,000 to the super PAC last July.

Other publicly traded companies that have donated to Restore Our Future include Colorado-based Hallador Energy Co. ($100,000); Arizona-based Apollo Group, the corporate parent of the for-profit University of Phoenix ($75,000); Florida-based defense contractor B/E Aerospace, Inc. ($50,000); and Kansas-based payday lender QC Holdings ($25,000).

For-profit colleges for Romney

The Apollo Group was listed among the Fortune 500 in 2011, but its ranking fell to No. 504 this year.

Records show that during the first half of 2012, the company spent roughly $400,000 on education-related lobbying, an arena where it has often clashed with the Obama administration.

Earlier this year, Apollo Group spokesman Rick Castellano told USA Today that the company backs "candidates who understand the important role Apollo Group plays in American higher education."

Like Restore Our Future, American Crossroads has also drawn Fortune 500 backing.

Alpha Natural Resources gave $100,000 to the group in October. Alpha owns Massey Energy, the owner and operator of the West Virginia mine where 29 workers were killed in a 2010 explosion in the worst coal mining disaster in the United States since 1970.

In 2010, Ohio-based American Financial Group, another Fortune 500 firm, donated $400,000 to the conservative super PAC.

On the Democratic side, Caesars Entertainment Corp. is a Fortune 500 company that has given $150,000 to Majority PAC, which focuses on maintaining a Democratic majority in the U.S. Senate.

Conservative attorney Dan Backer of DB Capitol Strategies is among those who think corporate spending on elections is a good thing.

'More corporate spending' needed

"Corporations have issues too," Backer said "They are subject to extraordinary regulation and over-taxation. Why shouldn't they be able to say, 'Vote against so-and-so'?"

"We need more corporate spending — not less," he added.

Craig Holman, a lobbyist for Public Citizen, the nonprofit advocacy group founded by Ralph Nader in 1971, disagrees.

"Our elections should be run by individual Americans, not by artificial legal entities called corporations," he said.

Holman said American Crossroads and Restore Our Future have raised a "substantial amount" from companies.

"These companies want to dismantle the regulatory regimes that govern their industries," he said.

Restore Our Future was an effective attack dog against Romney's GOP rivals during the presidential primaries and the group has now turned its sights on President Barack Obama. American Crossroads has aided conservative candidates in congressional races and has recently turned its attention to the presidential race.

Thanks to changes in campaign finance law in the wake of the 2010 U.S. Supreme Court's *Citizens United* ruling, super PACs are legally allowed to accept unlimited contributions from individuals, corporations and unions to fund political ads that are not produced in conjunction with a candidate's own campaign.

Money for something

Many of the corporate donors spend heavily on lobbying.

During the first half of 2012, financial sector titan Fidelity, whose revenues hit a record $5.7 billion in 2011, spent $50,000 on federal lobbying — all targeting the Federal Deposit Insurance Corp. over the implementation of the Dodd-Frank Wall Street reform law, a statute that Romney has pledged to overturn if elected to the White House in November.

During the same period, Pennsylvania-based CONSOL Energy spent nearly $1.8 million on state, federal and grassroots lobbying, records show. Areas of interest for the coal industry giant include clean air and water regulations, miner safety issues and the military's use of biofuels.

Overall, most of the companies that have invested in either American Crossroads or Restore Our Future are privately held.

The top industry donor to Restore Our Future is William Koch's energy company Oxbow Carbon, LLC, which has given $2.75 million, including $1 million from its subsidiary Huron Carbon, LLC. Koch himself has also given $250,000 to Restore Our Future.

William Koch is the brother of Charles and David Koch, the well-known conservative donors, but he does not own a stake in the billionaire brothers' privately held Koch Industries.

Oxbow's interests include coal, natural gas and petroleum.

Energy interests

Oxbow Carbon spent $1.1 million on federal lobbying during the first six months of 2012, a sum that included payments to a firm run by Heather Podesta, the sister-in-law of President Bill Clinton's former chief of staff, John Podesta.

The company has lobbied on a variety of energy and environmental issues, such as greenhouse gas regulations and a desired land exchange in Utah and Colorado. Last year, records show the company also voiced concerns about proposed Department of Labor regulations, which Oxbow argued would "clearly and undeniably skew the employment landscape in favor of unionization."

Five other private companies have given $1 million to Restore Our Future:

- Florida- and Oklahoma- based Rooney Holdings, Inc.
- Utah-based Eli Publishing, Inc.
- Utah-based F8 LLC
- Idaho-based Melaleuca, Inc., including Melaleuca of Japan, Inc., Melaleuca of Asia Ltd. Co. and Melaleuca of Southeast Asia, Inc.

CRC Information Systems, Waterbury Properties LLC and Fairbanks Properties LLC combined to give $1 million apiece to both Restore Our Future and American Crossroads. The three companies are all headed by Robert Brockman and all listed the same return address — a P.O. Box in Dayton, Ohio — on campaign finance filings.

Four other privately held companies have donated at least $1 million to American Crossroads so far this election cycle:

- Contran Corp., the company of Texas super donor Harold Simmons ($2 million)
- Crow Holdings, LLC ($1.5 million)
- Whiteco Industries ($1 million)
- TRT Holdings ($1 million)

American Crossroads has also received $400,000 this year from Weaver Popcorn, the Indiana-based maker of the popcorn brands Pop Weaver and Trails End, which is sold by Boy Scouts across the country. This donation is on top of the $325,000 the company gave in 2010.

Both Restore Our Future and American Crossroads received new contributions from companies in June, records show.

Among them, publicly traded Scotts Miracle-Gro Co., which touts itself as the world's largest marketer of branded consumer lawn and garden products. Scotts gave $200,000 to Restore Our Future. Meanwhile, the privately held, Cincinnati-based car dealer Jeff Wyler Automotive Family, Inc. gave $50,000 to American Crossroads.

American Crossroads spokesman Jonathan Collegio declined to respond to specific questions.

When asked about the corporate contributions Restore Our Future has received, spokeswoman Brittany Gross said, "We don't discuss our donors." ■

Super PAC appeal, give until it 'feels good'

By Michael Beckel

Published Online: September 5, 2012

CHARLOTTE, N.C. — Super PAC fundraiser Paul Begala climbed atop a table and told a roomful of VIP donors that "giving until it hurts" isn't good enough.

"I want you to give until it feels good," he said, because it will "really hurt" to wake up Nov. 7 with Republican Mitt Romney on his way to the White House.

The high-profile Democratic operative was addressing donors at a cocktail party in downtown Charlotte Tuesday, just blocks from the convention hall where Democrats unveiled a platform that condemns big-money politics.

If elected, Romney and his fellow Republicans will "repeal the 20th century," Begala told the room.

Begala was one of President Bill Clinton's chief strategists and is now a top adviser to Priorities USA Action, a super PAC that is seeking to re-elect President Barack Obama.

Paul Begala speaking at CPAC in Washington D.C. Gage Skidmore/ Wikimedia Commons

Created in the wake of the U.S. Supreme Court's *Citizens United* ruling in 2010, super PACs can accept unlimited contributions from individuals, corporations and unions to be used to pay for political ads.

Democrats, who are being badly outraised by Republicans in the super PAC race, have criticized them, including Begala.

"I want to live in an America without super PACs," Begala said, shortly before announcing that Priorities USA Action had raised a record $10 million during the month of August.

Democrats have defended their reluctant embrace of the political organizations, saying if they don't create their own it will amount to unilateral disarmament.

"If [former Soviet leader Nikita] Khrushchev has nuclear weapons, I want President [John F.] Kennedy to have them too," Begala said.

Priorities, combined with two other Democratic super PACs have raised about $60 million — "brunch" for billionaire Sheldon Adelson, Begala joked.

Adelson and family have given more than $42 million to super PACs in the 2012 election aimed at defeating Democrats so far, according to research by the Center for Public Integrity

Priorities was created in 2011 by former White House aides Sean Sweeney and Bill Burton.

Democratic super PACs and nonprofits have been outraised by their Republican counterparts, Begala said.

He said that billionaire conservative brothers Charles and David Koch may spend as much as $200 million to influence the outcomes of the 2012 elections. American Crossroads and its sister 501(c)(4) nonprofit Crossroads GPS, both dedicated to supporting Republicans, have a fundraising goal of $300 million.

Begala said Democrats can "survive if we're outspent" but not if it's by a margin of 16-1, which is what happened to Romney's rivals in the GOP primary races.

The party was the first of the convention hosted by "Unity Convention 2012" — a joint fundraising committee that benefits Priorities USA Action and two other Democratic super PACS: Majority PAC, which is working to help the party retain control of the U.S. Senate and House Majority PAC, which aims to help Democrats regain control of Congress' lower chamber.

Today, Democratic super PAC donors will gather at the home of hedge-fund billionaire James Simons, as Politico previously reported. On Thursday Unity Convention 2012 will throw a late-night celebration with Jessica Alba, rapper Pitbull and the Scissor Sisters called "Super-O-Rama" at the North Carolina Music Factory, following Obama's acceptance speech. ■

Canadian-owned firm's mega-donation to super PAC raises 'legal red flags'

By Michael Beckel

Published Online: October 5, 2012

A MILLION-DOLLAR donation by a foreign-owned corporation to a Republican super PAC has raised legal concerns and opened up the controversial *Citizens United* Supreme Court decision to new criticism.

Restore Our Future, the super PAC supporting Republican Mitt Romney's run for president, received a $1 million donation in mid-August from reinsurance company OdysseyRe of Connecticut, a "wholly-owned subsidiary" of Canadian insurance and investment management giant Fairfax Financial Holdings Limited.

Fairfax Financial's founder is Indian-born V. Prem Watsa. Watsa serves as CEO and chairman and owns or controls 45 percent of the company's shares. He is also the chairman of the board of OdysseyRe, the American subsidiary.

The law says that any foreign national is prohibited from "directly or indirectly" contributing money to influence U.S. elections. That means no campaign donations, no donations to super PACs and no funding of political advertisements.

But campaign finance law is not as clear for U.S. subsidiaries of foreign companies as it is for individuals.

Most of the regulations on political spending by subsidiaries of foreign companies were written before corporations were legally allowed to fund political advertisements or donate to super PACs. And Republican members of the Federal Election Commission have thwarted the implementation of new rules regarding the practice.

Sen. Sheldon Whitehouse, D-R.I., is among those concerned about foreign-controlled corporations "exploiting loopholes in existing law" to influence U.S. elections. He calls the practice a "direct threat to our democracy."

"You can bet that wholly owned subsidiaries of foreign commercial entities have an agenda when they spend millions to sway the outcome of an election," Whitehouse told the Center for Public Integrity in a statement. "And you can bet that agenda is not promoting the interests of middle-class American voters."

OdysseyRe's donation "raises some legal red flags," says Paul S. Ryan, an attorney at the Campaign Legal Center.

The law lays out clear rules for political action committees associated with U.S. subsidiaries of foreign companies, Ryan says, but it is hazier on spending allowed in the wake of *Citizens United*.

"I would be very wary if I was a corporation based in the U.S., owned wholly by foreign nationals, of contributing to a federal political committee or making independent expenditures," he said.

He faults the FEC for failing to "provide clarity and guidance in this controversial and important area of the law."

Ellen Weintraub, the Democrat who currently serves as the FEC's vice chair, agrees with Ryan that the commission's leadership in this area has been lacking.

"We should make some decisions about what we think the appropriate role of these organizations is in this brave new world of corporate money in politics," she said.

"By not addressing [these issues] in a rulemaking, we're leaving uncertainty out there," Weintraub continued. "And when there's uncertainty, there's always a risk that folks may try to use that uncertainty to their own advantage."

Officials with OdysseyRe and Fairfax Financial maintain that no U.S. laws were broken.

Paul Rivett, Fairfax Financial's vice president of operations, said that OdysseyRe's Canadian parent company had "no role" in the decision to donate to Restore Our Future. Peter Lovell, general counsel of OdysseyRe, likewise said the firm's contribution was executed by a subcommittee of the company's board of directors comprised only of U.S. nationals.

"Neither our Canadian parent nor any other foreign nationals were part of the decision-making process to contribute to the super PAC," Lovell said.

Watsa has been called the Canadian Warren Buffett and his companies have flourished.

On its website, Fairfax boasts that it is "results oriented" and "not political." It reported more than $33 billion in assets and nearly $7.5 billion in revenue last year, despite a "record level of catastrophe claims." OdysseyRe reported assets of $10.6 billion at the end of 2011.

Watsa and his company cashed in on the collapse of the U.S. housing market by investing in complex financial instruments known as derivatives, according news accounts.

Since the beginning of 2008, Fairfax Financial has spent $320,000 on lobbying in Washington, D.C., and its issues include how derivatives are regulated under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The company is the subject of an IRS whistleblower's complaint, according to the New York Times, alleging that it received an unwarranted tax break of $400 million between 2003 and 2006, a claim Fairfax disputes.

The $1 million donation will likely be used for attack ads against President Barack Obama. And with less than five weeks until Election Day, $1 million is no insignificant amount. It's enough to buy at least a week or two's worth of ads in critical media markets. It also represents one-seventh of the money Restore Our Future collected in August.

Watsa told industry analysts in a conference call just before the election that the "the decision to make the contribution was made entirely by OdysseyRe."

"OdysseyRe chose to make that contribution because it is one of the only remaining reinsurers in the U.S. and it is paying US taxes," he said, according to a transcript. "The fact that competitors have moved offshore and pay lower taxes is a competitive disadvantage to OdysseyRe, and OdysseyRe believes Gov. Romney is the best choice to rectify this inequality."

Two of OdysseyRe's board members are deep-pocketed Republican donors.

In May, board vice chairman Andrew Barnard donated $75,800 to the Romney Victory Fund, a joint fundraising committee, and Brandon Sweitzer has donated more than $80,000 to federal candidates and political groups since 2002, federal records show, including $5,000 to Romney's current campaign.

All of Sweitzer's money has gone to Republicans, with the exception of $2,000 given to the PAC of the U.S. Chamber of Commerce, where Sweitzer also serves as a senior fellow.

Since the *Citizens United* decision, concerns have been raised about foreign influence on U.S. elections — a specter that in the past has plagued both Democrats and Republicans.

Scandal tainted the 1996 reelection of President Bill Clinton after Democratic Party fundraisers accepted millions of dollars from China, Korea and other foreign sources. And ahead of the 1994 election, then-chairman of the Republican National Committee Haley Barbour secured a $2 million loan from a Hong Kong businessman for a Republican group linked to the RNC.

In October of 2010, 15 Democratic senators, including Whitehouse, urged the FEC to "protect our elections from foreign influence." Weintraub and her two fellow Democratic commissioners pushed a proposal that outlined a variety of options to keep foreign money out, but it was not adopted by the commission.

The Democratic commissioners proposed that U.S. subsidiaries owned or controlled by foreign nationals should, at a minimum, establish a political action committee or "separate segregated fund," with money kept in a bank account separate from the general corporate treasury. Furthermore, foreigners should be prohibited from making decisions about spending that money on political ads.

A more restrictive proposal the three commissioners floated would have banned domestic subsidiaries of foreign corporations from funding political ads if more than 20 percent of the corporation's shares were owned by foreign nationals, or if a third of the corporation's board of directors were foreign nationals.

All of these ideas were met with unified opposition by the three Republican commissioners on the FEC, resulting, twice, in deadlocked 3-3 votes in 2011.

None of the GOP commissioners could immediately be reached for comment, but Weintraub says she hopes the regulatory body takes the initiative to grapple with these issues.

"We shouldn't just ignore it and let people make their own calls," she said. ■

Andrea Fuller and John Dunbar contributed to this report.

Mystery firm is election's top corporate donor at $5.3 million

COMPANIES GAVE $75 MILLION TO SUPER PACS

By Michael Beckel and Reity O'Brien

Published Online: November 5, 2012

THE BIGGEST corporate contributor in the 2012 election so far doesn't appear to make anything — other than very large contributions to a conservative super PAC.

Specialty Group Inc., of Knoxville, Tenn., donated nearly $5.3 million between Oct. 1 and Oct. 11 to FreedomWorks for America, which is affiliated with former GOP House Majority Leader Dick Armey.

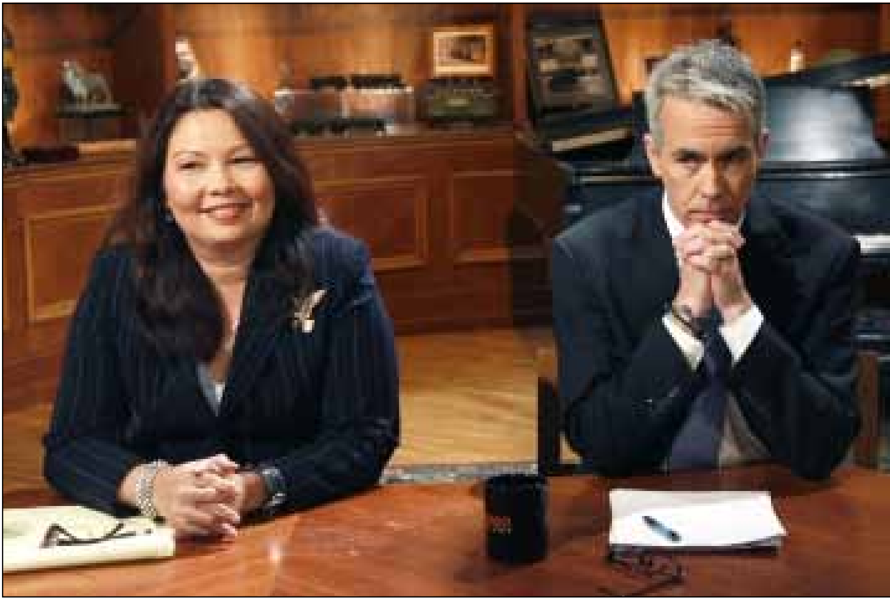
FreedomWorks' super PAC has spent more than $19 million on political advertising including $1.7 million on Oct. 29 opposing Tammy Duckworth, a Democrat running for Congress in Illinois against tea party favorite Joe Walsh, a first-term incumbent.

The buy was more than four times greater than the group's previous largest single expenditure.

Specialty was formed only a month ago. Its "principal office" is a private home in Knoxville. It has no website. And the only name associated with it is that of its registered agent, William S. Rose Jr., a lawyer whose phone number, listed in a legal directory, is disconnected.

Rose released a press release Monday saying the company was created to "buy, sell, develop and invest in a variety of real estate ventures and investments."

In the six-page statement, Rose said he was a "disappointed, yet staunchly patriotic, baby boomer" with concerns about the administration's handling of the terrorist



Republican U.S. Rep. Joe Walsh, right, and challenger Democrat Tammy Duckworth.
Charles Rex Arbogast/AP

attack on the U.S. diplomatic mission in Benghazi, Libya, as well as the Department of Justice's botched "Operation Fast and Furious" gunwalking program.

Specialty is the biggest and most mysterious corporate donor to super PACs, but it is not unique.

A new analysis by the Center for Public Integrity and the Center for Responsive Politics shows that companies have contributed roughly $75 million to super PACs in the 2012 election cycle.

Super PACs, which were created in the wake of the controversial U.S. Supreme Court's *Citizens United* decision in 2010, can accept donations of unlimited size from corporations, unions and individuals. They spend the funds mostly on negative advertising.

The Centers' analysis found that 85 percent of money from

Top 10 corporate donors for 2012 election cycle

Rank	Company	Total contributions
1	Specialty Group Inc.	$5.3 million
2	Oxbow Carbon LLC	$4.3 million
3	Contran Corp.	$3.0 million
4	Reynolds and Reynolds	$3.0 million
5	Cooperative of American Physicians	$2.8 million
6	Crow Holdings	$2.5 million
7	TRT Holdings	$2.5 million
8	Chevron Corp.	$2.5 million
9	Weaver Holdings	$2.4 million
10	The Villages	$1.6 million

Source/methodology: Center for Public Integrity and Center for Responsive Politics analysis of Federal Election Commission records. Totals include contributions from subsidiaries and related companies. Totals reflect donations made during 2011-2012 cycle, through Oct. 17, 2012.

companies flowed to GOP-aligned groups, 11 percent went to Democratic groups and the remainder went to organizations not aligned with either party.

Prior to *Citizens United*, corporate spending on candidate advertising was not allowed. The decision raised fears that massive donations from corporate treasuries would flood the election in 2012.

In fact, the largest amounts have come from wealthy businessmen. However, about 11 percent of the $660 million raised by all super PACs through mid-October has come from company treasuries — mostly privately held businesses, sometimes organized as limited partnerships or limited liability companies.

Yet a few high-profile companies haven't been afraid to jump into the partisan fray.

In mid-October, oil and gas giant Chevron donated $2.5 million to a super PAC close to House Speaker John Boehner, R-Ohio, called the Congressional Leadership Fund, which has aired a bevy of ads attacking Democratic House candidates.

Oxbow Carbon, the energy company owned by billionaire William Koch, the lesser-known brother of conservative industrialists David and Charles Koch, and Contran Corp., the business of Republican super donor Harold Simmons of Texas, have both steered significant sums to the coffers of super PACs.

Oxbow Carbon has donated $4.25 million to GOP super PACs, making it the No. 2 corporate donor to super PACs, while Contran, No. 3, has donated more than $3 million to Republican-aligned groups.

Another top corporate donor is a retirement community in central Florida known as The Villages — a Republican stronghold where Paul Ryan held his first campaign rally the day after GOP presidential nominee Mitt Romney named him as his running mate.

Developer H. Gary Morse created The Villages more than 50 years ago, and this election cycle, more than a dozen companies connected to Morse and The Villages have collectively steered $1.6 million to GOP super PACs. That's in addition to the $450,000 that Morse and his wife Renee have donated from their personal funds.

Notably, Morse is also the Florida co-chairman of the Romney campaign, and during the Republican National Convention, Morse's Cayman Island-flagged yacht, named "Cracker Bay," was the site of a soiree for some of Romney's top donors and fundraisers.

Other high-profile corporate donors include:

- The Apollo Group, a for-profit education company, which gave $75,000 to the pro- Romney Restore Our Future and another $5,000 to JAN PAC, the super PAC of Arizona's Republican Gov. Jan Brewer;
- Convenience store giant 7-Eleven, which donated $25,000 to Hoosiers for Jobs, a super PAC that supported Sen. Dick Lugar, R-Ind., during his failed primary campaign;
- Hamburger chain White Castle, which gave $25,000 to the Congressional Leadership Fund;

- Defense contractor B/E Aerospace, which gave $50,000 to Restore Our Future;
- Payday lender QC Holdings, which gave $25,000 to Restore Our Future; and
- Weaver Holdings, the parent company of the Indiana-popcorn company known for its brands "Pop Weaver" and "Trail's End," sold by Boy Scouts across the country, which has donated $2.4 million to American Crossroads, the super PAC founded by GOP strategists Karl Rove and Ed Gillespie.

Only a few other Fortune 500 companies have joined Chevron, which ranks third on the elite list behind only Exxon Mobil and Walmart, in making contributions to super PACs, and none have given as much as the energy giant.

Caesar's Entertainment Corp., for instance, ranked by Fortune at No. 288, has given $150,000 to Majority PAC, a group that is spending to help Democrats retain the majority in the U.S. Senate.

"Fortune 500 companies are the least likely to be the ones who will be out in front giving publicly," said Rick Hasen, a law professor at the University of California-Irvine. "They want to have influence over elections and elected officials, but they don't want to alienate customers."

By category, companies in the finance, insurance and real estate sector donated more than $15 million, "general business sector" firms gave about $14 million and energy sector companies contributed more than $11 million, according to the analysis.

Unions, by contrast, have donated about $60 million to super PACs, from their treasuries or political action committees.

The top union donors include the National Education Association ($9 million), the United Auto Workers ($8.6 million) and the AFL-CIO ($6.4 million). All of these groups have spent heavily on Democratic candidates.

Additional corporate money may be flowing through politically active nonprofits that don't disclose their funders.

"I strongly suspect that most of the corporate money is hiding in plain sight in trade associations like the U.S. Chamber of Commerce," said Ciara Torres-Spelliscy, a professor at the Stetson University College of Law.

For its part, the Chamber — which collects dues from companies such as Aetna, Chevron, Dow Chemical and Microsoft — has reported spending more than $35 million on political ads, which have overwhelmingly favored Republican politicians.

Facts about Specialty Group Inc. are scant.

Records filed with the Tennessee Secretary of State's office show it registered on Sept. 26, listing Rose, a 61-year-old attorney as its agent. Rose's $634,000 home — about a 30-minute drive from downtown Knoxville — is listed as its "principal office."

Yet the company's money has made a huge impact.

After the cash infusion from Specialty, FreedomWorks produced numerous advertisements, including one that blasts Duckworth as a crony of former Illinois Gov. Rod Blagojevich, who was impeached and sentenced to 14 years in federal prison following a corruption scandal.

Duckworth is a double amputee and Iraq War veteran. She headed Illinois' Department of Veteran Affairs and later served in President Barack Obama's U.S. Department of Veterans Affairs.

FreedomWorks' new ad features grainy footage of Duckworth and audio of her saying, "Gov. Blagojevich has charged me with the mission of taking care of my buddies, and that is what I'm doing." But it leaves out the fact that when she said "buddies," she was referring to other veterans and members of the military.

FreedomWorks for America treasurer and legal counsel Ryan Hecker says the organization only supports candidates who are "ethically right."

Anton Becker, Duckworth's campaign press secretary, says it's conservative outside groups who are peddling "lies."

When asked for details about Specialty Group and the source of its contributions, Hecker expressed ignorance, and doubted that voters care about where the money came from.

"We are in compliance with the law, and we are doing what we can to report to the Federal Election Commission," he said. "If there's an issue with Specialty, it's their issue. It's not our issue." ■

Andrea Fuller of the Center for Public Integrity contributed to this report.

This story is a collaboration between the Center for Public Integrity and the Center for Responsive Politics.

Las Vegas Sands Corp. Chief Executive Sheldon Adelson answers questions during a press conference. Sam Kang Li/AP

Investment managers top list of super PAC donors

TAX POLICIES COULD SAVE CASINO TITAN BILLIONS

By Rachael Marcus and Andrea Fuller

Published Online: November 5, 2012

DESPITE HIS vast wealth, Sheldon Adelson was not exactly a household name when the Republican presidential primary campaign got under way. But the casino magnate's multimillion-dollar contributions to a pro-Newt Gingrich super PAC ended that.

Adelson's support was linked to a shared stance with Gingrich as staunch supporters of Israel. Not quite so well publicized was Adelson's financial stake in who wins the presidency.

A second Obama term, thanks to the incumbent's proposed tax policies — could cost Adelson billions if he brought home profits earned at his overseas casinos, according to tax experts.

Since Gingrich flamed out in the primaries, Adelson and his wife Miriam have shifted their allegiance to GOP presidential nominee Mitt Romney, giving the pro-Romney super PAC Restore Our Future $20 million.

With Romney as president, Adelson, the billionaire chairman and CEO of the Las Vegas Sands Corp., could bring his profits home tax-free.

The Las Vegas Sands' overseas operations account for 86 percent of its revenue from casinos, hotels and shopping, according to its 2011 annual report to the Securities and Exchange Commission. The Sands' most lucrative holdings are in Macau, a special administrative region in China.

Super PACs like Restore Our Future can accept unlimited contributions from billionaires, corporations and unions and spend the money on ads helping their favorite candidates, thanks to the U.S. Supreme Court's 2010 *Citizens United* decision.

Adelson and family's nearly $54 million in contributions through Oct. 17 to conservative super PACs puts the gambling industry at second place among super PAC donors' corporate interests, according to the Center for Public Integrity's analysis of data from the Center for Responsive Politics and the Federal Election Commission.

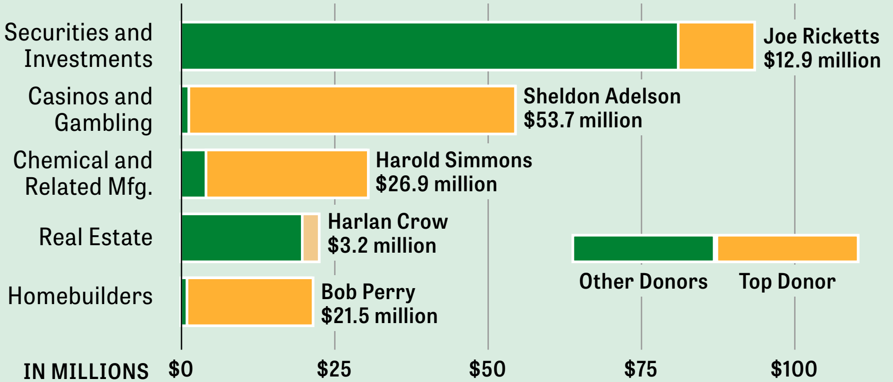
With no limits on giving, economic analysis of donations to super PACs are more about a few wealthy individuals' interests than fulfilling an industry's legislative goals.

Adelson and family are responsible for more than 98 percent of all casino industry contributions to super PACs — or $53.7 million out of $54.6 million — but his legislative agenda does not necessarily reflect that of the American Gaming Association, which lists as major issues online gambling and visa reform to allow more high rollers to come to American casinos.

Finance industry tops list

The top industry-donor to super PACs in the 2012 election cycle by far has been securities and investments at roughly $94 million, according to records.

Top 5 super PAC donors by industry



Source: Center for Public Integrity analysis of data provided by the Center for Responsive Politics, Federal Election Commission.

1. Securities and Investments — Total: $94 million*

Favorite candidate: Mitt Romney

Top donors: Ken Griffin, Paul Singer, Robert Mercer, John Paulson, Joe Ricketts

Donors' interests: Most favor limited regulation of financial markets and keeping taxes low, particularly on income from investments.

Industry's interest: Same as donors.

2. Casinos and Gambling — Total: $55 million

Favorite candidate: Mitt Romney

Top donors: Sheldon Adelson and family

Donors' interests: Keeping taxes low on overseas profits that are repatriated to the U.S., strong support for Israel.

Industry's interests: Removing online gaming restrictions and expanding the visa waiver program (so foreign tourists can more easily come to the U.S. to gamble), according to the American Gaming Association.

CONTINUED

* Totals through October 17, 2012

Top 5 super PAC donors by industry [CONTINUED]

3. Chemical and Related Manufacturing Total: $31 million

Favorite candidate: Mitt Romney

Top donors: Harold Simmons and his company, Contran Corp.

Donors' interests: Simmons's companies want to eliminate certain environmental regulations that have resulted in millions of dollars' worth of environmental cleanup costs for Contran subsidiary Valhi Inc. and led to numerous personal injury lawsuits against Valhi subsidiary NL Industries, according to Securities and Exchange Commission filings.

Industry's interests: Keeping the costs of environmental and safety regulations to a minimum while improving the industry's image relative to climate change.

- Keeping chemical regulation out of the hands of state governments and updating the Toxic Substances Control Act to ensure safety while balancing popular demand for stricter regulation with industry interests, according to the American Chemistry Council.

4. Real Estate Total: $23 million

Favorite candidate: Mitt Romney

Top donors: National Association of Realtors, Harlan Crow and Crow Holdings, Gary Morse and various Morse-owned corporations in The Villages retirement community in Florida

Donors' interests: The NAR wants to preserve the mortgage interest deduction, restructure Fannie Mae and Freddie Mac and raise the cap for credit union lending and Fannie- and Freddie-backed loans.

Industry's interests: Similar to those of the National Association of Realtors.

5. Homebuilders Total: $22 million

Favorite candidate: Mitt Romney

Top donors: Bob Perry

Donors' interests: Promotion of free markets, limitation of damage awards in jury verdicts and lowering taxes, among other issues.

Industry's interests: Maintaining federal support of home loans, preventing more foreclosures and reforming the housing appraisal process, according to the National Association of Home Builders.

The list of donors is dominated by a relatively small number of extremely wealthy hedge fund and private equity millionaires and billionaires. The top 10 individual donors to this industry are responsible for almost half of its super PAC contributions. Twenty-one people and two corporations have given $1 million or more.

The average itemized individual contribution to all super PACs is a little more than $23,000, according to the Center's analysis. The average contribution to a super PAC from the investment industry is more than $96,000.

The third-leading industry-donor, chemicals and related manufacturing, accounts for $31 million of all super PAC contributions, and almost $27 million comes from Harold Simmons, his wife Annette and his company. Contran Corp. controls several subsidiaries involved in chemical manufacturing, waste disposal and other businesses.

Topping Simmons' agenda is minimizing the regulatory reach of government, according to an interview he gave to The Wall Street Journal in March. Many of Contran's subsidiaries are subject to environmental regulations that cut into profits.

The fourth-leading donor by industry is real estate at about $23 million thanks to seven-figure donations from the National Association of Realtors and Harlan Crow and Crow Holdings. The NAR favors access to credit and tax breaks so more people can afford to buy homes.

Fifth is the homebuilding industry with about $22 million, again a category dominated by a single wealthy individual — Texan Bob Perry. He has given $21.5 million to conservative super PACs to date.

Perry is perhaps best known for financing the Swift Boat Veterans for Truth ads during the 2004 election that helped sink John Kerry's presidential campaign, but he has been a major donor to Texas political campaigns since the 1980s. He favors limiting damages a jury can award plaintiffs in civil suits.

Romney is 'one of them'

The largest donors from the investment industry are not investment banks but an exclusive sub-group known as "alternative investing" — hedge funds and private equity firms.

Among the 26 donors to Restore Our Future who have given $1 million or more, 11 are in the hedge fund or private equity business.

Among the alternative investment industry's top donors are Robert Mercer, a co-CEO of the hedge fund Renaissance Technologies, who gave $1 million to Restore Our Future and $600,000 to Club for Growth Action, which favors eliminating the capital gains tax.

Other top donors include TD Ameritrade founder Joe Ricketts, PayPal co-founder Peter Thiel, who now runs an investment firm, Paul Singer of Elliott Management, Wyoming investor Foster Friess and John Childs, chairman and CEO of a private equity firm.

Eighty percent of super PAC contributions from the investment community have gone to conservative super PACs, according to the Center's analysis.

James Simons, the founder of Renaissance Technologies, and George Soros*, the chairman of the hedge fund Soros Fund Management, have given a combined $10.1 million to pro-Obama and pro-Democratic super PACs.

Romney himself was a private equity man in his days at Bain Capital, which he co-founded.

"They view [Romney] as one of them," said David Kautter, the director of the Kogod Tax Center at American University. "They tend to view him as someone who accumulated substantial wealth doing what they do, someone who understands what they do and someone who believes that what they do provides substantial value to the economy."

Romney has said he would maintain, lower or eliminate the capital gains rate at various points during the race. Low rates benefit hedge fund and private equity managers, whose compensation comes primarily from investment returns.

Obama supports treating this type of compensation as regular income and subject to income tax rates up to 39.6 percent. In addition, Obama advocates raising the capital gains rate to 20 percent.

Adelson's gamble on Romney

Romney was not Adelson's top choice. Adelson invested $16.5 million in former House Speaker Gingrich via Winning Our Future, the primary

** George Soros is the chairman of the Open Society Foundation, which provides funding for the Center for Public Integrity. See list of the Center's donors at: www.publicintegrity.org/about/our-work/supporters.*

pro-Gingrich super PAC, before the candidate dropped out May 2.

Now the top supporter of Restore Our Future, Adelson has said he is willing to spend $100 million electing Romney and a Republican Congress. The spending has made him newsworthy.

Adelson's steadfast and occasionally controversial positions on Israel's national security have also increased his profile in the national media and provided fodder for the opposition.

He opposes a two-state solution for Israel and the Palestinian Authority, once calling it a "stepping stone for the destruction of Israel and the Jewish people."

He was also once one of the biggest backers of AIPAC — the American Israel Public Affairs Committee. But Adelson broke off relations with the group in 2007 when it supported increasing U.S. economic aid to Palestinians.

Adelson shifted his financial support to the Republican Jewish Coalition, where he sits on the board. The politically active nonprofit has reported spending $4.6 million on ads attacking Obama.

In an op-ed for the JNS News Service, Adelson wrote that American Jews should not trust Obama when it comes to Israel.

"For Obama, the issue is only political; for Israel, it's existential — a matter of survival," he wrote.

On paper, both Obama and Romney have similar positions on Israel — they both are committed to having a "special relationship" with the nation.

"Where they differ is in the way the current president perceives Israel," said Aaron David Miller, an Israel expert at the Woodrow Wilson Center. "Israel is more of a matter of national security interest than it is a values argument."

While Romney has a more "spontaneous, emotional instinct" to identify with Israel, Miller said, Obama seems less emotionally connected.

"In part it's a generational thing," Miller said — Obama came of age after the Israeli occupation. "And in part it's a matter of temperament."

Idealism or self-interest?

It is impossible to say for certain whether Adelson's support of Romney is based on idealism or self-interest or both. Adelson's spokesman refused to comment for this report.

Romney's tax policies and Adelson's financial interests are aligned, especially when it comes to tax treatment of overseas profits.

The Romney-backed "territorial tax system" would allow the Sands to bring its future foreign profits back to the U.S. free from U.S. income tax. Romney's plan also calls for a "tax holiday" that would allow American companies with profits stashed abroad to repatriate them tax-free.

A 2004 tax holiday resulted in the repatriation of one-third of all offshore earnings, according to a report from the Congressional Research Service.

Experts predict a territorial system would have a similar effect.

"I think it is very likely that more foreign earnings will end up back in the U.S. than we would have under the current worldwide system," said Kautter.

Obama opposes the territorial tax system and has proposed a minimum tax for multinational corporations' overseas earnings.

Under the current system, American companies that have operations abroad pay income tax to the country in which they earn the money then pay U.S. income tax when they bring profits home. Income taxes paid to the foreign government are deducted from the U.S. income tax when the money is repatriated; earnings left abroad are not subject to U.S. taxes.

Will McBride, the chief economist at the conservative Tax Foundation, calls the U.S. income tax on foreign profits a "repatriation tax."

"Naturally that discourages business from bringing that money back home," he said.

Obama and others argue that a territorial tax system would encourage American businesses to move overseas.

The Sands holds $5.6 billion in in overseas profits, according to its 2011 annual report. Under Romney's policy, Adelson and his company could repatriate it all for free.

The tax holiday combined with a switch to a territorial tax system would potentially provide a $1.8 billion tax break to the Sands the first year, according to a study from a liberal think tank, the Center for American Progress.

Adelson himself, as majority owner, stands to benefit.

"By a reasonable but conservative estimate, the tax cut he stands to get from Romney's tax policies over a four-year term would be well over $2 billion," said Seth Hanlon, the author of the study. "When you consider he's going to spend $100 million on the presidential race, the return on investment is more than 2000 percent." ■


Vucci/AP Tony Dejak/AP

Nonprofits outspent super PACs in 2010, trend may continue

By Michael Beckel

Published Online: June 18, 2012

WHILE super PACs were cast as the big, bad wolves during the last election, the groups were outspent by "social welfare" organizations by a 3-2 margin, a trend that may continue amid reports that major donors are giving tens of millions of dollars to the secretive nonprofit groups.

A joint investigation by the Center for Public Integrity and the Center for Responsive Politics has found that more than 100 nonprofits organized under section 501(c)(4) of the U.S. tax code spent roughly $95 million on political expenditures in the 2010 election compared with $65 million by super PACs.

Nearly 90 percent of the spending by these nonprofits — more than $84 million — came from groups that never publicly disclosed their funders, the joint analysis of Federal Election Commission data found. Another $8 million came from groups that only partially revealed their donors.

Unlike the nonprofits, super PACs are required to release the names of their contributors.

In terms of party allegiance, conservative "social welfare" groups outspent liberal groups $78 million to $16 million, nearly 5-to-1, according to the analysis.

So far in the 2012 election cycle, super PACs have far outspent nonprofits, thanks mainly to candidate-specific committees that were active during the GOP primaries. Super PACs have spent more than $120 million compared to about $9 million by 501(c)(4)s. But with clearly defined candidates for both the White House and in most congressional races, nonprofits are expected to become more active.

Billionaire casino owner Sheldon Adelson, for example, known for backing a super PAC that supported former House Speaker Newt Gingrich's failed presidential bid, has indicated he would give $35 million more to three conservative nonprofit groups, according to the Huffington Post.

Political warfare or 'social welfare'?

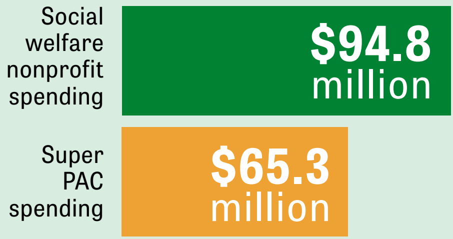
The 2010 midterm election was the first time outside groups were permitted to accept unlimited contributions from corporations, unions and wealthy individuals to spend on ads supporting or opposing candidates. The change occurred thanks to the U.S. Supreme Court's bombshell *Citizens United* decision, which came down in January 2010.

The high court's decision and a lower court ruling called SpeechNow made possible super PACs — political groups that played a huge role in the GOP presidential primary by collecting multimillion-dollar contributions from billionaires and using the funds to blast opposing candidates.

The Internal Revenue Service says that groups organized under section 501(c)(4) of the tax code

Secret donors propel nonprofit political spending

Nonprofit 'social welfare' organizations outspent the more highly publicized super PACs in 2010 on elections. Both can accept unlimited contributions from corporations, unions and wealthy individuals, but nonprofits do not have to report their donors.



"must be operated exclusively to promote social welfare." But they are also legally allowed to spend significant sums of money on electioneering and lobbying — so long as electoral politics isn't a group's primary purpose.

Meanwhile, the FEC requires nonprofits to report their expenses if they fall into one of three categories.

The first category is advertisements that expressly advocate for or against federal candidates, which are known as "independent expenditures."

The second is for broadcast ads that mention a federal candidate within 30 days of a primary or 60 days of a general election, but don't overtly urge viewers to elect or defeat that candidate. These are known as "electioneering communications."

And the last type are so-called "communication costs," which are internal political communications targeting a group's own members.

Three conservative groups accounted for more than half of all such spending: the American Action Network, Crossroads Grassroots Policy Strategies and the American Future Fund.

The American Action Network alone — with its $21 million in reported ad spending — accounted for more than $1 out of every $5 in political spending by 501(c)(4) nonprofits that was reported to the FEC in the 2010 election.

The group was created by Norm Coleman, former Republican senator from Minnesota, and describes itself as "center-right." It has spent most of its money attacking Democrats running for Congress. Its donors are secret, but the board includes longtime GOP operative and former Nixon administration official Fred Malek and billionaire Home Depot co-founder Kenneth Langone, according to its most recent tax return.

In 2010, Crossroads GPS reported spending more than $17 million, while the American Future Fund spent about $9.6 million. Crossroads GPS is the sister organization of super PAC American Crossroads, and both were co-founded by Republican strategist Karl Rove, the former adviser to ex-president George W. Bush. The Iowa-based American Future Fund was founded by Nick Ryan, who also founded the super PAC that promoted former Pennsylvania Sen. Rick Santorum during the GOP presidential primaries.

These groups aim to be major players in the 2012 election. But because of the way election spending is reported, the exact size of their investment is unknown.

Spending untraceable

Nonprofit groups are not only able to hide their contributors; they are also able to avoid reporting their expenditures. Take, for instance, Crossroads GPS.

According to a source who tracks political advertising buys, since the start of 2011, Crossroads GPS has spent more than $44 million on ads critical of President Barack Obama and congressional Democrats such as Sens. Sherrod Brown of Ohio, Jon Tester of Montana, Claire McCaskill of Missouri and Bill Nelson of Florida, who all face contentious re-election fights.

But because the bulk of the ads did not air within 30 days of a primary or 60 days of a general election, the group hasn't been required to report the spending to the FEC. Reports Crossroads GPS has filed with the FEC this election cycle say it has spent just over $200,000.

The U.S. Chamber of Commerce, which is classified as a 501(c)(6), is also known for this type of spending.

By November, Crossroads GPS, along with American Crossroads intends to spend between $240 million and $300 million, according to the groups. If past trends hold, the bulk of that spending is likely to come from Crossroads GPS.

It wasn't lawmakers' intention that 501(c) organizations such as Crossroads GPS would be able to keep their donors secret.

Under the McCain-Feingold campaign finance law passed in 2002, anyone who donated at least $1,000 for "electioneering communications" was required to be identified. Yet in a 2007 rulemaking, the FEC decided that it would only require groups to disclose their donors if the person gave "specifically for the purpose of furthering electioneering communications."

Unsurprisingly, few people give with explicit instructions and few groups opt for the voluntary disclosure.

Last summer, after the FEC asked Crossroads GPS for information about the donors who were bankrolling its spending during the midterm election, Thomas J. Josefiak, a lawyer for the group, said in a letter that the commission was misinterpreting its own reporting requirements.

"No contributions accepted by Crossroads Grassroots Policy Strategies were solicited or received 'for the purpose of furthering the reported independent expenditure,'" Josefiak wrote, citing the official regulatory language for what triggers disclosure.

"Accordingly, no contributions were required to be reported," he continued. "The omission of contributor information on future reports should not be assumed to be an oversight."

Campaign finance watchdogs don't think that Crossroads GPS and other politically active nonprofits should be off the hook when it comes to disclosure.

"The two most dangerous forms of money are unlimited contributions and secret money," said Fred Wertheimer, the president of the advocacy group Democracy 21. "History tells us that secret money and unlimited money are vehicles for corrupting government decisions and officeholders."

Wertheimer's group, along with the nonpartisan Campaign Legal Center, has called for the IRS to investigate several 501(c)(4) groups that he says are masquerading as nonprofits to avoid publicly revealing their funders.

The targeted groups include Crossroads GPS, American Action Network and Priorities USA, a pro-Obama nonprofit launched last year by former White House aides Sean Sweeney and Bill Burton.

In Congress, Rep. Chris Van Hollen (D-Md.) has also been attempting to change disclosure requirements — through both lawsuits and legislation.

Van Hollen's DISCLOSE Act, which, in 2010, passed the U.S. House of Representatives but failed to overcome a Republican filibuster in the U.S. Senate, was re-introduced in a slimmed down version earlier this year. Sen. Sheldon Whitehouse (D-R.I.) introduced companion legislation this spring as well.

Opposition to the bill has been led by the U.S. Chamber of Commerce, with other groups, such as the Center for Competitive Politics.

Allen Dickerson, the legal director of the Center for Competitive Politics, says that the DISCLOSE Act would impose "burdensome" requirements on political nonprofits and violate the civil rights of donors.

"This [bill] is an enormous expansion of the government's intervention in the internal workings of nonprofit groups," he said.

Nonprofits are super PAC donors too

While super PACs have been roundly criticized for their outsized — and largely negative — role in politics, they at least get credit for revealing their donors. But when the donor is a nonprofit, that's not the case.

For instance, three "social welfare" nonprofits — the National Association for Gun Rights, Campaign for Liberty and Independent Women's Voice — have paid a combined $22,500 to ChristinePAC for use of mailing lists, according to FEC records. The super PAC was created by tea party darling Christine O'Donnell, who bested Rep. Mike Castle in a Republican U.S. Senate primary in Delaware in 2010 but faltered during the general election.

Similarly, the GOP-aligned Congressional Leadership Fund has reported receiving more than $28,000 in in-kind contributions from the American Action Network.

Other super PACs to report in-kind contributions from nonprofits include the pro-Obama Priorities USA Action, the main super PAC supporting President Barack Obama, and FreedomWorks for America, a group tied to former Republican House Majority Leader Dick Armey.

In fact, since their creation in 2010, the Center for Public Integrity and Center for Responsive Politics found that about 15 percent of super PAC spending has been done by groups that have reported receiving contributions from a 501(c)(4) or a 501(c)(6).

Rick Hasen, a law professor at the University of California-Irvine, says the attack ads produced and funded by nonprofits are likely to have a "major impact" this year, "especially in congressional races."

"There's a lot of money flowing here beneath the radar," he said. ■

Pro-environment group gave grant to conservative nonprofit

By Michael Beckel

Published Online: October 11, 2012

'ENVIRONMENTALISTS punish companies without protecting people" is the headline of a column that appeared on the website of the American Action Forum a year ago.

The group has called for increased domestic production of oil, coal and natural gas. Officials there have criticized President Barack Obama's "eagerness to speed our progression to a low-carbon economy" and argued that the administration is "regulating coal out of existence."

The American Action Forum is also connected with a nonprofit and a super PAC that have spent millions of dollars on ads backing anti-regulation Republican candidates since 2010.

So why did the Energy Foundation, a San Francisco-based organization that funds the Sierra Club, the National Resources Defense Council, the Environmental Defense Fund and Earthjustice give the conservative nonprofit a six-figure donation last year?

Records obtained by the Center for Public Integrity show that the Energy Foundation, touted as the "leading funder of projects that address climate change," awarded the American Action Forum a $125,000 grant in 2011 for "high-level outreach and communications around carbon policy."

Jenny Coyle, a spokeswoman for the Energy Foundation, says her organization is "proud to fund a wide variety of organizations whether they are viewed as progressive or conservative."

"Clean energy is not a partisan issue," Coyle continued. "We believe that all demographics and groups will see the benefits of a prosperous

The Energy Foundation, which has given millions in support of renewable energy and environmental causes, made a six-figure contribution to a conservative nonprofit that opposes regulations on the energy industry. Toby Talbot-David J. Phillip/AP

and healthy clean energy economy."

Officials at the American Action Forum declined to comment about the grant.

According to records filed with the Internal Revenue Service, the Energy Foundation doled out more than $97 million in grants in 2010 to projects aimed at the adoption of stronger fuel efficiency standards for vehicles, the promotion of renewable energy technologies and the retirement of existing coal-fired power plants, among others.

Against that backdrop, the American Action Forum stands out as an unlikely beneficiary.

The group is not known as an environmental advocate. One of its projects tracks coal plants in the U.S. that are likely to close down under the Obama administration's new "regulatory burdens."

American Action Forum's president is Douglas Holtz-Eakin, who headed the Congressional Budget Office under President George W. Bush, served as top adviser to 2008

GOP presidential nominee John McCain and has had stints as a visiting fellow at the conservative Heritage Foundation and the American Enterprise Institute. Its board includes former Nixon operative Fred Malek, former GOP Sen. Norm Coleman of Minnesota, former GOP Gov. Tom Ridge of Pennsylvania and former GOP Gov. Jeb Bush of Florida.

Craig Holman, a lobbyist for the consumer group Public Citizen — which has also received grants from the Energy Foundation — says the American Action Forum "is not dedicated to clean energy."

He says the group favors deregulation and ending federal subsidies for renewable energy technologies that would tilt the playing field toward "established, traditional dirty sources of energy."

Catrina Rorke, the director of energy policy at the American Action Forum, argues that federal subsidies "are not the best tool to integrate new fuels into the market."

"We don't want to preferentially support one kind of energy over another," Rorke said.

Organized under section 501(c)(3) of the U.S. tax code, American Action Forum is focused on policy research and is affiliated with the American Action Network, which engages in advocacy as a "social welfare" group organized under section 501(c)(4) of the Internal Revenue Code.

The groups are also linked to a super PAC called the Congressional Leadership Fund.

All three organizations share office space and personnel, with Coleman and Malek playing leadership roles in each.

Malek founded both the American Action Network, where he is still a board member, and the American Action Forum, where he serves as chairman of the board. He also is a board member of the Congressional Leadership Fund.

Coleman, meanwhile, is a board member of the American Action Forum and is the chairman of both the American Action Network and the Congressional Leadership Fund.

Veteran GOP operative Brian Walsh — who served as the National Republican Congressional Committee's political director during the 2010 election cycle — is the president of both the American Action Network and Congressional Leadership Fund, which have run a plethora of attack ads against Democrats.

Records filed with the Federal Election Commission show that during the 2010 election cycle alone, American Action Network reported spending more than $18 million on political advertisements — more than any other "social welfare" nonprofit, according to the Center for Responsive Politics.

In this fall's hotly contested race in Minnesota's 8th District, it has attacked Democrat Rick Nolan for siding with the Environmental Protection Agency against a mining company. Nolan's campaign has said the former congressman will support the mining industry "without rolling back environmental and safety regulations for workers."

Similarly, in the highly competitive race in Ohio's 16th District, the Congressional Leadership Fund has spent more than $1 million on ads blasting Democratic Rep. Betty Sutton. Among the reasons given to oppose Sutton in November? Her vote during the 111th Congress in support of the so-called "cap-and-trade" legislation, which sought to establish both a cap on carbon emissions and a requirement that large utilities in each state increase the percentage of electricity they produce from renewable sources.

Donors to the Congressional Leadership Fund include Alpha Natural Resources, one of the country's leading producers of coal, which made a $5,000 donation from its corporate treasury in April.

According to the Center for Responsive Politics, the Congressional Leadership Fund has also received contributions from the political action committees connected to the Nuclear Energy Institute, the Edison Electric Institute, energy conglomerate Koch Industries, oil refining giant Valero Energy and Exelon, which is the largest nuclear power plant operator in the U.S. and last year was awarded a $646 million loan guarantee by the Department of Energy for one of its solar generation subsidiaries.

Super donors Sheldon Adelson, the billionaire casino owner from Nevada, and Bob Perry, the millionaire home builder from Texas, have both given generously to the Congressional Leadership Fund.

Neither American Action Forum nor American Action Network is required to publicly disclose donor information.

A review of IRS filings by the Center for Responsive Politics, however, found that donors to the American Action Network include the Republican Jewish Coalition, the American Natural Gas Alliance and Crossroads GPS, the nonprofit sister organization of conservative super PAC juggernaut American Crossroads. ■

Stealth spending on the rise as 2012 election approaches

OVERWHELMING PERCENTAGE OF INTEREST GROUP SPENDING ON NEGATIVE ADS

By John Dunbar

Published Online: October 18, 2012

IF THERE WAS a silver lining for open-government advocates in the U.S. Supreme Court's 2010 ruling that unleashed corporate and union spending on elections, it was that the identity of those who pay for all those annoying ads would be made public on a regular basis.

It hasn't quite worked out that way.

Since Labor Day, spending by outside groups taking advantage of the high court's *Citizens United* decision totaled a little more than $229 million, including unions. Forty-four percent of the total — $100 million — has come from non-disclosing, nonprofit corporations.

The clearest example comes from the top two spenders, two organizations that share the same post office box in Washington, D.C.

American Crossroads, the so-called super PAC co-founded by Republican strategist Karl Rove, has spent $33.1 million since Labor Day, according to Federal Election Commission records. Its top donor is Texas billionaire and businessman Harold Simmons, who along with his company, Contran Corp., has given $13 million to the group so far this election, according to a Center for Public Integrity review of Federal Election Commission records.

Second is Crossroads GPS, the

nonprofit sister organization of American Crossroads, also co-founded by Karl Rove, which has spent $30.3 million. Its top donor is — unknown. Crossroads GPS was organized as a nonprofit, "social welfare" organization. The Internal Revenue Service does not require it to disclose its donors to the public, nor does the FEC.

Both groups, which back Republicans, can pay for the same type of "express advocacy" ads, urging people not to cast a ballot in favor of a particular candidate — often in not-very-friendly ways.

Rounding out the top five spenders are the U.S. Chamber of Commerce, also a nonprofit, at No. 3 ($16 million); Priorities USA Action, at No. 4 (which favors President Barack Obama, $15.3 million); and House Majority PAC at No. 5 (which favors House Democratic candidates, $9.2 million).

Unions can make large donations to super PACs and direct expenditures from their treasuries thanks to *Citizens United*. So far, the direct spending totals a little more than $4 million.

For the presidential race, independent expenditures since Labor Day total $121 million. Twenty-seven percent was aimed at helping Obama; 71 percent at helping Romney.

If it seems ads are mostly negative, it is not your imagination. Eighty-eight percent of independent campaign spending went to negative ads, mailings and other materials.

Even super PACs, which do reveal their donors, at times report contributors that — you guessed it — don't reveal their donors.

The Now or Never super PAC, which shifted from backing unsuccessful tea party and Sarah Palin-backed candidate Sarah Steelman for Republican nominee for U.S. Senate from Missouri, is running ads opposing Iraq War veteran Tammy Duckworth, who is running as a Democrat in Illinois' 8th Congressional District.

The super PAC reported contributions of $2.3 million in quarterly filings with the FEC released Monday. Of the total, $2 million came from Americans for Limited Government — a nonprofit that doesn't reveal its donors. ■

Rachael Marcus contributed to this report.

Drug lobby gave $750,000 to pro-Hatch nonprofit in Utah's U.S. Senate race

VOTERS UNAWARE OF DONATION

By Michael Beckel

Published Online: November 29, 2012

WHEN SIX-TERM GOP incumbent Sen. Orrin Hatch of Utah faced the prospect of a mutiny from conservative activists, his allies within the pharmaceutical industry stepped in to help defend him.

New documents obtained by the Center for Public Integrity show that the drug lobby's main trade group, the Pharmaceutical Research and Manufacturers of America (PhRMA), gave $750,000 in 2011 to Freedom Path, a nonprofit group that spent big to help Hatch win another term.

Despite his solid conservative credentials, Hatch drew a primary challenge from former state Sen. Dan Liljenquist in the 2012 election. Hatch out-fundraised the challenger by an 11-1 margin, but Liljenquist was helped by super PAC FreedomWorks for America, which reported spending nearly $1 million on anti-Hatch ads.

Filings with the Federal Election Commission indicate that Freedom Path spent at least $517,000 on ads designed to help Hatch's electoral prospects, though Freedom Path board member Scott Bensing said the group's spending was closer to $1 million.

The drug lobby's donation was revealed on PhRMA's newly filed

Form 990 with the Internal Revenue Service, which covers the 2011 calendar year. Since the donation went to a nonprofit, it was not required to be reported to the Federal Election Commission.

PhRMA made contributions to several other politically linked nonprofits, including:

- $500,000 to “Montana Growth,” which appears to be a group that produced fliers and radio ads supporting a conservative candidate for the state Supreme Court;
- $264,500 to the American Legislative Exchange Council, a controversial organization made up of state lawmakers and corporate executives that creates “model legislation” for state legislatures;
- $250,000 to the liberal-aligned Citizens for Strength and Security;
- $200,000 to anti-tax crusader Grover Norquist’s Americans for Tax Reform;
- $40,000 to conservative think tank the Heritage Foundation; and
- $40,000 to the Utah Families Foundation, which Hatch helped start in the 1990s and still raises money for.

In this Thursday, June 28, 2012 photo, Sen. Orrin Hatch, R-Utah, talks with The Associated Press at his office on Capitol Hill in Washington. Cliff Owen/AP

Freedom Path is a “front group set up to protect Orrin Hatch,” said Russ Walker, FreedomWorks’ vice president of political and grassroots campaigns.

“Orrin Hatch has always worked hard for the drug lobby,” Walker said. “He has always been an advocate for their positions."

A spokesperson for Hatch did not respond to requests for comment.

But Dave Hansen, Hatch's campaign manager, said by law the campaign couldn't coordinate with Freedom Path.

"We had no contact with them," he said. "And did not know what they were doing, when they did it or where they got their funds from."

According to Bensing, Freedom Path seeks a "more accountable federal budget, a balanced budget amendment and less intrusive government."

He said his organization has received money from about "eight to 10" contributors, totaling roughly $1.5 million since its launch last year. He declined to identify any of these backers. The group reported raising $850,000 in 2011 from two donors, according to an IRS document obtained by the Center for Responsive Politics.

Earlier this year, Liljenquist complained to The Salt Lake Tribune about the lack of information about Freedom Path.

"Organizations have just as much right as people to participate in politics, but there should be visibility on who is funding them and where that money is coming from," he said.

Federal rules only require Freedom Path, which is a 501(c)(4) "social welfare" nonprofit, to disclose its donors if a contribution is earmarked for a specific advertisement. Freedom Path officials says the group has not solicited money for particular ads.

Like Freedom Path, FreedomWorks operates a nonprofit wing that does not reveal its donors. The non-disclosing nonprofit also accounted for about 15 percent of the $15 million raised by its super PAC arm.

Friend of PhRMA

Hatch received more campaign contributions from the pharmaceutical industry than any other member of Congress in the 2011-2012 election cycle, some $448,000, according to the Center for Responsive Politics.

The 78-year-old lawmaker sits on the Senate Health, Education, Labor and Pensions Committee and is the ranking GOP member on the powerful Senate Finance Committee.

As far back as 1984, he authored legislation with Rep. Henry Waxman, D-Calif., that helped allow

PhRMA tax filing

The complete IRS Form 990 for calendar year 2011 for the Pharmaceutical Research and Manufacturers of America (PhRMA), the drug industry's main lobbying group, can be found online at: **www.publicintegrity.org/2012/11/29/11868/phrma-tax-filing.**

generic drugs to flourish but also gave brand-name pharmaceutical companies new powers to contest patent infringements by generics.

And he helped spearhead a successful effort to give pharmaceutical companies 12 years of exclusive rights to sell biologic drugs rather than the seven-year period favored by President Barack Obama during the health care reform debate.

Furthermore, his son, Scott Hatch, is a partner at a lobbying firm whose clients include PhRMA and drug-maker GlaxoSmithKline, though both Hatches have maintained that Scott does not lobby his father or his office.

PhRMA declined to respond to direct questions from the Center. Senior vice president Matthew Bennett said in a written statement that the group "often makes grants or charitable contributions to organizations that share PhRMA's goals."

PhRMA spent more than $14 million on lobbying in the first three quarters of this year and donated $185,500 to politicians via its PAC during the 2012 election cycle, including $6,000 to Hatch, federal records show.

In July, it also gave $50,000 to a joint fundraising committee that benefited three Democratic super PACs: Majority PAC, House Majority PAC and Priorities USA Action, which supported Obama's re-election.

The new IRS filing further shows that PhRMA contributed $5,000 to the American Action Network, a conservative nonprofit headed by former Sen. Norm Coleman. That's down significantly from the $4.5 million PhRMA donated to the group in 2010.

PhRMA officials declined to comment about whether the organization gave additional money to American Action Network in 2012.

Long-time ALEC member

PhRMA has provided financial support to the Republican-dominated

American Legislative Exchange Council for years. Jeffrey Bond, a senior vice president at PhRMA, sits on ALEC's "private enterprise board."

The organization opposes policies that would allow U.S. consumers to buy prescription drugs from countries such as Canada at bargain prices and bring them back to the United States. It has also pushed model legislation aimed at countering proposals that advocate for government-mandated price controls on pharmaceuticals.

Meanwhile, in a seeming departure, the trade group appears to have given a large contribution to an organization active in Montana's Supreme Court election.

Montana Growth, whose address is listed as a mailbox at a UPS store in Washington, D.C., on the IRS form, appears to be the "Montana Growth Network," which sought to influence the state's nonpartisan judicial race. State District Judge Laurie McKinnon defeated Missoula public defender Ed Sheehy for an open seat on the high court, after attorney Elizabeth Best was knocked out during a contentious primary.

McKinnon was endorsed by the Montana Chamber of Commerce and Montana Farm Bureau, while the Montana Growth Network attacked Sheehy for a case in which he argued that the death penalty was unconstitutional.

The $500,000 donation was far more than the candidates raised in a state where contribution limits are among the lowest in the nation.

McKinnon, who won with about 56 percent of the vote, raised about $87,000 while Sheehy raised roughly $67,000, according to the nonpartisan National Institute on Money in State Politics.

Group's origins questioned

In 2010, Hatch's Republican colleague, Sen. Bob Bennett, was targeted by tea party-aligned activists and thwarted from winning a fourth term in the U.S. Senate. Hatch wanted to avoid a similar fate.

Bennett's re-election was opposed by the anti-tax group Club for Growth as well as FreedomWorks, which is headed by former Republican House Majority Leader Dick Armey.

Freedom Path's first ad was released in July of 2011. It touted Hatch and tea party-backed freshman Sen. Mike Lee, who bested Bennett in 2010, as "leading the fight in Washington to get spending under control," though Lee had declined to endorse Hatch before the June primary.

Another ad in January championed Hatch as "leading the conservative charge to repeal Obamacare." And one ad in March trumpeted the balanced budget amendment introduced by Hatch and Lee.

The group also produced several advertisements attacking Liljenquist.

Ultimately, Hatch prevailed, capturing about two-thirds of the vote.

During the contested primary election, all that was known about Freedom Path was its leadership, which has ties to the National Republican Senatorial Committee and former Sen. John Ensign, R-Nev.

In addition to Bensing, the group's board members include GOP operative Mark Emerson.

Bensing is a lobbyist at the firm SB Strategic Consulting, whose clients include the Nevada Department of Transportation, Station Casinos in Las Vegas and Zuffa LLC, the parent company of the Ultimate Fighting Championship.

He previously worked as Ensign's chief of staff and as the executive director of the NRSC.

Emerson, meanwhile, previously worked for Hatch and served as Ensign's chief of staff in the U.S. House of Representatives. He once was the executive director of the Utah Republican Party.

During the campaign, Freedom Path also hired the consulting firm November Inc., which is headed by Mike Slanker, a former NRSC operative and Ensign aide.

Sheila Krumholz, the executive director the Center for Responsive Politics, said PhRMA's $750,000 contribution to Freedom Path allowed the drug lobby to claim some credit for Hatch's victory, "without being directly linked to the outside group's expenditure if he'd lost."

Rick Hasen, a professor at the University of California-Irvine law school, added that voters should have been informed of the donation because it would have helped them judge the "credibility of the ads."

"Groups adopt anodyne names like 'Freedom Path' which reveal nothing to voters about who is really behind [their] political advertising," he said. "Voters may have liked or not liked that Sen. Hatch's election was being supported by the pharmaceutical industry, but they should have known about it." ■

Citizens United in the states

Contribution limits at risk in states thanks to Supreme Court

By Amy Myers

Published Online: June 27, 2012

A **CAMPAIGN** finance arms race is in danger of breaking out in Illinois and at least three other states as lawmakers use the Supreme Court's *Citizens United* decision as justification for raising or even eliminating campaign contribution limits.

In Illinois, for example, the legislature voted last month to repeal limits on corporate contributions to candidates when super PACs or individuals spend more than $250,000 on a state race or $100,000 on a local race.

The move would balance spending between outside groups and candidates, say supporters. But it could also lead to far greater spending in elections, raising concerns about possible corruption, say critics.

Twenty-four states had bans in place against corporate or union spending on elections that were knocked down by *Citizens United*. Nineteen of the 24 states passed laws to require better disclosure.

The Illinois bill, introduced by House Majority Leader Barbara Flynn Currie, D-Chicago, expands an existing loophole in Illinois' campaign finance law.

In May, the bill passed the state House 30-26 and the Senate 63-55 with no Republican support and awaits Gov. Pat Quinn's signature or veto. Quinn signed campaign finance legislation into law in 2009 that limited contributions to elected

Illinois Gov. Pat Quinn and Chicago Mayor Rahm Emanuel, right.
M. Spencer Green/AP

officials to $5,000 from an individual, $10,000 from a business or labor group and $50,000 from a regulated political action committee.

The same law also limited donations to outside spending groups. The law went into effect in January 2011. But the outside spending provision was ruled unconstitutional by a federal judge, who cited the *Citizens United* decision.

"I want to level the playing field as best I can manage," Currie said. She says that her bill will help candidates who face opposition from wealthy super PACs.

With the current limits on candidates and unrestricted spending by super PACs, Currie said, "you're basically turning over our democracy to the deepest pockets."

That's exactly what opponents, led by Rep. Jim Durkin, R-Western Springs, fear the bill will do. He called the legislation a "direct about-face" on campaign finance reform and a reversal of any progress the state legislature had made in combating corruption.

Campaign watchdog groups Change! Illinois and the Illinois Campaign for Political Reform (ICPR) are calling for a veto of the bill and instead are asking for increased penalties for coordinated activities between super PACs and candidates.

The law would give wealthy groups even more control — a super PAC donor would effectively have the power to create a no-contribution-limit election, according to David Morrison, the deputy director of the ICPR.

Morrison, testifying before a legislative committee, said that spending in races for the Illinois Supreme Court seats and for Chicago mayor had historically exceeded the threshold proposed in the bill.

Though *Citizens United* overturned limitations on corporate and/or union spending in 24 states it upheld the states' power to set limits on direct campaign contributions to candidates as tools for fighting corruption.

The U.S. Supreme Court has said that contributions to candidates, unlike uncoordinated independent expenditures, have a greater potential for creating corruption.

Prior to 2011, Illinois was among five states to allow unrestricted donations from corporations or individuals to candidates. Lawmakers placed these limits after a number of highly-publicized corruption cases, including the arrests of two Illinois governors.

In 2006, Gov. George Ryan was jailed on federal corruption charges. Three years later, Gov. Rod Blagojevich was indicted on charges of bribery. In one instance, FBI tapes revealed Blagojevich requesting $100,000 in the form of a campaign contribution from a horse racing track owner in exchange for huge industry subsidies.

The push in Illinois to increase direct contribution limits to offset the flow of outside corporate spending threatens to undo the regulations prompted by the scandals, say advocates for reform.

The U.S. Supreme Court Monday reversed a Montana law that banned outside spending by corporations. But state and local governments are free to set limits on donations made directly to candidates.

In March, Connecticut lawmakers considered a proposal eliminating certain limits on campaign fundraising. But the initiative did not make it through the state legislature.

Malloy, the first governor elected through a publicly financed campaign, said that the proposal would level the playing field for other publicly financed candidates that face wealthy super PACs.

In Los Angeles, a city ethics commission is considering a proposal to raise the 27-year-old campaign donation caps for local elections. City Council President Herb Wesson feared that without raising the contribution limits, city candidates could not compete against the unlimited spending from the super PACs.

According to the Los Angeles Times, he told a panel in December, "If it were me, I'd say let's have no limits at all but just report [donations] faster."

More changes could be on the way, according to Trey Grayson, the director of Harvard University's Institute for Politics and former Kentucky secretary of state.

Super PAC spending in upcoming local elections, according to Grayson, could spur state legislators to raise or eliminate campaign contribution limits and increase disclosure laws. Rather than being proactive, lawmakers will likely react once they see how outside groups are affecting state and local races, he said.

Super PAC Liberty for All played a huge role in a Kentucky GOP primary in May, spending about twice as much as any candidate for the 4th District state House seat. With the help of super PAC funding, tea party candidate Thomas Massie beat six Republicans to win the nomination with 45 percent of the vote.

Now, state lawmakers are pushing to more than double the campaign contribution limits for individuals, from $1,000 to $2,500 per candidate.

According to a report from the National Conference on State Legislatures on the 2011-2012 election cycle, just four states have no limits on candidate contributions — Missouri, Oregon, Utah and Virginia.

Seven states — Alabama, Indiana, Iowa, Mississippi, North Dakota, Pennsylvania, and Texas — restrict contributions by unions and corporations, but allow unlimited contributions from individuals. ■

Wisconsin Gov. Scott Walker is surrounded by reporters after speaking to the Illinois Chamber of Commerce on April 17, 2012, in Springfield, Ill. Seth Perlman/AP

Wisconsin recall breaks record thanks to outside cash

By Paul Abowd

Published Online: June 3, 2012

TUESDAY'S recall election of Republican Gov. Scott Walker is the most expensive in Wisconsin history. More than $63.5 million has been spent by candidates and independent groups, the overwhelming majority underwritten by out-of-state sources.

The record spending total was made possible thanks to the *Citizens United* U.S. Supreme Court decision — which had the effect of invalidating Wisconsin's century-old ban on independent expenditures by corporations and unions — and a state law that allows unlimited contributions to the incumbent in recall elections.

The amount spent since November 2011 trounces the state's previous record of $37.4 million, set during the 2010 gubernatorial campaign.

The election has become a national referendum on the future of public sector unions, which have been a major force within the Democratic Party for decades.

In the first of two debates, Walker vowed to "stand up and take on the powerful special interests," suggesting that national unions have propped up his Democratic challenger, Milwaukee Mayor Tom Barrett.

While Barrett has received about 26 percent of his $4 million in campaign donations from outside the Badger State, Walker has drawn nearly two-thirds of his $30.5 million contributions from out of state, according to campaign filings released May 29. Walker has outraised Barrett 7 ½ to 1 since late 2011, though Barrett didn't enter the race until late March.

"It's big time," said Mike McCabe, director of the campaign finance watchdog Wisconsin Democracy Campaign, which compiled the numbers. "We have a level of outside interference in this election that the state has never been seen before."

Union money pours in

Campaign contributions tell only part of the story. National unions have kept Barrett's campaign alive by funding outside groups dedicated to defeating Walker.

More than a year since Walker limited collective bargaining rights for most public employees, the nation's three largest public unions — the National Education Association (NEA), American Federation of State, County and Municipal Employees (AFSCME), and the Service Employees International Union (SEIU) — have channeled at least $2 million from their treasuries and super PACs to two Wisconsin-based independent expenditure groups.

The American Federation of Teachers, United Food and Commercial Workers, Teamsters and the United Autoworkers have also dipped into their D.C. treasuries for the Wisconsin recall.

The unions, however, have struggled to keep up with Walker's deep-pocketed, anti-union friends. They include the Republican Governors Association, which received a $1 million contribution from conservative billionaire David Koch in February, and billionaire casino owner Sheldon Adelson.

On March 7, the NEA, the nation's largest union, transferred $3 million to its super PAC, the NEA Advocacy Fund. A week later, that super PAC sent $500,000 to the We Are Wisconsin Political Fund, a state-based independent expenditure group headed by the state AFL-CIO's president. The fund has spent the money on direct mail, phone banking, canvassing and support for other pro-recall groups in the state.

With access to unlimited corporate and union dollars, independent expenditure groups in Wisconsin may advocate for or against an opponent, but must disclose their donors and spending to the state's Government Accountability Board.

In early April, the SEIU sent two contributions totaling $500,000 to the We are Wisconsin PAC, which makes direct donations to candidates and parties.

The NEA and SEIU declined to comment for this story.

Union funds ground game

A third public sector union based in Washington, D.C., AFSCME, has set up a special account for the Wisconsin battles, which also include recall votes for four GOP state senators. Much of that money has gone to staff a vast, union-funded network of dozens of field offices in the state.

Two weeks before the primary, the national union wrote a $500,000 check to bolster We are Wisconsin, which has paid for union staff from Alaska to Massachusetts to boost the ground game.

"This election is going to boil down to a turnout game," said AFSCME national spokesman Chris Fleming.

Labor unions had heavily favored former Dane County Executive Kathleen Falk to challenge Walker.

"Let's face it, I wasn't their first choice," said Barrett in May. AFSCME, a major Falk funder, criticized Barrett during the Democratic primary for trying to wring concessions from Milwaukee public employees.

But when Falk lost to Barrett in the May 8 Democratic primary, national unions quickly shifted their support to Barrett — who lost to

Walker by 5 points in 2010.

We are Wisconsin and a second group, the Greater Wisconsin Committee, saw an infusion of union cash for Barrett's second attempt in May. We are Wisconsin got another $500,000 from the NEA' Advocacy Fund on May 7 — making for a cool million from the teachers union super PAC in under two months.

The American Federation of Teachers also chipped in $350,000 in May.

We are Wisconsin has spread its wealth too, sending $1.3 million in May to Greater Wisconsin, a one-stop political shop comprised of a 527, a (c)4, a PAC, and an independent expenditure fund.

In late May, Greater Wisconsin took a $500,000 donation from AFSCME and $900,000 more from the Democratic Governors Association to fuel a final online, radio, and TV ad push in the week ahead of the vote.

Walker's campaign did not return calls for comment, but the governor called Greater Wisconsin "a front group for all the union money coming in."

Union leaders say the opposition to Walker is home grown.

"I would tell Walker to look in his backyard," says Fleming of AFSCME. "There were people from Eau Claire and Waukesha and Green Bay, putting together the largest demonstrations at the Capitol since the Vietnam War."

'Outrageous, wrong and legal'

Walker, meanwhile, has benefitted from the state's election finance rules that allowed his campaign to raise unlimited contributions from individuals after recall petitions were filed in November 2011. His challengers could take no more than $10,000 from individuals.

Through April, Walker's top three donors combined gave more than challenger Barrett's campaign had raised overall. Four of Walker's top seven donors are out-of-state billionaires, including former Amway CEO and former Michigan gubernatorial candidate Dick DeVos, and casino magnate Adelson, who each gave $250,000.

Adelson has given $26.5 million to super PACs in the 2012 election — most of it to Winning Our Future, a pro-Newt Gingrich group — making him the most prolific super PAC contributor so far, according to a Center for Public Integrity report. Though he is known primarily for his support of Israel, Adelson also has an extensive history of bitter disputes with unions who want

When *Citizens United* came down, it didn't just nullify Wisconsin's 1905 ban on corporate campaign cash, it also plunged much of the state's campaign finance reporting into darkness.

to organize at his exclusively non-union casinos.

When *Citizens United* came down, it didn't just nullify Wisconsin's 1905 ban on corporate campaign cash, it also plunged much of the state's campaign finance reporting into darkness.

"Because corporate and labor expenditures were previously illegal, there were no disclosure laws to regulate their spending," said McCabe. "There's been a precipitous drop off in transparency."

Since *Citizens United*, Wisconsin's Government Accountability Board requires independent expenditure groups to register as so-called "1.91 groups," named for the state rule that created them. Of the more than $63 million spent in the race, $22 million has come from these groups, according to the Wisconsin Democracy Campaign.

Similar to federal super PACs, 1.91 groups can raise and spend unlimited corporate or union dollars and urge voters to support or oppose a candidate. Also, like federal super PACs, they must report their donors — except when they can avoid it.

The Republican Governors Association has spent roughly $4 million on campaign ads through its Right Direction Wisconsin PAC since April 23. But because the RGA's PAC is based out-of-state, it only has to disclose to state regulators its donations coming from inside Wisconsin, a glaring loophole.

Of its most recent $4 million outlay, the RGA raised only a little over $7,000 from inside the state.

The RGA does have to report donors to the IRS, and its 2012 first quarter filing reveals a $500,000 donation from the Chamber of Commerce and a $1 million February contribution from Koch.

McCabe says the 1.91 groups that are based in-state, like We Are Wisconsin and Greater Wisconsin, also have ways around disclosure rules. The nonprofit arms of these organizations don't have to disclose donors, and can funnel unlimited money from undisclosed sources into independent expenditure funds — making the source of a lot of campaign cash "nearly impossible to track."

For example, Greater Wisconsin transferred $191,000 from its political fund to its independent expenditure fund in early May. The money would be spent on ads supporting Barrett or opposing Walker. Because its political fund does not have to report donors to the state, no one knows who paid for the ads — an end-around the state's disclosure rules that parallels campaign financing tricks at the federal level.

The group is required to report its donors to the IRS. Its report covering the second quarter of 2012 is due July 15.

Then there are issue ad groups which raise and spend unlimited funds, and do not register or disclose their spending. However, they are barred from urging voters to support or oppose a candidate.

The Campaign for Wisconsin Democracy gathers purchasing data from media outlets, and estimates about $8.5 million in issue ads have been bought during the recall.

The right-wing groups Americans for Prosperity and Wisconsin Manufacturers and Commerce, known as "Wisconsin's Business Voice," and the anti-union Center for Union Facts have made roughly 75 percent of those purchases. Greater Wisconsin has spent about $2 million, according to McCabe.

Despite the record fundraising numbers and the unprecedented degree of outside influence, neither Walker's haul from out-of-state billionaires, nor the national union cash infusion breaks campaign finance law.

In total, outside spending made by independent expenditure groups and Issue ad organizations, totals $30.5 million in the recall election — well over half of which has been contributed by undisclosed sources, according to the Wisconsin Democracy Campaign.

"All the spending is outrageous and wrong, but it's also legal," says McCabe.

Capital versus people

Wisconsin is ground zero in a national fight for unions, which have supported state-based legal and ballot campaigns to overturn laws restricting collective bargaining and automatic dues check offs — as they have in Wisconsin, Ohio, Arizona and Michigan.

McCabe says the unions better bank on a ground game, because they can't compete long-term with corporations.

"I always thought it was foolhardy to play a capital-intensive game when the unions have people, and their adversaries have capital," he says. "They just can't keep up."

The intense spending by outside groups has made a lot of Wisconsinites feel powerless.

Elena Barham is a West Madison High School senior who helped form the Students for Wisconsin PAC. So far, the group has raised about $30 from T-shirt sales.

"Our goal is not money-based," said Barham, whose group has focused on voter registration among young voters. "It's about showing that a grassroots effort could have an impact."

Barham's PAC produced a Web ad critical of Walker's cuts to education and is canvassing in pivotal Dane County — where Barrett needs to win big to have a chance.

At school, Barham has the difficult task of rallying enthusiasm.

"High school kids see all this big money and say, 'I don't have a million dollars,'" she said. "It's hard to convince people of their political efficacy — it's discouraging."

Update

June 7, 2012

Outside groups made a final spending blitz on the weekend before the recall vote. According to the Wisconsin Democracy Campaign, outside spending, which includes independent expenditures and issue ad buys, now totals roughly $33.5 million.

Of this sum, Walker supporters outspent Barrett supporters $18 million to $15.5 million.

The state's registered 1.91 groups —which can spend unlimited corporate and union dollars to expressly advocate for candidates thanks to *Citizens United* — spent $24.5 million.

Unions devoted their resources to 1.91 groups, spending about $13.5 million on ads and field staff. The Walker camp benefited from major spending by the Republican Governors Association, whose Right Direction Wisconsin group made a majority of the Walker camp's $11 million in independent expenditures.

Judicial candidates vulnerable to outside spending

UGLY SUPREME COURT PRIMARY IN ILLINOIS

By Amy Myers

Published Online: August 21, 2012

WEEKS before the March primary, Aurelia Pucinski looked like a shoe-in for a 10-year seat on Illinois' highest court.

Polls published in the *Chicago Sun-Times* had her up by 20 points a month before the Democratic primary. The daughter of a famous Illinois congressman, she also had great name recognition — a rarity in judicial races.

But days before the election, mailers began appearing all over Cook County, calling her unqualified and "anti-choice." Pucinski says she could not address the charge — the state judicial code of conduct prohibits candidates from commenting on an issue that may come before the court.

The tide turned in a week. Instead of cruising to an easy victory, Pucinski lost by 28 points.

The mailers were not paid for by any of her opponents. Instead, they were funded by Personal PAC, an abortion rights group that has had a hand in Illinois politics since 1978. Personal PAC spent $200,000 on ads to make sure its favored candidate, Justice Mary Jane Theis, remained on the bench.

"I lost dirty, and that troubles me," Pucinksi said.

Thirty-nine states elect at least some of their judges, according to the Brennan Center for Justice. The vast majority of cases in the country are heard by elected judges.

Unlike non-judicial candidates, anyone who runs for judge must

Sen. John J. Cullerton , D-Chicago, left, is sworn in as president of the Illinois Senate by Illinois Appellate Judge Mary Jane Theis, right, as Cullerton's wife, Pam, looks on Wednesday, Jan. 14, 2009, in Springfield, Ill. Jeff Roberson/AP

limit the subjects they can talk about. Illinois, like most states, prohibits a judicial candidate from making statements that "commit or appear to commit the candidate" to an issue that may come before them while on the bench.

Outside spending groups do not operate under the same rules. And thanks to the U.S. Supreme Court's *Citizens United* decision, such groups can accept unlimited donations from wealthy individuals, corporations and labor unions and use the money to attack or support a candidate. The decision essentially invalidated laws that limited outside spending groups in 24 states, including Illinois.

Personal PAC was not an independent expenditure group, also known as a "super PAC," at the time, though it did form one later. But in Illinois, the contribution limits are so high — PACs can accept $50,000 per year from corporations and $10,000 per year from individuals — that they can make a near super PAC-level impact.

By way of comparison, a federal candidate can accept $2,500 per election from an individual and corporate donations are banned. PACs that make contributions to candidates can accept up to $5,000.

Theis' campaign manager says high ratings and key endorsements propelled her to victory late in the race. Theis had been appointed to the state Supreme Court a year-and-a-half before the race. She was endorsed by Chicago Mayor Rahm Emanuel, the Cook County Democratic Party and the *Chicago Tribune*.

But Pucinski blames Personal PAC's attack for the sudden reversal.

Enjoying a comfortable early lead in the four-candidate race, Pucinski voluntarily capped donations to her campaign from businesses to $500 and from attorneys to $75 and

Key findings

— Democrat Aurelia Pucinski, who led her opponent by **20 points** a month before the Illinois Supreme Court Democratic primary, lost by **28 points** after a political action committee spent **$200,000** on mailers calling her "anti-choice" the week before the election.

— Personal PAC, the group responsible for the mailers, was not a super PAC at the time. However, Illinois contribution limits are so high — PACs can accept **$50,000** per year from corporations and **$10,000** per year from individuals — that "regular" PACs can have an impact nearing that of super PACs.

— Because of the U.S. Supreme Court's *Citizens United* decision, super PACs can accept unlimited donations from wealthy individuals, corporations and labor unions and use the money to attack or support a candidate. The decision essentially invalidated laws that limited outside spending groups in **24 states**, including Illinois.

refused to ask for endorsements from single-issue groups like Personal PAC.

With these self-imposed limits in place, her campaign took in just over $30,000 and attracted no outside spending.

Theis took a different tack. She raked in more than $1.1 million thanks to fundraisers held by state Democrats including Emanuel and spent campaign funds on ads touting her endorsements. Theis declined to comment for this story.

She told the Chicago Tribune days before the race that she had reached out to a number of groups for support, but that her endorsements would not undermine the integrity of the courts.

”People understand political campaigns are the way some judges are chosen,” she said.

A week out, polling from the Theis campaign put her and Pucinksi neck and neck. Then, Personal PAC launched its attack. The funds went to mailers, barraging Democratic women in the Cook County area with the claim that Pucinski was an “anti-choice” candidate.

Pucinski held a press conference days before the election to decry the big spending by Personal PAC, but was mum on the “anti-choice” charge, due, she says, to the code of conduct for judicial candidates.

The claim appears to be rooted in a 1993 Chicago Tribune story. Pucinski said she didn’t “believe in abortion as a method of birth control” but would not make an attempt to stop abortions in Cook County. She says she has since refused to express her personal views on the topic.

Despite Pucinski’s nearly two decades of silence on abortion, Terry Cosgrove, CEO of Personal PAC, stands behind the group’s position in the primary.

“[Pucinski] spent her entire career trying to hide her anti-choice and anti-birth control stance,” he said.

In the end, Cosgrove and Pucinski do agree on one thing — Personal PAC had a major influence on the primary. Cosgrove says that Personal PAC’s mailers “educated hundreds of thousands of voters on her record.”

Pucinski says they cost her the election and allowed Theis to remain on the bench.

At the time of the election fight, Personal PAC’s legal team was a securing a different kind of victory — this one in the federal courts.

In the 2012 election, 19 states have contestable state Supreme Court elections. Ten of those states had their laws banning corporate and/or union contributions to outside spending groups tossed out.

Prior to 2011, Illinois imposed few, if any, limits on contributions. Reforms came following indictments of former Govs. George Ryan and Rod Blagojevich on federal corruption charges. The state legislature took action and capped campaign donations to guard against the quid-pro-quo system that had become synonymous with Chicago politics.

The Supreme Court race was one of the first under the new law.

Personal PAC moved to have those limits thrown out. Citing the *Citizens United* case, the group challenged the state's contribution limits to independent expenditure groups. It won. A day later the organization created "Personal PAC Independent Committee," the state's first super PAC, and began raking in donations. Despite the court victory, it did not spend any super PAC money on the Supreme Court race.

For judicial races this year, that's not likely to be the case.

In the 2012 election, 19 states have contestable state Supreme Court elections. Ten of those states — Alabama, Kentucky, Michigan, Minnesota, Montana, North Carolina, North Dakota, Ohio, Texas and West Virginia — had their laws banning corporate and/or union contributions to outside spending groups tossed out.

Next up for Personal PAC and Theis is the general election, where she is heavily favored. She will face Circuit Judge James G. Riley, who ran unopposed in the Republican primary.

State Sen. Dan Duffy, R-Lake Barrington, who faced attacks by Personal PAC three years ago, said a super PAC will make Personal PAC CEO Terry Cosgrove more intimidating to candidates who face the pro-choice organization.

"Now that he's [got] a super PAC, he's even more powerful than before," Duffy said. ■

Right-wing groups attempt to dislodge justices in Florida, Iowa

HEALTH CARE REFORM, GAY MARRIAGE AT ISSUE

By Chris Young

Published Online: November 1, 2012

CONSERVATIVE outside spending groups have taken to the airwaves in an attempt to kick four Supreme Court justices off the bench in Iowa and Florida for taking positions the groups find objectionable.

In Iowa, one organization, joined by former GOP presidential candidate Rick Santorum, hopes to oust a justice who supports same-sex marriage. In Florida, justices face the wrath of a pro-business group and a physician who object to President Barack Obama's health care reform law.

Supporters of the justices have paid for ads and mailers and are defending the judges' records while accusing their opponents of politicizing the court system.

The campaigns include television ads and dueling bus tours.

Eighteen states, including Iowa and Florida, require their appointed Supreme Court justices to periodically face voters in what are known as "merit retention elections." Voters are asked whether a judge should remain on the bench. If a majority says no, the governor appoints new justices from a list of names submitted by a nonpartisan nominating commission.

Historically, retention elections generate little political spending and limited voter interest. From 2000 to 2009, retention elections accounted for about 1 percent of campaign spending on all state Supreme Court elections, according to Justice at Stake, a Washington,

Former Republican presidential candidate Rick Santorum speaks to reporters before the start of a bus tour campaign by Iowans for Freedom that is trying to convince Iowans to vote Iowa Supreme Court Justice David Wiggins off the bench. AP

D.C.-based group critical of judicial elections.

In 2010, conservatives waged a successful campaign to oust three Iowa Supreme Court justices who voted the previous year to legalize gay marriage. Spending on retention elections that year jumped to roughly 13 percent of the total spent on all state Supreme Court elections.

The lone remaining justice in Iowa who voted with his ex-colleagues in supporting same-sex marriage has been targeted, as have three Florida justices.

Finding out who is funding the campaigns is often difficult. Spending is often from nonprofit groups that don't disclose their donors. Disclosure laws in the states may be weak or difficult to enforce.

Groups that seek to oust judges don't always reference specific is-

"Everybody has absorbed a new playbook, which is, if you want to change rulings or simply intimidate judges, threaten them through the election process."

sues, but instead accuse them of "judicial activism." Judicial watchdogs worry that the infusion of campaign cash from the groups could actually lead to more activism among judges.

"Everybody has absorbed a new playbook, which is, if you want to change rulings or simply intimidate judges, threaten them through the election process," says Charles Hall, of Justice at Stake. "So we're really seeing in the retention states an ethic of 'Rule my way, or else.'"

Iowa: A fight over gay marriage

Four of Iowa's seven Supreme Court justices are up for retention this year. But only one — Justice David Wiggins — has become a target for conservative groups still miffed about the court's controversial 2009 decision to legalize same-sex marriage.

In September, the generically named "Iowans for Freedom," a project of the conservative nonprofit group The Family Leader, sponsored a "No Wiggins" bus tour. Speakers on the 17-city, four-day road trip accused Wiggins of "judicial activism" and urged voters to reject him at the polls.

High-profile politicians, including Santorum, a devout Catholic and former U.S. senator from Pennsylvania, and Louisiana Gov. Bobby Jindal, turned out to support the campaign.

"You have an opportunity here in Iowa to continue what you did two years ago," Santorum said during a tour stop in Des Moines.

Iowans for Freedom is chaired by Bob Vander Plaats, a failed gubernatorial candidate and president of The Family Leader, a "Christ-centered organization" whose goal is to "honor and glorify God — not a political party, not a candidate, and not a program."

The organization has spent more than $300,000 on its "No Wiggins" campaign, according to campaign disclosure reports.

"We want our courts to be independent," Vander Plaats says. "A court should never be independent to amend our constitution from the bench."

Among the other contributors to Iowans for Freedom is CitizenLink, a Colorado-based "family advocacy organization that inspires men and women to live out biblical citizenship that transforms culture," according to the group's website.

Campaign finance records show that CitizenLink has contributed a total of $50,000 to Iowans for Freedom.

Patriot Voices, a Western Pennsylvania-based nonprofit organization co-founded by Santorum, has given $25,000 to the campaign against Wiggins. The National Organization for Marriage, a nonprofit group that opposes same-sex marriage, has spent more than $135,000 on television ads attacking Wiggins.

"We must hold David Wiggins accountable for redefining marriage and legislating from the bench," a narrator says in the group's first campaign ad, which is co-funded by Iowans for Freedom. "Vote no on Wiggins."

Wiggins is not campaigning to keep his seat. But that hasn't stopped his supporters from doing so on his behalf.

In September, the Iowa State Bar Association spent nearly $11,000 for its "Yes Iowa Justice" bus tour designed to counter the attacks on Wiggins and urge voters to keep him on the bench. The five-day tour shadowed the "No Wiggins" tour across much of the state.

In October, the bar association also spent more than $20,000 on radio advertising.

Justice Not Politics Action, a nonprofit group created to counter the anti-Wiggins campaign, has spent more than $225,000 on its "Vote Yes on Retention" campaign.

"Our courts are threatened," says former Lt. Gov. Sally Pederson, who chairs the group. Voters "don't like the idea that money is coming from outside interest groups who want to intimidate the courts."

The group has received much of its funding from Iowa law firms. But its biggest donation came from Human Rights Campaign. In October, the national gay-rights organization gave Justice Not Politics Action $100,000.

Florida's 'spending arms race'

The point of contention in the Florida race is Obama's health-care reform law.

Justices R. Fred Lewis, Barbara Pariente and Peggy Quince voted in 2010 to invalidate a ballot initiative challenging the Affordable Care Act because they determined it contained misleading language. The decision outraged many conservatives, setting the stage for the merit retention effort.

For the first time since the system was created in 1976, the executive committee of the Republican Party of Florida voted unanimously to oppose the justices up for retention.

Leading the charge against them are two tea party groups: Restore Justice 2012, an Orlando-based "527" group chaired by conservative activist Jesse Phillips, and Americans for Prosperity, a 501(c)(4) "social welfare" nonprofit backed by billionaire brothers David and Charles Koch.

"It's really caused kind of a spending arms race in that state," said Alicia Bannon, of New York University's Brennan Center for Justice.

Restore Justice has produced at least three Web ads thus far. In one ad, a handful of young voters describe how Florida is "at a crossroads."

"Freedom is being reborn," they say, "but there are dark clouds of opposition gathering." The ad goes on to discuss the need to make the state Supreme Court a "noble institution and bastion of liberty once again."

The ad closes showing the images of the three justices up for retention above the buzz words also used in the Iowa campaign: "stop judicial activism."

"There are lots of voters and lawyers who have said that the Florida justices are not upholding the constitution, and that they're legislating from the bench," says Phillips.

Tracing the financial backers of the campaign is difficult.

Restore Justice has spent nearly $12,000 on the retention election, more than $5,000 of which went toward "media production," according to reports filed with the state. Contribution records show the group only received about $3,000 in donations.

Under Florida law, Restore Justice is considered an "electioneering communications organization." It is permitted to raise and spend unlimited sums of money as long as it does not tell viewers in its ads to vote for or against a candidate.

Restore Justice didn't officially register with the state as an electioneering organization until August. Between Jan. 1 and Aug. 12,

Peggy Quince is one of three Florida Supreme Court justices targeted this election for invalidating a ballot initiative challenging the Affordable Care Act. Steve Cannon/AP

IRS records show that the group received nearly $70,000 in contributions, almost all of which came from Florida physician Allan Jacob.

In 2010, Jacob gave $15,000 to a political committee headed by the brother of then-state Sen. Alex Diaz de la Portilla. Days after the contribution, the Republican Senate majority leader wrote a letter that helped Jacob's kidney dialysis company keep a state contract.

In August, state campaign finance records show, Jacob gave $125,000 to Diaz de la Portilla's political committee, Citizens for Accountable Government. Diaz de la Portilla is currently running for a state House seat.

Jacob could not be reached for comment.

Phillips says Restore Justice is planning "a blitz" on the radio. He estimates that the group will have spent roughly $80,000 by Election Day to help oust the three Florida justices.

Americans for Prosperity released an ad saying the state's high court "denied our right" to vote against the health care law.

It's unclear how much money Americans for Prosperity has spent on the Florida Supreme Court race. The organization's last state campaign finance report was filed in 2009, when the group was listed as an electioneering organization.

"Why they are not currently registered or reporting is unknown," wrote Chris Cate, a Florida Department of State spokesperson in an email.

Officials from Americans for Prosperity did not return phone calls for comment.

Outside spending has prompted each of the judges to raise their own campaign funds. Collectively, the justices have raised more than $1.3 million this campaign season.

Those fundraising numbers dwarf totals raised by Florida judges over the past decade. Between 2000 and 2009, Florida Supreme Court justices raised a total of just $7,500 for their retention bids, according to Justice at Stake.

The three justices have also been getting help from Defend Justice from Politics, another 527 organization. Like Restore Justice, state records show that Defend Justice is an electioneering group, prohibited from "expressly" telling voters to vote for or against a candidate.

State campaign finance records show the group has spent nearly $1.5 million on its campaign to support the justices, most of which has gone toward advertising. In state filings, the group lists just one contributor: "Defend Justice from Politics."

"We're not hiding" the group's donors, says Neal Roth, a Miami attorney working with the Defend Justice campaign.

Roth says the organization recently filed a report with the IRS that lists all of its contributors, which has yet to be posted online. Roth provided The Center for Public Integrity with a copy of the report, which shows the group has received more than $1.1 million from eight Florida law firms that each gave the campaign at least $100,000.

The group's report also shows some donations from a handful of organizations outside of Florida, including a $120,000 contribution from America Votes, a liberal political advocacy group based in Washington, D.C.

Defend Justice's only ad to date, which is being broadcast in major markets across Florida, accuses opponents of "trying to remove three fair and impartial Supreme Court justices so they can replace almost half the court with judges who will let them bend the rules."

The ad goes on to urge voters to "stand up for our justices against this political power grab."

The flood of spending from both sides worries watchdogs like Peter Butzin, chair of Common Cause Florida.

"We're politicizing the system," he says. "I find it very frightening."

Cash from tough-to-track sources is flooding the North Carolina governor's race between Lt. Gov. Walter Dalton (left) and former Charlotte Mayor Pat McCrory (right). AP

North Carolina governor's race awash in out-of-state funds

By Paul Abowd and John Dunbar

Published Online: September 5, 2012

NORTH CAROLINA'S race for governor is expected to be the most expensive in the state's history thanks largely to two deep-pocketed, Washington, D.C.-based organizations whose underwriters may not even know how their funds are being spent.

The state is the latest field of battle for the Democratic Governors

Association and the Republican Governors Association, organizations whose impact has increased thanks to court decisions that eliminated limits on campaign spending.

The two groups have spent roughly $3 million in North Carolina — nearly as much as candidates Pat McCrory and Lt. Gov. Walter Dalton combined — and have committed more to the race. Outside groups are poised to eclipse the $7.7 million record set during the 2008 governor's race.

The state is experiencing "an advertising onslaught like we've never seen before" according to the Raleigh-based Free Enterprise Foundation.

North Carolina law caps donations to the candidates at $4,000 and prohibits donations from unions and corporations. But outside organizations — like the DGA and the RGA — can accept unlimited donations from virtually any source and spend the money on ads.

Those sources are tough to track. Even though the RGA is reporting the identities of corporate funders of ads, donors contacted by the Center for Public Integrity were unaware their money was being spent that way and denied having any stance on the North Carolina race.

The DGA, meanwhile, is funneling large sums through a state political committee, thus obscuring the identities of the original donors.

Things won't quiet down any time soon. Not only is the state filling an open governor's seat, it is also a presidential swing state — one of the reasons it is hosting the Democratic National Convention this week.

Possible GOP pickup

North Carolina's current governor is Bev Perdue, elected in 2008. With sinking approval ratings, Perdue decided not to seek a second term. Despite the long history of dominance by Democrats, prognosticators see the state leaning right. In 2010, Republicans took control of the legislature for the first time in more than a century.

RGA spokesman Mike Schrimpf told The Charlotte Observer in May that North Carolina is a "prime pickup opportunity," and that the RGA is "committed to provide the resources to win it."

Thus far, the RGA has spent roughly $1.4 million and reserved another $3.5 million for ads this fall. The DGA has spent roughly $1.5 million on the race.

Lt. Gov. Dalton captured the Democratic nomination in May, though he had to survive an expensive primary that left him low on funds. Filings with the state show McCrory with six times more cash as of July.

Dalton, at least, will get some national exposure thanks to the convention. A spokesman said the lieutenant governor is scheduled to speak Thursday evening at Bank of America Stadium, the final night of the event.

McCrory, the Republican, is the former mayor of Charlotte. He was the Republican nominee in 2008 and lost to Perdue in a close race.

Soon after Dalton won the primary, the RGA launched its first attacks.

A DGA-funded group responded with its own ads in May, while Dalton's cash-starved campaign got back on its feet.

"If Dalton hadn't had the outside help," said Jonathan Kappler, of the Free Enterprise Foundation, "he would have been sunk."

McCrory has pledged to disavow negative ads run by independently funded groups, but he and Dalton have no control over the RGA and DGA. Outside spending groups may not give money directly to the candidates, nor are they permitted to coordinate their spending with the campaigns.

McCrory did not respond to a request for comment for this story.

Dalton's spokesman Ford Porter called the independent advertising "an unfortunate reality" and said the Democrat's campaign is trying to break through the "outside noise" the spending creates.

RGA spending

The RGA's strategy has been to link Dalton to the unpopular governor, referring to him as Perdue's "right-hand man" in advertising. It blames the lieutenant governor and Perdue for "higher taxes" and "job killing policies." The Raleigh News and Observer said the ad distorts the truth.

Dalton was not Perdue's "running mate" — the lieutenant governor in North Carolina is elected indpendently.

The RGA is paying for the ad directly and not "funneling its money through another entity," which is what it says its Democratic counterpart is doing.

"This is a case where the RGA is truly being much more transparent than the DGA," wrote Schrimpf in an email to the Center.

Instead, the RGA is reporting funders of its ads to the state board of elections. According to paperwork filed with North Carolina election authorities, the ad was paid for by 38 out-of-state corporations to the RGA — among them, a $75,000 contribution from insurance giant AFLAC.

The fact that AFLAC's donations were used to pay for an ad attacking Dalton was news to the company, according to spokesman John Sullivan. Of the donation, $25,000 was meant to be used for "2012 convention sponsorship," he said.

The RGA says it reserved the right to use the "sponsorship" money for any purpose it chose, including the ads in North Carolina.

The Metropolitan Milwaukee Association of Commerce was also unaware that its donation was going toward ads attacking a sitting lieutenant governor 900 miles away.

"This is the first I've heard of it," said Steve Baas, director of governmental affairs at the Milwaukee business association, "but it's not a shock to us."

Baas said he trusts the RGA's spending decisions with the association's $150,000 contribution.

While Baas may be OK with it, the use of the donation raises legal questions.

"We appreciate and welcome disclosure whenever possible," said Kim Strach, deputy director of campaign finance at the state's Board of Elections, "as long as it's accurate."

No limits

Corporations and unions can give $4,000 to candidates from their PACs that draw on small donations from employees. But donations to the RGA and DGA are unlimited.

AT&T gave McCrory $2,000 from its PAC in April. The next month, it gave a $250,000 check to the RGA. General Electric gave $105,000 to the RGA in May, more than all of its PAC donations to all North Carolina candidates in the last decade combined.

None of the corporate funders of RGA's ads contacted by the Center said their companies had declared a favorite in the race for governor.

General Electric pays a "membership fee" to both governors associations, according to spokeswoman Helaine Klasky, "to enable GE to participate in a wide range of activities sponsored by the DGA and RGA."

Klasky adds that GE does not direct money toward specific campaigns.

The company's Citizenship Report says GE has a "long-standing practice against using corporate resources for the direct funding of independent expenditures expressly advocating for or against candidates."

AT&T did not respond to calls, but has supported both major parties and its candidates for governor in North Carolina for a decade. IRS filings show the company gave $100,000 to the DGA in 2012, less than half of what it gave to the RGA.

In fact, of the 38 corporations and organizations that have pitched into the RGA ad effort, 15 have also given to the DGA this year — including GE, AT&T, AFLAC, Altria, and the Milwaukee Chamber.

The RGA's largest donor from North Carolina, Duke Energy, gave $175,000. The company, which is a major supporter of the Democratic convention, also gave $200,000 to the DGA.

Disclosure in the dark

The RGA, meanwhile, is criticizing its counterpart for not being as forthcoming with the state's voters.

The DGA-funded entity is a Raleigh-based organization called North Carolina Citizens for Progress. The group has no formal affiliation with the DGA and has a separate board that makes spending decisions and solicits money.

The DGA is the main donor to North Carolina Citizens for Progress, giving 93 percent of the $2.1 million the group raised this year, according to IRS reports.

The cash infusion funded two controversial ads accusing McCrory of "questionable ethics" during his time as mayor of Charlotte.

The DGA and the RGA are 527 groups, named for the section in the IRS tax code that regulates them. The groups report donors and donations to the IRS as well as expenditures, including contributions to other organizations.

The DGA avoided listing specific funders of ads it financed by giving the money to the local PAC.

In addition to the DGA contribution, the National Education Association's super PAC, funded by the nation's largest public employee union, chipped in $144,000 toward the race.

"I have no idea where our money came from, beyond the fact that it comes from the DGA or the NEA," said Michael Weisel, spokesman for North Carolina Citizens for Progress, the pro-Dalton group.

While it weathers criticism for its lack of transparency, the DGA-funded ads are attacking McCrory for refusing to release his tax returns. A spokesman for the DGA said it is "proud" to support the efforts to "expose Pat McCrory's failure to release his tax returns and other financial interests."

The DGA said it is "transparent about who our donors are and what they have given, and we regularly report that information."

Courts change playing field

The RGA and DGA have played an increasingly significant role in the state thanks to a series of Supreme Court rulings beginning in 2007, which have eroded North Carolina's ban on corporate and union money in the state.

The Wisconsin Right to Life decision in 2007 cracked open the door to corporate funding of ads that mention a candidate but stop short of telling viewers to vote for or against that candidate. So far in North Carolina, the DGA and RGA are funding ads of this type, which do not ask people for their vote.

If the 2007 decision opened the door, the Supreme Court's 2010 *Citizens United* ruling blew it off its hinges.

The high court said corporate and labor donations to outside spending groups are legal — including organizations that ask voters to support or oppose a particular candidate. The decision led to the creation of super PACs which have played a major role in federal elections.

"We had entities spending millions in the state's gubernatorial races before *Citizens United*, using various vehicles," said Bob Hall, a longtime director of the state's election watchdog group Democracy NC. "But now, more entities are stepping up to spend money as though the Supreme Court has blessed the whole enterprise."

History of enforcement

North Carolina's Board of Elections has investigated the previous two Democratic candidates for governor, and has also taken up long battles with outside spending groups.

"Groups from both sides have been complained about," said

Strach, the state agency's veteran campaign finance director.

The RGA ran afoul of the elections board during its unsuccessful attempt to unseat Democrat Mike Easley in 2004. The board demanded that the RGA pay a penalty of $196,000 for violating state limits on corporate contributions.

But the RGA appealed and in 2005 an administrative law judge reversed the board's ruling. The RGA acknowledged that its ads in the state were funded through an account that commingled corporate and individual contributions.

In a letter to the State Board in 2004, the RGA's lawyer wrote that "determining which sources of funds were used … is an impossible task," as contributions to the RGA were never earmarked for specific use.

Furthermore, the RGA argued that its "major purpose" was not as a North Carolina PAC, and therefore it was not subject to the state's contribution caps.

In 2008, the board held a lengthy hearing about the fundraising and spending by several outside groups including the RGA and the Democratic Legislative Campaign Committee.

Election watchdog Democracy NC, which filed a complaint which prompted the hearing, claimed that the RGA was listing donors "who had no idea their money was going to a North Carolina PAC or was being used to impact a North Carolina election."

The state-appointed board ultimately ruled 3-2 that the RGA and other outside spending groups had broken no rules.

Any ambivalence about what's OK and what's not is gone now.

Before the Supreme Court's landmark ruling "there were lots of groups that were nervous about getting involved, who were being told by their lawyers, 'that's too messy,'" said Hall.

Today, he says, the environment is far more inviting. And the state's disclosure laws fail to "give the public a chance to understand who is backing some engine of advocacy."

Strach says both RGA and DGA "are finding ways to mask disclosure," but the *Citizens United* decision makes the board's decade of investigations largely moot.

"I don't think those questions are relevant anymore," she said. "If a group wants to make independent expenditures of any kind, the roadblocks are no longer there."

Obscure nonprofit threatens campaign finance limits beyond Montana

RECORDS SHOW FURNITURE CHAIN OWNER PLEDGED $300,000 TO ATP

By Paul Abowd

Published Online: October 22, 2012

VOTERS haven't had a clue who is behind American Tradition Partnership — the Colorado-based group pushing to rewrite Montana's campaign finance laws — and that's just the way the secretive nonprofit wants it.

A 2010 fundraising pitch to its donors promised that "no politician, no bureaucrat, and no radical environmentalist will ever know you helped," and "the only thing we plan on reporting is our success to contributors like you."

"Montana has very strict limits on contributions to candidates," reads the document, obtained by The Center for Public Integrity. "but there is no limit to how much you give to this program."

As for the state's ban on corporate money in elections?

"Corporate contributions are completely legal," the pitch assures potential funders. "This is one of the rare programs you will find where that's the case."

"You can get some traction with that pitch," says Dennis Unsworth, who led the state's investigation of the group in 2010 that unearthed the document. "If you can offer to influence the elections outside the law, that's a great calling card."

For three election cycles, ATP has plastered the state with mailers attacking "radical environmental groups" and moderate Republicans.

For three election cycles, ATP has plastered the state with mailers attacking "radical environmental groups" and moderate Republicans.

While ATP's funders are still mostly a mystery, the Center for Public Integrity has identified what records indicate is the secretive organization's founding donor — an anti-union owner of Colorado's largest furniture chain — and discovered a long list of affiliations with national tea party groups funded by the conservative billionaire Koch brothers.

This election, ATP has vowed to keep Attorney General Steve Bullock out of the governor's mansion. In October, voters received a brazen multi-page newspaper-style flier placing the Democratic candidate in a photo lineup with three registered sex offenders.

But the group hit the national spotlight thanks to three landmark court battles with Bullock and the state of Montana.

The U.S. Supreme Court in the *Citizens United* decision invalidated a federal ban on corporate spending similar to what 24 states had on their books, but Montana held fast to its law. ATP sued to overturn it, losing to Bullock in the state's high court. But in June, the nonprofit prevailed on appeal to the nation's highest court.

ATP is pushing past its *Citizens United* challenge with two more suits to eliminate Montana's low contribution limits and disclosure rules, setting up a potential challenge to contribution limits nationwide.

Tea party ties

One of ATP's founders is former Montana Congressman Ron Marlenee, who served from 1977 until the state dropped from two House seats to one in 1992. Marlenee used his D.C. Rolodex to raise money for the fledgling pro-energy group, which registered in Colorado in 2008.

Marlenee rallied a tea party crowd in Bozeman in 2010, appearing on stage with a half-burned American flag, which he said he wrestled away from a "liberal Marxist" protester.

ATP has joined tea party lobbying efforts, signing at least two letters to Congress in the last year urging an end to tax credits for wind power and natural gas-fueled vehicles. The letters were signed by Koch-funded groups including Americans for Prosperity and tea party boosters FreedomWorks, Club for Growth and Art Pope's John Locke Foundation.

In its 2008 application for tax-exempt status as a 501(c)(4) "social welfare" organization, ATP listed its "primary donor" as Jacob Jabs, Colorado's largest furniture retailer and a donor to Republican candidates and causes. Jabs pledged a $300,000 contribution to get ATP on its feet, according to IRS records obtained by the Center for Public Integrity.

Jabs, through a spokeswoman, on Monday said he did not make a donation and has "never heard of" ATP or the group's previous incarnation.

"He did not commit to the funds indicated by Athena Dalton in the filing so clearly he did not give them funds," wrote Charlie Shaulis, director of communications for American Furniture Warehouse, Jabs' company, in an email to I-News Network in Colorado.

Dalton wrote a letter to the IRS asking the agency to speed up the process for awarding it nonprofit status. The letter states that the approval was needed quickly, otherwise Jabs would not make a contribution. The agency gave it the thumbs up four days later.

The amount of the gift would be double Jabs' total federal campaign contributions since 1997, which have gone exclusively to Republican candidates and party organizations, according to FEC records.

Jabs also poured money into a failed "right to work" ballot initiative in Colorado, becoming a television spokesman for the 2008 anti-union effort.

ATP shares resources and a D.C. mailing address with an affiliated 501(c)(3) educational nonprofit called the American Tradition Institute, which works in tandem with a network of Koch-funded think tanks to oppose wind energy and dispute the reality of climate change. It has launched lawsuits against state mandates for renewable energy usage and targeted climate scientists in academia.

The libertarian Koch brothers, Charles and David, have become better known in recent years with the rise of the tea party. They are principal owners of Koch Industries Inc., the second-largest privately owned company in the U.S., with major investments in the energy industry.

ATI has accepted donations from the Atlas Economic Research Foundation, a free-market think tank underwritten by Exxon Mobil and Koch foundation money, according to a report by the Institute for Southern Studies.

Its director of litigation Chris Horner is also a fellow at the Competitive Enterprise Institute, a free-market think tank that has taken a half-million dollars from Koch foundations since 1998, according to the report.

'We won't be shut up, or shut down'

In 2008, American Tradition Partnership flooded the state with mailers attacking ten state legislators, but reported only $12,000 in spending for the entire election.

An investigation by the state's Commission on Political Practices concluded that the group had broken state law requiring outside spending groups to register as political action committees and disclose all donors and spending.

Commissioner Unsworth concluded in October 2010 that ATP had registered a "sham organization" called the Coalition for Energy and Environment and vastly under-reported its activity. The PAC's reported spending, said the state, would have barely covered the cost of postage for the raft of glossy, full-color mailers ATP sent out.

ATP filed forms with the IRS the same year, reporting more than $660,000 in spending.

ATP maintains that its spending on mailers, most targeting moderate Republicans running for state legislative seats, is "educational" and therefore falls outside the state's definition of "express advocacy" that would require it to disclose its funders and its spending on the mailers.

ATP did not face penalties and did not disband. Instead, it changed its name from Western Tradition Partnership and sued to strike down Montana's disclosure laws.

The case is set for trial in March 2013.

"We won't be shut up or shut down," ATP said in a press release in June.

Ironically, ATP's years-long court battles have pushed the group into the public spotlight, threatening the secrecy of its donors. The group has vigorously resisted discovery proceedings in court, missing several deadlines to produce evidence requested by the state.

Lawyers in Bullock's office filed a motion to compel ATP to present evidence, including bank records, or drop their lawsuit. It has not complied. According to a court filing, ATP's lawyer Jim Brown emailed the state's lawyers in late August, explaining, "I have a difficult client."

Nonetheless, the state has won access to bank records for the organization. If a judge makes them public, they could offer voters a glimpse at the group's funders.

'I was the screen'

The group rarely communicates with the press and it hires unknowing lawyers to sign campaign finance reports and its 2008 nonprofit incorporation documents in Colorado.

Scott Shires has been sued and fined for his election activities, but the Colorado-based political consultant says his reputation really took a hit after he signed ATP's forms. When Montana released the results of its 2010 investigation, Shires' name began showing up in the press, and he says he cut ties to the organization.

"The operatives writing these stupid ads and mailings don't want to be identified," said Shires. "I was the screen that allowed them to hide — plausible deniability is something a lot of these groups are interested in."

Shires listed himself as "President" of ATP when he signed the group's request for exempt status with the IRS in 2008.

He is widely known for registering hundreds of political committees in Colorado, mostly Republican groups. The work involves some risk. He pleaded guilty to filing false tax returns for a client in 2008, a misdemeanor charge. He was also caught up in a scandal that linked former U.S. Rep. and 2008 Senate candidate Bob Schaffer with the beneficiary of a questionable congressional earmark.

ATP Executive Director Donald Ferguson did not return numerous calls for comment.

'Not really sure who is in charge'

The left-leaning Montana Conservation Voters claims ATP was unfazed by the 2010 investigation and is "right back to doing the same thing," according to the group's board member Ben Graybill, who filed the original complaint.

This year, ATP has registered a PAC in the state. It sent mailers prior to the June primary election, but has reported zero spending to the state.

Its filings are signed by Montana attorney Chris Gallus, who was "surprised" to receive a call from the Center regarding ATP. He claims no leadership role in the organization, and said he's "not really sure who is in charge."

Gallus said he has not been contacted by ATP since being hired to sign their PAC reports, and does not anticipate filing any spending reports on their behalf. "Until that changes, my involvement is the same as the date I signed their forms."

The organization sent out a questionnaire to candidates in early October, asking about their stance on land development and environmental regulations in resource-rich Montana.

"Will you oppose legislation which would categorically limit development of any specific energy resource?" reads one. "Will you oppose legislation that would rescind, reduce or shorten the tax holiday on oil & gas wells?" reads another.

Candidates who don't respond, or don't respond with answers favorable to ATP's interests, are often targeted by a direct mail campaign similar to those launched at Bullock.

Its adversary, the Montana conservation group, endorses candidates for the state legislature who align with its mission to "protect clean water, public health, and our incredible outdoor heritage." Its mid-October mailers praise Bullock for leading "the fight against corporate control of our elections."

Unlike ATP, the group reports its direct and independent spending to the state and lists its donors.

"They're scofflaws," said Theresa Keaveny, executive director of the Montana conservation group.

Keaveny says ATP is not only in violation of Montana law, but also

IRS rules for c(4) groups that dictate ATP must not spend a majority of its funds on political activity.

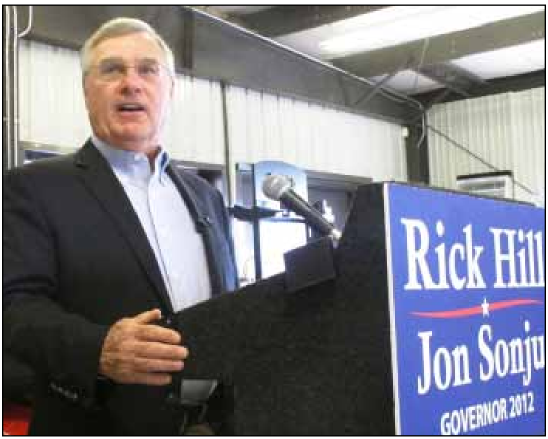
According to its 2008 application for exempt status, obtained by the Center, ATP promised not to "spend any money attempting to influence" elections. It also promised not to "directly or indirectly participate or intervene on behalf of or in opposition to a candidate for public office."

It would, however spend "70 percent" of its time and resources to "educate citizens" about "land and resource development issues."

It also revealed the Jabs contribution.

Governor's race a toss up

Bullock, a Democrat, is running against Republican Rick Hill. It's expected to be a close race despite Montana's majority-Republican voting population.



Rick Hill, the Republican candidate for governor of Montana, lost to state Attorney General Steve Bullock despite help from American Tradition Partnership, a nonprofit that bombarded voters with mailers slamming the Democrat. The Center for Public Integrity identified the group's backers, which included groups dedicated to advancing "right-to-work" legislation in the states. Matt Gouras/AP

"We want citizens deciding elections, not corporations," said Bullock in an October debate during which he touted his record as a campaign finance crusader.

While outside spending groups, including the Republican and Democratic governors associations, have swarmed the state with ads, the two candidates have had to abide by Montana's low contribution limits — for most of the campaign.

In October, ATP made national news when a federal judge agreed with the organization and its high-profile campaign finance lawyer, James Bopp, and struck down contribution limits on individuals, PACs, and parties — including the $630 cap on individual giving to Bullock and Hill.

"The political establishment can no longer tell citizens to shut up because they've reached their speech limit," said ATP Montana Director Doug Lair in a press release.

Montana joined the ranks of 12 other states with no limits on contributions to candidates, but only temporarily. A week later, a federal appeals court stayed the lower court decision pending a full appeal, putting the state's contribution limits back in force.

Bullock's opponent took advantage of the six-day free-for-all between the ruling and the stay, accepting a $500,000 contribution from the state's Republican Party. The gift dwarfed Montana's $22,600 limit on party giving to candidates.

'Who's saying these crazy things'

A month before the vote, Montana residents woke up to a fake newspaper on their doorstep called "The Montana Statesman."

The publication calls itself "the largest and most trusted news source" but is actually a series of ATP-funded attacks on Bullock. It leads with a giant headline that reads "Bullock Admits Failure."

The "news" story below claims that the attorney general has let "1 in 4 sex offenders go unregistered." It includes four photos: three registered sex offenders and Bullock.

The group can continue to raise money on the promise that "no politician, no bureaucrat, and no radical environmentalist will ever know you helped make this program possible," as its 2010 briefing to donors reads. "You can just sit back on election night and see what a difference you've made."

Unsworth says his 2010 investigation did not stop ATP, and outside spending that has already flooded the state is sure to intensify, particularly in light of the *Citizens United* decision. He calls the advertising a "mess of trash that lays at the feet of the public," paid for by "funny money with no legal constraints."

"We don't know who's saying these crazy things," he added, "so the public has to suffer and our political system suffers as a result." ■

John Dunbar contributed to this report.

Mystery deepens over origins of nonprofit battling Montana spending limits

'SOMEONE IS NOT COMING CLEAN'

By Paul Abowd

Published Online: October 26, 2012

THE ORIGIN STORY of the secretive nonprofit that is leading efforts to invalidate Montana's campaign finance laws keeps getting murkier.

In a document filed with the Internal Revenue Service, the group claimed Jacob Jabs as its "primary donor" who had "agreed to provide $300,000" to get the group rolling in 2008.

It appears the group was referring to Jacob Jabs, the president and CEO of American Furniture Warehouse, based in Colorado, where ATP was created.

But a spokeswoman for Jabs said he's never heard of the group. ATP's current executive director says he wasn't with the organization at the time. The woman who signed the document would not return calls from the Center for Public Integrity.

"Someone is not coming clean," said Marcus Owens, the former director of the division that handles nonprofit corporations at the IRS. "A knowing effort to mislead the IRS is a crime and people go to jail for that."

Jabs has been a major supporter of Republican candidates and causes. He gave heavily to an anti-union ballot initiative in Colorado in 2008, and is a donor to Mitt Romney.

Jake Jabs Courtesy of Montana State University

As for the gift to ATP, Jabs claims it didn't happen.

"Mr. Jabs has not heard of this group, nor did he give them money," said Charlie Saulis, Jabs' spokeswoman.

Athena Dalton signed the September 2008 letter to the IRS which referenced a communication with the furniture magnate, during which Jabs "assured us that he will no longer contribute" if ATP did not receive its exempt status in the next two weeks.

A public records search reveals 17 listings for Jacob Jabs nationwide. Most of the listings refer to retail locations for Jabs' American Furniture Warehouse. Two of the Jabs listed are deceased. Another Jacob Jabs resides in an Ohio home valued at a quarter of the alleged donation to ATP.

Then there is the Montana-born owner of American Furniture Warehouse, whose current residence is listed as a 5,000-square-foot mansion in Colorado valued at $1.8 million.

Dalton pressed the IRS, claiming that ATP would "be virtually unable to operate any of our programs," and would "cease to exist" without the Jabs contribution.

The IRS approved the group's application four days later. Shortly after, it sent out mailers in a dozen Montana legislative races attacking candidates. Voters don't know who paid for the ads, which prompted an investigation into the group by Montana officials.

Athena Dalton is currently a staff member with the Colorado Senate Republican office. She did not respond to multiple calls and emails requesting comment on the 2008 letter she signed.

ATP's executive director Donald Ferguson said he was "not around" the organization when the letter was sent to the IRS, and declined to respond to further questions.

Scott Shires, the Colorado consultant who signed ATP's 2008 application for exempt status, said he "doesn't remember" Dalton or the letter she signed listing Jabs as a donor.

ATP, with help from lawyer Jim Bopp, who has made a name for himself challenging campaign finance rules in court, compelled Montana to abide by the U.S. Supreme Court's *Citizens United* ruling and give up its century-old ban on corporate spending on elections.

It has also sued over the state's disclosure rules and its low dollar limits on contributions to candidates. In its legal challenges, ATP has faced off with Montana Attorney General Steve Bullock, who is locked in a tight race for governor.

The group has launched direct mail campaigns attacking environmentalist forces it calls "Gang Green," and now it's going after Bullock.

In addition to the questions surrounding the Jabs donation, ATP's filings with the IRS in subsequent years are difficult to track, and raise further legal questions.

In its 2008 application for exempt status, the IRS asked ATP if it planned to "spend any money attempting to influence the selection, nomination, election or appointment" of candidates for public office. It also asked if ATP published pamphlets, brochures, newsletters "or similar material."

ATP answered "no" to both questions.

This application, says Owens, "was signed under penalty of perjury."

Its spending activity is hard to track. ATP's Form 990 tax filings for 2009, 2010 and 2011 are not accessible online and there appears to be no record of them. ATP failed to respond to a Center for Public Integrity request for those filings.

IRS rules require nonprofit organizations to make their three most recent annual returns publicly available.

The Center did obtain a copy of the group's 2009 return prepared by Shires, but unsigned. In it, the group reports receiving about $100,000 in revenue, of which it says it spent $67,000 on "mailings concerning public issues."

Nonprofits like ATP cannot make political activities their primary function, according to IRS rules. ■

N.C.'s public financing system drowned out by outside spending

STATE JUDICIAL RACES ROCKED BY *CITIZENS UNITED* DECISION

By Chris Young

Published Online: November 5, 2012

THANKS to a flood of outside spending, state supreme court races nationwide are awash in tens of millions of dollars' worth of ads. Just how much is being spent isn't clear, as many states allow certain types of ads to go unreported.

In North Carolina, one outside group has single-handedly outspent two candidates for a seat on the North Carolina Supreme Court. The North Carolina Judicial Coalition has unleashed a torrent of ads on behalf of conservative Paul Newby, blanketing the state with a $1.3 million ad buy. Tobacco giant RJ Reynolds and the North Carolina Chamber of Commerce gave a combined $264,000 to the ad campaign.

Both Newby and his opponent, liberal Sam Ervin IV, accepted $240,000 from the state as part of North Carolina's public financing program — established in 2004 to limit spending and rein in the excesses of special interest money in judicial races.

Unlimited spending by unaffiliated groups has threatened the effectiveness of the program — one of 16 in the nation, according to the National Conference of State Legislatures.

The flood of spending was made possible thanks to the U.S. Supreme Court's *Citizens United* ruling in 2010. Unlike candidates, outside spending groups can raise and spend unlimited sums from people, corporations and unions.

"Outside entities can spend as much as they want," said Kim Strach, of North Carolina's election board. "Candidates certified in our [public financing] program don't have that ability."

Michigan

The Michigan Supreme Court election is the nation's most expensive judicial race this year. The state has seen millions of dollars in "off-the-books" outside spending before an election that could flip the 4-3 conservative edge on the state's highest court.

"This is madness," said Rich Robinson, of the Michigan Campaign Finance Network, who says outside spending has reached a "ridiculous level."

Parties and PACs have reported less than $680,000 in independent expenditures, but that only tells part of the story.

Political parties alone have purchased $10 million in ads on the race for three seats on so-called "issue" ads, which are not reported to the state. The Michigan Campaign Finance Network has been monitoring the ads.

The watchdog group estimates that 75 percent of the spending in this year's Supreme Court races falls outside of the state's reporting system.

Seven candidates are vying for two open seats. Another three are battling to serve the remaining two-year term of a retiring justice.

Candidates have raised a combined $2.7 million.

Democratic candidate Bridget Mary McCormack's four-minute ad featuring the cast of the hit show "The West Wing" went viral in September. McCormack's sister was a cast member.

One outside group, the D.C.-based nonprofit Judicial Crisis Network, shot back with $1 million-worth of ads attacking McCormack for volunteering to represent suspected terrorists held at Guantanamo Bay. The group does not report its donors.

"Bridget McCormack volunteered to help free a terrorist," the mother of a slain American soldier says in one ad from the group. "How could you?"

The Michigan Democratic Party ran ads claiming Democrats Connie Kelley, Shelia Johnson and McCormack would "protect children, not criminals." Another ad from the party claims that Republican incumbents Brian Zahra and Stephen Markman, and challenger Colleen O'Brien "have protected criminals, not kids."

Alabama

Five Supreme Court seats are open in Alabama, but just one is contested. Former Chief Justice Roy Moore (R) is fighting to win back the job he lost in 2003, when he was removed for refusing to move a Ten Commandments monument from the state Supreme Court building.

His opponent is Birmingham Judge Bob Vance, who entered the race in August after the Democratic Party disqualified its previous nominee for making inflammatory comments about homosexuals.

Despite his late start, Vance has out-raised his better-known Republican opponent more than two-to-one, pulling in nearly $1 million in campaign contributions since joining the race.

One of his biggest contributors has been Alabama Voice of Teachers for Education. According to state campaign finance records, the teachers association PAC gave Vance $100,000 in October.

Republican candidate for Alabama Supreme Court Chief Justice Roy Moore speaks during the Capitol Steps Rally for Life, Marriage, & Family at the Alabama Capitol in Montgomery, Ala., Oct. 9, 2012. Moore faces Democratic challenger Robert Vance in the Nov. 6 general election. Dave Martin/AP

Alabama law does not impose campaign contribution limits on individuals or PACs.

Since May, Moore has received roughly $370,000 in campaign contributions, much of it from outside the state. Michael Peroutka, a Maryland attorney who ran for president in 2004 as the nominee of the staunchly conservative Constitution

Supreme Court candidates in Ohio can accept a maximum of $3,450 from individuals and $6,325 from organizations. Political parties can contribute up to $316,250.

Party, has given Moore $30,000 since September.

Moore's campaign released ads praising the former chief justice for standing "up to the ACLU and liberal judges to preserve our rights and freedoms. Roy Moore knows our liberty is given by God, not government."

Ohio

Four candidates are competing for two open seats on Ohio's Republican-dominated Supreme Court, while the court's lone Democrat fights to retain her 2010 appointment.

Since July, five of the six candidates have collectively raised nearly $2 million.

Supreme Court candidates in Ohio can accept a maximum of $3,450 from individuals and $6,325 from organizations. Political parties can contribute up to $316,250.

Former appeals court Judge William O'Neill has refused to accept campaign contributions in his challenge to Republican incumbent Justice Robert R. Cupp.

O'Neill filed an ethics complaint concerning $6,300 in donations his opponent and another justice, incumbent Terrence O'Donnell, received from FirstEnergy Corp. The Akron, Ohio-based energy company contributed shortly after the judges began hearing arguments in a case involving Ohio Edison, an electric company owned by FirstEnergy.

Weeks after the justices accepted the gifts, Cupp and O'Donnell joined a majority ruling in favor of the company.

O'Neill produced a Web ad in which he asks two kids to count buckets of money while he decries the thousands of dollars Cupp received from doctors, lawyers and utility companies.

"Money and judges don't mix," O'Neill says in the three-minute ad.

In late October, Ohio's Republican Party released a controversial ad stating that as a judge, "Bill O'Neill expressed sympathy for rapists."

The 15-second ad concerns an appellate court opinion O'Neill wrote in 2000 in which the he overturned a rape conviction.

Cupp joined state Democrats and the Ohio State Bar Association in demanding that the Republican Party pull the ad. But GOP officials have refused to do so.

West Virginia

The race for two open Supreme Court seats in West Virginia features four candidates, one of whom has produced a quirky ad in which he shows viewers the inside of his closet to confirm that there are no skeletons inside.

Incumbent Justice Robin Jean Davis, a Democrat, faces Republican Alan Loughry while Democrat Letitia Chafin squares off against John Yoder, a Republican.

Outside spending has been absent from this Supreme Court election, but the four candidates have spent a combined $1.8 million during the general election campaign.

Loughry's campaign produced three ads — two of which prominently feature the candidate's six-year-old son, aptly named Justice.

In one ad, the Republican gives viewers a tour of his house, as he repeatedly notes that his last name is pronounced "LAW-FREE." At one point, Loughry opens his closet and says, "See? No skeletons."

Loughry, who has spent nearly $425,000, was the only candidate who intended to run a publicly financed campaign this election season. But his plans were thwarted when the state Supreme Court ruled in September to deny Loughry's campaign matching state funds under a pilot program.

Retention elections

In Iowa, a conservative outside spending group hopes to oust a justice who supports same-sex marriage. In Florida, justices face the wrath of a pro-business group and a physician who object to President Barack Obama's health care reform law.

Eighteen states, including Iowa and Florida, require their appointed Supreme Court justices to periodically face voters in what are known as "merit retention elections."

Voters are asked whether a judge should remain on the bench. If a majority says no, the governor appoints new justices from a list of names submitted by a nonpartisan nominating commission. ■

Pennsylvania governor benefited from untraceable $1.5 million donation

FUNDING SYSTEM CALLED AN ELABORATE, LEGAL 'MONEY-LAUNDERING SCHEME'

By Paul Abowd and Alexandra Duszak

Published Online: October 18, 2012

AT A CAMPAIGN stop near Philadelphia early in his 2010 bid for governor, Republican Tom Corbett announced "we've got to raise money," that it was the "number-one" priority. In an answer to his prayers, that same July day, a $1.5 million contribution arrived from — Wisconsin?

Pennsylvania Gov.-elect Republican Tom Corbett celebrates winning the 2010 race against Democrat Dan Onorato. Gene J. Puskar/AP

Officially, the donation was from the Wisconsin affiliate of a D.C.-based political organization called the Republican Governors Association.

The $1.5 million could not travel directly from the RGA to Corbett. Pennsylvania law bans candidates from accepting corporate money and the RGA accepts millions of dollars from some of the nation's largest businesses.

Also, state law requires all non-individuals to establish PACs in Pennsylvania.

In a single day, the $1.5 million gift traveled from the D.C.-based parent organization to the RGA Wisconsin PAC, to the RGA Pennsylvania PAC and finally to Corbett's campaign account.

By the time the donation reached Corbett, it was impossible to identify the original source of the cash or whether the donation was permissible under state law.

The well-traveled donation is a prime example of "an elaborate money-laundering scheme, which is legal," used by the RGA with success in a number of races for governor in 2010, according to Pennsylvania Common Cause Executive Director Barry Kauffman.

The RGA's funding played a central role in Corbett's victory. By Election Day he had received a total of $6 million from the RGA — 21 percent of his total fundraising, easily the top donor to the campaign, according to the National Institute on Money in State Politics.

Corbett's campaign office did not return calls for comment for this story.

Corbett's boosters crushed the competition from the D.C.-based Democratic Governors Association, which mustered $1.9 million for Corbett's opponent, Dan Onorato, using a series of similar funding maneuvers.

The RGA spending spree did not stop in Pennsylvania.

Haley Barbour, then the gover-

Key findings:

— $1.5 million of the $6 million the Republican Governors Association contributed to Gov. Tom Corbett's 2010 gubernatorial campaign is untraceable, thanks to a loophole in state campaign finance laws.

— In the third quarter of 2010 alone, the RGA topped its fundraising total for all of 2006. The $87 million it brought in during 2010 was more than it raised in the previous three years combined.

— Five contributions totaling $3.5 million, all from people living outside of Pennsylvania, comprise more than half of the RGA's contributions to Corbett.

nor of Mississippi and chairman of the RGA, cultivated an expansive stable of wealthy donors.

"We can't wait until 2012 to start taking our country back," said Barbour in an RGA promotional video released 12 weeks before the landmark 2010 election that saw 37 governors' seats up for grabs.

Republicans won 23 races to the Democrats' 13, including the Pennsylvania race that landed Corbett in the Pennsylvania governor's mansion. By the time elections were over, Republicans had knocked Democrats from 10 seats, and could claim 29 governorships nationwide.

In the third quarter of 2010 alone, the RGA topped its total fundraising for 2006 — the last election with as many contested governors' seats. Its total $87 million haul in 2010 also topped the RGA's total fundraising for the previous three years combined, a Center for Public Integrity review of data from the Center for Responsive Politics reveals.

"It's hard not to look at the numbers coming out of the RGA and not marvel/quake at the Mississippi governor's fundraising capacity," wrote The Washington Post's Chris Cillizza on the eve of the 2010 vote.

The spending has continued this election season. The D.C.-based organization has kept money flowing by circuitous routes into several states, including North Carolina, Indiana and Wisconsin. Gubernatorial races are being fought in 11 states, eight of which currently have Democratic governors.

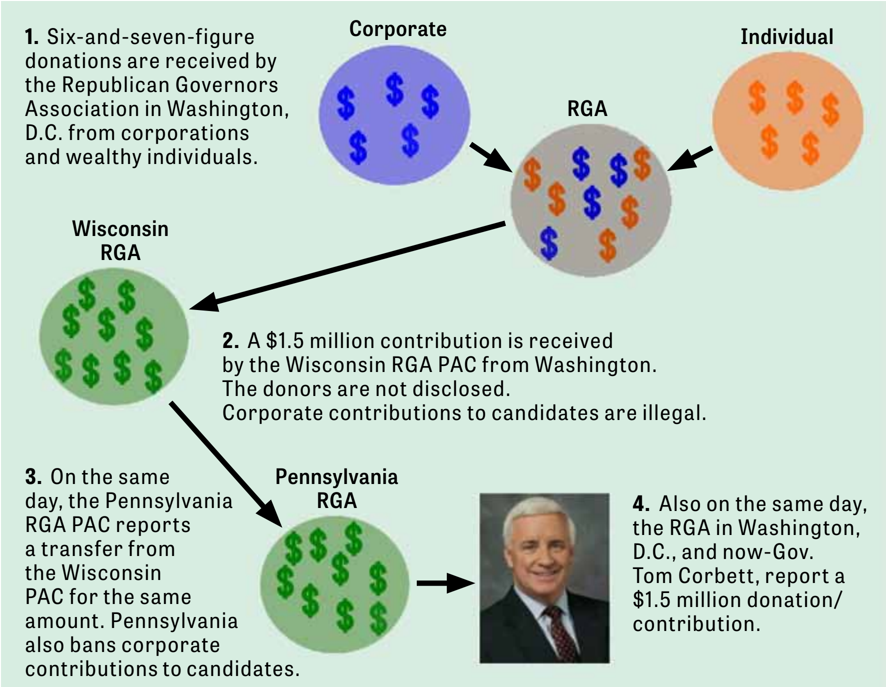
Through September, the RGA has spent $40 million of its $43 million haul — nearly doubling the amount raised by the DGA.

It's legal, trust us

Life would be simpler for the RGA if it could make contributions to gubernatorial candidates directly from its D.C. bank account. But it receives tens of millions of dollars in contributions from corporations — and corporate contributions to candidates are banned in 21 states, including Pennsylvania.

Even though IRS records show direct contributions to candidates from the RGA in many of those states, including Pennsylvania, the group maintains that its activity in 2010 was legal thanks to its use of state-level PACs.

"The RGA worked with both Pennsylvania and Wisconsin campaign finance authorities in 2010 to ensure we were complying with the



law," wrote RGA spokesman Mike Schrimpf in an email, responding to questions posed by the Center.

In the Keystone State, corporations cannot give to candidates, but individuals can make unlimited contributions to both PACs and candidates.

The RGA Pennsylvania PAC, which retained the same D.C. address of its parent organization and listed the same treasurer, filed reports with the state listing contributions from individuals and not corporations.

Six-and seven-figure donations came to the state PAC from some of the RGA's most loyal contributors, but only 3 percent of the PAC's total fundraising came from inside the state. They included $1 million from hedge fund managers Paul Singer of New York, Steven Cohen of Connecticut and Ken Griffin and wife Anne from Chicago. Texas home builder Bob Perry gave $500,000.

Those donations alone comprise more than half of the $6 million that went from the RGA to Corbett.

The DGA Pennsylvania PAC also took contributions from a smaller stable of mostly out-of-state donors, including Texas trial lawyer and Democratic mega-donor Steven Mostyn, who gave $400,000. Mostyn did not return numerous calls for comment.

Though these large gifts are permissible under Pennsylvania law, the RGA and DGA confirm that its donors give to a general fund, not to any specific state. The D.C.-based organizations then make the call on whose money is counted toward which race.

The result is a listing of donors to Corbett and Onorato who were not aware their donations were attributed to a specific campaign.

"It is legal," said Ron Ruman, spokesman for the Pennsylvania Department of State, "as long as the contribution that went to Pennsylvania was from an individual."

Still, the practice calls into question the accuracy of the governors associations' disclosure reports.

Billionaire hedge fund manager Singer, for example, has spent years, and millions of dollars, advocating for the right of same-sex couples to marry. He has a gay son who married in Massachusetts, and The New York Times reports he gave $425,000 to back New York's gay marriage bill.

Corbett ran as a staunch opponent of gay marriage in the state and has maintained that stance in office.

A spokesman for Singer declined to comment.

How we got here

The RGA took in about $117 million from 2009-2010, according to CRP, while its Democratic counterpart, the DGA, received less than half of that, $55 million.

Like the national political parties, the RGA is a nonprofit political organization, regulated and tax-exempt under Internal Revenue Code Section 527. But because the RGA is focused on state, not federal, elections, it is largely unregulated by the Federal Election Commission.

It is, however, required to comply with IRS rules. The agency collects the RGA's fundraising and spending reports every quarter.

The RGA has argued in court, with some success, that no single state overseer can regulate its activity because its "major purpose" is to influence elections in a variety of states.

"The governors associations are everywhere," writes Ciara Torres-Spelliscy, of Stetson Law School, but "are regulated almost nowhere."

The organization has existed in a legal gray area that has spurred investigations and lawsuits in several states since it emerged as a force in state elections.

It's "subterfuge," says former FEC official Bob Biersack, now a senior fellow with theCenter for Responsive Politics. "They've figured out this weird hole in the legal structure."

The RGA has maneuvered skillfully, winning in court when states have challenged its practices. In the past four years, says Schrimpf, the organization has "in no state had a final judgment issued requiring us to pay a fine."

Interstate travel?

If the $1.5 million July contribution from the RGA to Corbett via Wisconsin had come by car, it would have traveled 1,700 miles to get to the Republican's campaign account in Pennsylvania. Based on state disclosure forms, the money appeared to come from one account and pass through two others — all based in the RGA's Pennsylvania Avenue headquarters in D.C. — before making it to Corbett.

The triple transfer effectively cloaked the original source of the money, thanks to a loophole in Wisconsin disclosure laws.

Wisconsin law only requires the PAC, which lists the RGA's D.C. address, to report donations from Wisconsin residents. The vast majority of the RGA Wisconsin PAC's money, however, came from out of state.

In the months ahead of the 2010 primary vote, the RGA Wisconsin PAC reported spending at least $5 million, including the $1.5 million gift that ended up with Corbett. The PAC listed its in-state donors, whose contributions amounted to barely more than $31,000.

"It's very difficult to get to the bottom of where their money came from," said Nathan Judnic at the Wisconsin Government Accountability Board.

When the money arrived in Corbett's campaign account, no one, including the Pennsylvania Secretary of State, could decipher the source.

The RGA attached a letter to its campaign filings with Pennsylvania in September 2010. While the origin of the $1.5 million Wisconsin donation was not detailed, the RGA assured the state that it was composed of individual, not corporate, donations.

"In the interest of complete transparency," wrote RGA Counsel Michael Adams, the organization enclosed its full list of individual donors between January and June of that year. The list contained more than $1.5 million in contributions, but did not say explicitly which of those donations made up the $1.5 million that went to Corbett.

The RGA also offered to provide copies of bank statements and cleared checks for verification.

"These contributions are aggregated into personal money-only accounts, and are not commingled with other funds," wrote Adams.

This appears to contradict statements by RGA spokesman Schrimpf, who told the Center in July that "expenditures come out of our general fund."

Contacted again for this story, he said explained that "general fund" is not a "legal nor a literal term." Schrimpf said he uses it to convey that contributions aren't earmarked for specific states. A "clearer way" would be to say that the group "has a general political budget" but "we segregate personal from corporate dollars."

The mysterious July gift of $1.5 million from the RGA Wisconsin PAC came to Corbett just in time. The candidate had suffered a month of bad press after criticizing the state's jobless for relying on unemployment benefits.

The contribution helped launch the Corbett campaign's first ads and a bus tour, which shifted the focus away from the gaffe. By the end of August, his lead in the polls was again more than 10 points, and he was on the road to victory.

In the three weeks before the vote, the RGA would send about $3.6 million more to Corbett to help seal a victory.

States of play

Pennsylvania is not the only state where the RGA directed its funds.

The RGA was "the Laundromat and the repository for a lot of the money that was spent all over the country in 2010, there's no question about it," said Jay Heck, executive director of the good government group Common Cause Wisconsin.

In Iowa, the RGA gave about $1.2 million directly to Terry Branstad, according to data from CRP. As in Pennsylvania, Branstad could not receive corporate money, but could take unlimited sums from individuals. Similar to what it did in Pennsylvania, the RGA fed it through its RGA Iowa PAC, and listed individuals as donors to the PAC.

Also as in Pennsylvania, the RGA Iowa PAC received donations from the RGA's PAC in Wisconsin totaling $340,000.

In Texas, the RGA gave $3 million directly to Gov. Rick Perry, according to the CRP data. The donation was routed through its PAC in Michigan, apparently in an attempt to comply with a state law banning corporate donations.

On Perry's campaign filings, the donation appears as a contribution from the RGA Michigan PAC — because PACs can give candidates unlimited funds to candidates in Texas, as long as the money isn't corporate.

The seed money for the RGA Michigan PAC came again from wealthy individuals, including prolific political donor Texas homebuilder Bob Perry (no relation to Rick). The homebuilding magnate gave the RGA $4 million earlier in 2010.

The RGA also gave contributions in the millions directly to Republican parties in states where corporate contributions to parties are banned. Through its PACs in Michigan and Pennsylvania, it sent $5.3 million to Michigan's Republican Party and $2.3 million to bolster the Pennsylvania Republican Party's efforts.

By contrast, the RGA uses a more direct method in states where corporate contributions to candidates are unlimited.

The organization sent roughly $2.5 million directly to Oregon Republican Chris Dudley, according to both data from CRP and state campaign finance reports. Dudley, who lost a close race for governor, reported the donations as coming from the RGA's "Corporate Unlimited Account" — no pass-through and no state-affiliated PACs were necessary for the corporate cash infusion.

A repeat performance

Republican candidates are leaning heavily on the RGA again as 11 more governors' races head to the November finish line. The organization continues its maneuvers through state and federal election law, and is on pace to break Barbour's prodigious 2010 fundraising record.

It continues to tap the deep pockets of hundreds of donors who have pledged at least $25,000 annually as members of the RGA's Executive Roundtable — led by venture capitalist Fred Malek, who worked in the White House under Presidents Nixon and Ford and served as campaign manager for President George H.W. Bush in 1992.

Hundreds of these executives met with Barbour, Malek, American Crossroads strategist Karl Rove and presidential candidate Mitt Romney in August for an Aspen fundraising and strategy session, according to Politico. Republican gubernatorial candidates Rick Hill of Montana and Rob McKenna of Washington were also present.

The RGA is devoting millions to four possible pickups as Democrats leave open governorships in North Carolina, Washington, Montana, and New Hampshire. The RGA has dedicated millions to challenge Democratic incumbents in four additional states, including Missouri and West Virginia.

The RGA also dropped about $8 million to protect Wisconsin Gov. Scott Walker from being recalled, and has shored up incumbents in Utah, Puerto Rico and Indiana.

In the Hoosier State the RGA used its RGA Right Direction super PAC to sidestep the state's corporate ban and give $1 million to candidate Mike Pence while obscuring the original donors.

The RGA has also used the super PAC, registered to make independent expenditures on federal races, to sponsor ads attacking Democratic candidates for governor in West Virginia and Montana. Donors and spending on these ads were not reported to the states in question after they ran. They were finally reported, however, in mid-October filings with the FEC.

Whether the RGA and the DGA are intentionally evading state laws is difficult to say because of the structure of the organizations.

"Their structure provides plausible deniability to underlying donors," said Stetson's Torres-Spelliscy. Donors can "pretend" they're only giving to the associations and not influence policy in a particular state, "but only that donor and the staff at the governors association knows if this money is given without strings attached." ■

John Dunbar contributed to this report.

D.C.-based governors' associations provide back door for corporate donors

ORGANIZATION RAISES MILLIONS FROM ENERGY INTERESTS

By Alexandra Duszak and John Dunbar

Published Online: October 18, 2012

Chesapeake Energy Corp. CEO Aubrey McClendon. AP

IT WAS NO SECRET in the 2010 race for governor of Pennsylvania that Republican Tom Corbett, the state's attorney general, was the favorite of the burgeoning natural gas industry.

Corbett collected almost $1.3 million from donors with oil and gas interests, according to the National Institute on Money in State Politics.

Aubrey McClendon, the CEO of Chesapeake Energy, the nation's No. 2 natural gas producer and the top driller in the lucrative Marcellus Shale region of Pennsylvania, gave the campaign $5,000 while his company's political action committee contributed $12,000.

But that's a small fraction of what Chesapeake gave to Corbett's top donor.

McClendon's company gave a little over $300,000 in 2010 to a so-called "527" organization called the Republican Governors Association, according to the Center for Responsive Politics. The RGA gave Corbett's campaign more than $6 million, 21 percent of the $28.7 million he raised, according to the National Institute on Money in State Politics.

The RGA acts as a central depository and distributor of funds from wealthy individuals and corporate treasuries that are used to underwrite governors' races in the states.

The organization routinely accepts six- and seven-figure contributions and deals out the funds to state candidates and parties. In states like Pennsylvania, where corporate contributions are banned, the group appears to be skirting the law.

But the RGA says it keeps track of where the money comes from and adheres to all state laws and regulations. Corporate and non-corporate funds are segregated. Critics say, however, that such segregation is meaningless thanks to the wide variation in state campaign finance laws.

Nothing, for example, would prevent Chesapeake's donations to the RGA from being spent on state races that allow corporate contributions — and a like amount from individual donors being shifted to Corbett's campaign.

Donors can say "they're not trying to influence policy in a particular state," said Ciara Torres-Spelliscy of Stetson Law School. "But only that

Key findings:

— 21 percent of the $28.7 million Gov. Tom Corbett raised in the 2010 election came from the Republican Governors Association, a 527 organization that receives significant contributions from the oil and gas industry.

— Corbett collected $1.3 million directly from oil and gas industry political action committees and employees.

— After his election, Corbett created the Marcellus Shale Advisory Commission to plan a development strategy for Pennsylvania's natural gas deposits. The commission includes some of his top donors or their employees and executives of natural gas companies doing work in the state.

donor and the staff at the governors association know if this money is given without strings attached."

RGA spokesman Mike Schrimpf said the group "fully complied with all Pennsylvania campaign finance laws" during the 2010 election.

Chesapeake did not respond to a request for comment.

Pennsylvania's gas boom

Times were tough in Pennsylvania in 2010 — unemployment peaked in February and March at 8.7 percent. Economic issues were at the forefront of the state's race for governor. But a controversial technology that allowed access to deposits of natural gas deep underground brought with it the promise of new jobs and new revenue for the state.

Hydraulic fracturing involves the pumping of millions of gallons of water into wells to break up layers of shale and release natural gas deposits. Environmentalists say the practice — exempt from portions of the Clean Water Act and other laws — contaminates private wells, lowers property values and ultimately harms communities, not helps them.

During the 2010 campaign, Corbett promised not to impose a gas extraction tax on drillers and said he would eliminate red tape and regulations, said Brian Nutt, his adviser and former campaign manager, in an interview with the Center.

His opponent, Democrat Dan Onorato, then-chief executive of Pittsburgh's Allegheny County, urged the passage of the same tax Corbett opposed, calling the Republican a representative of Pennsylvania gas drillers instead of Pennsylvanians.

Corbett's position attracted large contributions from major players in the state's natural gas industry.

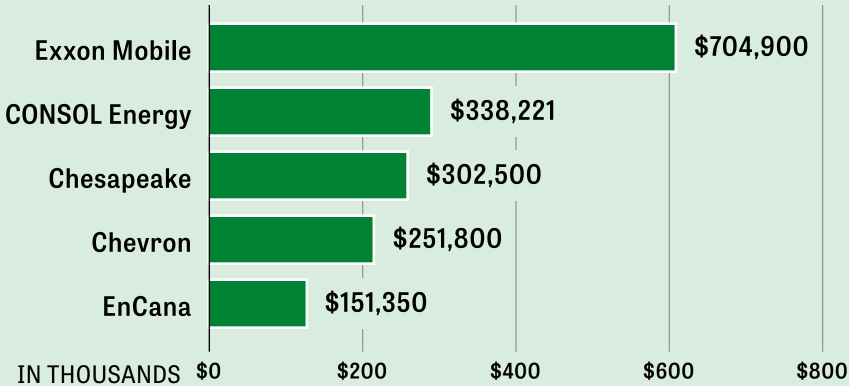
Christine Toretti gave nearly $98,000 to Corbett's campaign, support that was reported to state campaign regulators. Unlike in federal races, contributions from individuals are not capped.

Toretti is the former chairwoman and CEO of the S.W. Jack Drilling Co., which was the largest privately held, land-based driller in the U.S. She also gave $110,000 in 2009-2010 to the Pennsylvania Republican Party, which was the No. 2 donor to Corbett at $2.1 million.

What wasn't reported to the state was $50,000 in donations she made to the RGA, according to CRP.

Likewise, Texan Trevor Rees-Jones, founder and chairman of drilling company Chief Oil & Gas,

Top 5 Pennsylvania 'fracker' donors to RGA 2009-2010



Source: Center for Responsive Politics, Internal Revenue Service..

gave Corbett's campaign $50,000 and the RGA $100,000.

Toretti and Rees-Jones could not be reached for comment.

Donors get say in future development

Some of Corbett's biggest contributors were awarded spots on his Marcellus Shale Advisory Commission, a group that included executives from Chevron, Exxon Mobil and EQT, each doing business in the Marcellus Shale region.

Terry Pegula gave Corbett $100,000 and wife Kim gave $180,000; Terry sits on the commission. The Pegulas founded East Resources and built it into a major independent natural gas exploration and development company before selling it to Royal Dutch Shell in 2010.

Terry Bossert, a senior executive at Chief Oil & Gas, also has a spot on the commission.

A 527 like the RGA — and its Democratic counterpart, the Democratic Governors Association — is not regulated by the Federal Election Commission and cannot make contributions to federal candidates.

It is required to report its donors and expenditures to the IRS.

The DGA gave Onorato $1.9 million out of $25.3 million raised, according to the National Institute on Money in State Politics.

Companies with an interest in the development of the natural gas industry in the state, including Chesapeake, gave at least $4 million in corporate treasury funds to the RGA in the 2009-2010 election, according to a Center for Public Integrity analysis of CRP data.

Among them were Exxon Mobil ($704,900), CONSOL Energy ($338,200), Encana (151,400), the American Natural Gas Alliance ($101,000) and two natural gas-consuming electrical utilities.

To show that none of that corporate money made it into Corbett's campaign account, the RGA created a political action committee in the state; actually, its address is the same as that of its Washington headquarters.

Pennsylvania contribution records show the PAC listed contributions from 101 individuals — three of them residents of Pennsylvania. One donation was a mysterious $1.5 million transfer from the RGA's Wisconsin PAC (also housed in Washington).

Donors listed who were contacted by the Center were unaware their money was headed to the Pennsylvania PAC and into Corbett's campaign account.

The DGA also created a state PAC to make its contributions.

Finding loopholes

At the same time the Pennsylvania PAC was formed, the RGA was spending large sums in states that do not ban corporate contributions. For example, it gave $8.3 million to the Florida Republican Party, which gave $5.2 million to now-Gov. Rick Scott, the Republican winner.

Corporate contributions in Florida are capped at $500 per candidate, but there are no limits on how much corporations can give to parties. Parties can make unlimited contributions to candidates as long as they are earmarked for campaign costs like research, events and staff.

"It's such a gigantic loophole that you can drive a truck through it," said Peter Butzin, volunteer state chairman of the Florida chapter of Common Cause.

In some states, there are no corporate limitations. In Virginia in 2009, Republican candidate Bob McDonnell collected nearly $2 million directly from the RGA.

Corbett, as governor, has been a friend to the gas companies.

Act 13, signed into law in February, was a comprehensive update of Pennsylvania's 28-year-old Oil and Gas Act. Though the law contains updated environmental protections, the measures take a back seat to industry interests, say some anti-drilling activists.

One such group, PennFuture, said the act did not bring in enough money for the state, is weak on environmental safeguards and favors drillers over other businesses.

"Pennsylvania citizens will get little in return," said Jan Jarrett, then-president of the group, days before Corbett signed the act into law.

The act's most controversial provisions allowed drilling almost anywhere — even in residential areas. Since municipalities are required to abide by state law, Act 13 nullified most residential zoning restrictions on drilling. For example, drilling operations were allowed to be located as close as one football field from buildings.

Patrick Henderson, the governor's energy executive, says Act 13 was aimed at streamlining regulations allowing drillers to start work more quickly.

Since Act 13's passage, the zoning provisions have been overturned in court.

Time equals money

"[We're] making sure we're protecting the environment," said Nutt, Corbett's former campaign manager and current adviser, but dealing with unnecessary regulations takes time, and "time means losses of revenue."

The act does levy an annual impact fee of $5,000 to $60,000 per well on natural gas drillers, but these monies can be used only to offset the impact of drilling — not for the benefit of the state at large.

Pennsylvania's impact fee brought in more than $200 million in 2011. In Texas, where each unit of natural gas is taxed at 7.5 cents on the dollar, $1.4 billion was raised in 2009.

James Browning, the author of a Common Cause report critical of the industry's activity in Pennsylvania, said the state is a "worst-case scenario" for natural resource exploitation.

But the Corbett administration defends its practices.

"[Act 13] helped to realize and maximize economic benefits," Henderson said. "And we think that's a good thing." ■

Paul Abowd contributed to this report.

Million-dollar donation in Indiana race may skirt limits on corporate giving

By Paul Abowd

Published Online: July 26, 2012

THE RGA Right Direction PAC is a Washington, D.C.-based super PAC, registered with federal regulators to make independent expenditures supporting or opposing candidates. So what is it doing giving $1 million directly to the Republican running for governor of Indiana?

The donation to Mike Pence, the largest to his campaign, appears to be a way around state laws limiting corporate contributions to candidates.

"In one way, it's legal," said Andrew Downs of the Center for Indiana Politics, at Indiana University-Purdue University Fort Wayne. "But if you say this is a way to give in excess of corporate limits, that's also absolutely true."

Right Direction is funded entirely by the Republican Governors Association, a so-called "527" organization dedicated to electing as many Republicans to governorships as possible — a mission fueled by contributions from some of the largest corporations in the country. In Indiana, candidates can accept unlimited donations from individuals and political action committees but only $5,000 from corporations and unions. Corporations and unions can also give to PACs, but only in small sums.

Whether the check to Pence was drawn on a bank account that contained corporate money is not a matter of public record.

In an email, RGA spokesman Michael Schrimpf said "nothing in our reports suggests" that the organization gave corporate funds to Pence. All RGA expenditures, he said, come from a general fund.

"It's the new model of disclosure subterfuge," said Bob Biersack, a se-

Gubernatorial candidate Rep. Mike Pence, R-Ind., received a $1 million check from the Republican Governors Association — a contribution whose original sources remain shrouded in darkness. Charles Dharapak/AP

nior fellow at theCenter for Responsive Politics and former longtime Federal Election Commission official. "It's not what a normal human being would call transparent."

The donation to Pence appeared in FEC filings July 15. It is the latest in a series of campaign finance maneuvers by the RGA which have prompted legal challenges in two states claiming the group violated limits on corporate giving.

Right Direction reported receiving four contributions totaling $1.3 million from the RGA since January. Super PACs can accept unlimited donations from corporations and labor unions, thanks to the U.S. Supreme Court's *Citizens United* decision.

Right Direction's 2010 boilerplate registration letter filed with the FEC said it "intends to make independent expenditures" — ad buys and other spending that supports or opposes candidates.

FEC filings show the group has not reported any independent expenditures, but has spent money helping state candidates in Ohio in 2010 when it was known as RGA Ohio PAC.

In addition to Right Direction's $1 million contribution to Pence, it also made two contributions to the Montana Republican Party totaling $200,000. The Right Direction PAC is registered with both Indiana and federal election regulators.

Source of funds obscured

In federal records, it reports its donors as the RGA — which effectively obscures the original source of the $1 million check to Pence.

There is no paperwork required by the state of Indiana that shows whether those funds were derived from the RGA's corporate donors. The RGA's Schrimpf says it is following the relevant state and federal campaign finance laws "as efficiently as possible."

According to Abbey Taylor with the Indiana Election Division, "It's a pretty nice little loophole, and loopholes are meant to be exploited."

Corporations can give directly to Indiana candidates, but are limited to $5,000 donations. Drug giant AstraZeneca and Johnson & Johnson have each given $2,500 and Nestle USA has given $5,000 to the Pence campaign since January. These same companies gave $350,000, $25,000, and $12,500 donations respectively to the RGA's 527 organization in the same time period.

A corporation can also support the governor by passing the contribution through a political action committee. It can give $5,000 to the PAC during each election cycle and the PAC can give unlimited amounts to the candidate.

PACs registered only inside Indiana must itemize contributions in reports to the state, including those from corporations. The Indiana Merit Construction PAC, for example, gathered donations from dozens of construction companies and gave $32,500 to Mike Pence in June — bringing its total giving to the campaign to $69,000 this cycle.

Nothing to see here

Right Direction is not required to file such a report, according to state election officials.

A 527 can accept unlimited contributions from corporations, unions and individuals. They may not give money directly to federal candidates but can fund issue advertising campaigns and other political activities. They are regulated by the Internal Revenue Service but not the FEC and are required to report their donors and spending.

Because Right Direction is registered with both the state and the FEC, the Indiana Election Division cannot regulate its spending activity. Co-Director Trent Deckard says state law constrains his agency to regulating PACs that are solely registered with the state.

"I truly understand the public concern here," said Deckard, "but there's 150 members of the legislature who would have to vote on this question. We can always hope for greater transparency."

The Election Division usually does not take up its own investigations unless prompted by citizen complaints. So far, none have been lodged against the RGA's activity.

"Whether it passes the smell test is for voters to decide," said Downs. "This is part of the shell game that concerns people about campaign finance."

The RGA donation to Pence is nothing new.

National campaign

The organization gave seven-figure sums to six different gubernatorial candidates in 2010. The group was a top donor in the Pennsylvania, Illinois, Texas, Oregon, New Mexico, and Iowa races. In 2004 and 2008, its PAC also gave a total of nearly $3.9 million directly to Mitch Daniels' successful bids for Indiana governor, according to the National Institute on Money in State Politics.

"The RGA is confident they can get away with this — they're riding on a new level of hubris," said Edwin Bender, director of the institute.

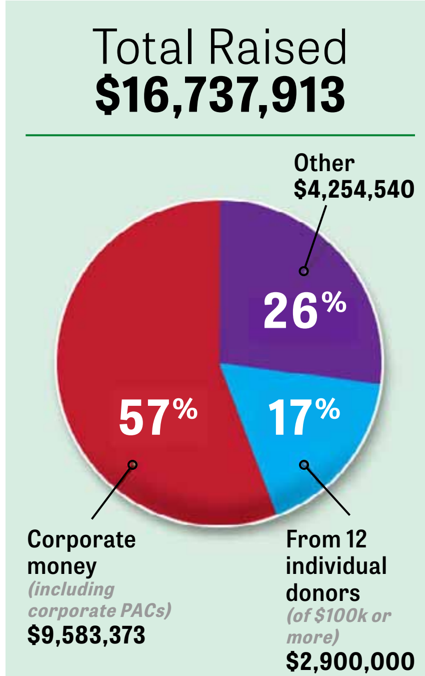
The RGA's 527 raised $16.7 million since April, nearly twice as much as its Democratic counterpart. Fifty-seven percent of that money came from corporate treasuries and corporate PACs, according to a Center for Public Integrity analysis of IRS records.

Koch Industries has given the RGA $2 million, health insurance giant Blue Cross/Blue Shield $1.6 million, and Sheldon Adelson's Sands Casino group $1 million in the 2012 cycle. The U.S. Chamber of Commerce and Bob Perry have each added $750,000 to the RGA coffers, according to the Center for Responsive Politics.

If Pence were running to keep his 6th District congressional seat, his campaign couldn't touch a dime of donations from the RGA super

PAC. But because he's running for a state office, and doing so in a state that allows unlimited PAC contributions to candidates, the RGA super PAC can wire cash direct to his war chest.

The $1 million gift accounts for a third of Pence's haul since April in his race to replace Daniels in the governor's mansion. A week after getting the super PAC infusion, Pence launched an early TV ad blitz — the first of which featured his wife recounting Pence's homegrown Hoosier credentials.



Source: Internal Revenue Service

Pence leads money race

Pence has twice as much cash as his Democratic opponent John Gregg as of July 16. The Democratic Governors Association has given Gregg $29,000 since January. The DGA's June filing with the FEC contains small donors as well as $250,000 checks from each of the national teachers unions.

Its state-registered PAC only lists the DGA's 527 as the donor, raising similar questions about the origin of its contributions to Gregg. Officials at the DGA say the contributions in Indiana are in compliance with state election law.

On top of "the RGA's million-dollar bailout," Gregg's spokesman Daniel Altman cited large donations from billionaire donors including the Koch brothers and Rick Santorum-backer Foster Friess as evidence that Pence is "financed by out-of-state donors who do not have Indiana's best interests at heart."

The Pence campaign did not return calls for comment.

The state has not seen a seven-figure direct contribution to a candidate since 2003 when Bren Simon, the widow of an Indiana mall magnate, gave $1.3 million to former Democratic National Committee chairman Joe Andrew's unsuccessful gubernatorial bid.

The $1 million contribution dwarfs one made by conservative industrialist David Koch, who gave $100,000 to Pence in January. Koch also gave $1 million to the RGA in February.

Pervasive force

The RGA has been a pervasive force in state elections. It has spent $80 million on state races in 40 states since 1999 — more than half of that money has gone directly to candidates, according to the National Institute on Money in State Politics. Some states have been concerned about the national group's influence.

North Carolina and Vermont agencies have taken legal action against the RGA, claiming it violated the states' caps on corporate giving and must be regulated as a state PAC. In both cases, the RGA has used its pervasive reach as a defense, claiming that its "major purpose" is not to influence elections in any one state. Therefore, it has argued, no state can regulate it as a state PAC.

"By that logic, they're not a PAC anywhere, and can't be regulated anywhere," said Stetson Law professor Ciara Torres-Spelliscy. "Do we have political entities that are too big to regulate?"

In North Carolina, the RGA carried the day, despite spending way above the state's limits for PACs.

Vermont's Attorney General claims that both governors associations have violated state campaign finance laws. The state's challenge to the DGA-funded Green Mountain Future 527 is headed for the state's Supreme Court. The case against the RGA claims the organization bought ads through its 527 during the 2010 campaign, but did not report that spending to the state. The RGA is yet to present its defense in the case.

"You need a state that's willing to pick a fight with the RGA," said Torres-Spelliscy, "but they're so powerful that there's this natural reticence to ticket them for running the red light." ■

Center for Public Integrity reporters Michael Beckel and Reity O'Brien contributed to this report.

Super PACs, nonprofits favored Romney over Obama

CITIZENS UNITED DECISION HELPED ROMNEY NEUTRALIZE OBAMA'S FUNDRAISING ADVANTAGE

By Michael Beckel and Russ Choma

Published Online: October 30, 2012

SUPER PACS and nonprofits unleashed by the *Citizens United* Supreme Court decision have spent more than $840 million on the 2012 election, with the overwhelming majority favoring Republicans, particularly GOP presidential nominee Mitt Romney.

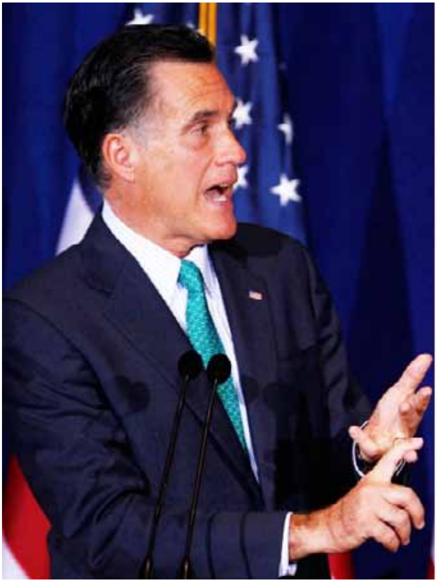
An estimated $577 million, or roughly 69 percent, was spent by conservative groups, compared with $237 million spent by liberal groups, or about 28 percent, with the remainder expended by other organizations.

Of all outside spending in the 2012 election, more than $450 million was dedicated to the presidential election with more than $350 million spent helping Romney and about $100 million spent to help President Barack Obama.

The spending helped close the gap on Obama's considerable fundraising advantage over Romney. As Election Day approaches, Romney and Obama are neck-and-neck in national polls.

The totals are from a joint analysis of Federal Election Commission data by theCenter for Responsive Politics and the Center for Public Integrity. The Centers' analysis covers the period from Jan. 1, 2011 through Oct. 28, 2012, and does not include independent spending by the political party committees.

The final tally will be higher as spending continues to accelerate before Election Day.



AP Photos

Obama's campaign raised more than $632 million in the 2012 election, 62 percent more than Romney's $389 million. Even when including money raised by the Democratic and Republican National Committees, Obama still has an edge of more than $166 million: $924 million for the president's re-election team versus $758 million for Romney and the GOP.

The president's campaign committee was bankrolled to a great degree by money from grassroots supporters, while Romney relied more heavily on larger donors. Individuals who gave $200 or less accounted for 34 percent of Obama's war chest. Meanwhile, such small-dollar donors were responsible for only 18 percent of the Romney campaign's haul.

The deluge of outside spending was made possible by the 2010 *Citizens United* decision and a lower court ruling that allowed individuals, labor unions and corporations to give money to outside spending groups — mostly nonprofits and super PACs — to buy advertising attacking or supporting candidates.

Super PACs were generally backed by super donors. Billionaire casino magnate Sheldon Adelson and his family, for example, gave $54 million to Republican super PACs as of mid-October, far more than any other donor this election cycle.

Nonprofit "social welfare" groups and trade associations can raise just as much money, but are not required to report their donors. The lack of transparency sparked legislation to require disclosure, but it was defeated.

Nonprofits were responsible for more than $245 million, or about 30 percent, of the $840 million in total outside spending. That's about $100 million more than they spent in 2010.

Spending surge helps Romney

During the week of Sept. 30, about $16.5 million was spent by outside groups benefiting Romney, mostly on ads attacking Obama. Three weeks later, the seven-day total jumped to more than $55 million, according to FEC filings.

Outside spending benefiting Obama over the same period never exceeded $14 million, records show.

The GOP candidate, facing the Obama fundraising juggernaut, needed the help of outside groups to keep pace.

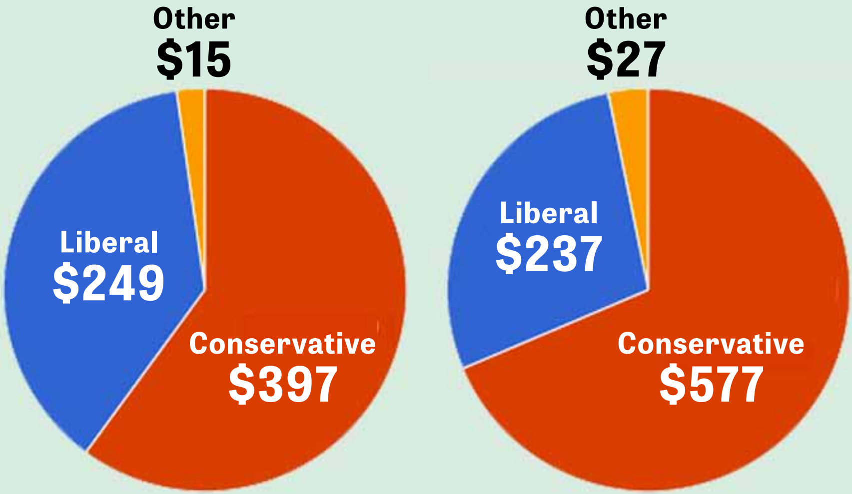
The Obama campaign aired nearly three times as many ads as the Romney campaign between late April and late October, according to a recent study by the Wesleyan Media Project.

Wesleyan found that the 460,500 ads aired by the Obama campaign in the presidential election was more than the Romney campaign, the RNC and seven other Republican-aligned outside spending groups combined — including the top GOP super PACs Restore Our Future and American Crossroads and conservative nonprofits Crossroads GPS andAmericans for Prosperity.

Super PACs in the 2012 election raised about $660 million.

Restore Our Future alone accounted for about $1 out of every $5 of all super PAC donations received. The pro-Romney group raised more than $130 million, much of which was spent decimating Romney's rivals during the GOP primaries.

The Obama-backing Priorities USA Action, by contrast, raised $64 million.



Contributions received by super PACS
(IN MILLIONS)

Outside spending by super PACS, other groups
(IN MILLIONS)

Source: FEC/Center for Responsive Politics

In 2010, during their first year of existence, all super PACs combined raised just $85 million.

The top 149 individual super PAC donors — each of whom has contributed at least $500,000 — are responsible for $290 million of funds raised.

And 858 individuals who contributed at least $50,000 to super PACs accounted for nearly 60 percent of all money the groups collected in the 2012 election. The median household income in 2011, by way of comparison, was $50,054, according to the U.S. Census Bureau.

Donations from large, publicly traded corporations have been relatively rare, but in the waning weeks of the campaign, oil and gas giant Chevron wrote a $2.5 million check to the Congressional Leadership Fund, a super PAC backing Republican candidates that is closely associated with House Speaker John Boehner, R-Ohio.

The emergence of super PACs has been heralded by some, such as Republican lawyer Brad Smith, the former chairman of the Federal Election Commission who co-founded the conservative Center for Competitive Politics.

"[Super PACs] have helped to level the playing field between Romney and Obama, whereas otherwise Obama's spending advantage would have been substantial," said Smith. "And in some cases they have raised issues that concern voters that the candidates have chosen to avoid."

Others disagree.

"When elected officials rely on the most-wealthy of wealthy Americans, it means the voices of everyday people lose out," said Nick Nyhart, president of the advocacy group Public Campaign, which favors publicly financed elections.

Unlike traditional political action committees, super PACs have no contribution limits and the funds they raise can't be directly donated to candidates. Instead, the money they raise has primarily been used to fund attack ads.

Prior to *Citizens United*, groups that wanted to expressly advocate for or against a candidate were limited to receiving no more than $5,000 per donor per calendar year.

Donations shrouded in secrecy

As important as super PACs were in the 2012 election, the loosening of political spending rules for non-disclosing, nonprofit organizations was also a key development following the *Citizens United* decision.

GOP-aligned nonprofits have outspent their Democratic counterparts by a ratio of more than 8 to 1.

Notably, this figure represents a conservative tally of nonprofits' political spending.

Federal law requires spending to be reported only if a group's advertisements encourage viewers to vote for or against a candidate, or if they mention a candidate shortly before a political convention or election.

Justice Anthony Kennedy, the author of the Court's *Citizens United* 5-4 opinion, made a point of saying that disclosure was a key part of the court's rationale. Disclosure would allow citizens to monitor the new political activity.

"This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages," he wrote.

But the tax-exempt groups — some of which clearly exist for no other reason than to elect favored candidates — are spared by Internal Revenue Service and FEC rules from having to publicly reveal their donors.

Crossroads GPS, co-founded by GOP strategist Karl Rove, claims in press releases to have spent more than $120 million since January 2011, of which only $57 million has been reported to the FEC. At least $12 million has been spent attacking Obama, according to FEC records.

Voters watching its ads have no idea where the money is coming from. Nor do they know who is funding the work of liberal organizations doing the same thing, albeit with a lot less money.

Patriot Majority has reported spending $6.5 million on ads, more than half of which has opposed Rep. Dean Heller, the Republican who is running for U.S. Senate in Nevada.

Not all secret money is coming from nonprofits. Throughout the election season, mystery corporations have popped up, spending huge sums.

Specialty Group Inc. of Knoxville, Tenn., wrote seven checks totaling $5.2 million to pro-tea party super PAC FreedomWorks for America in early October. The corporation was created on Sept. 26. The name and address listed on incorporation records are those of a Knoxville, Tenn., area attorney. His published phone line has been disconnected.

The source of the funds, as of this writing, is unknown.

Meanwhile, more than $10 million in funds given to super PACs, which disclose donors regularly, have come from nonprofits, showing that even the groups required to be transparent about their funding sources can still shield the names of donors.

Going negative

The explosion in outside spending has coarsened the political debate, flooding the airwaves in Ohio, Florida, Virginia and other battleground states with negative, often inaccurate ads.

Roughly 80 percent of all spending by both conservative groups and liberal groups has been negative, FEC records indicate.

Fully 100 percent of the nearly $57 million Priorities USA Action reported spending has been on negative ads.

Eighty-eight percent of Restore Our Future's spending went toward negative ads, as did 95 percent of American Crossroads' expenditures.

The group, which coined the slogan "If Mitt Romney wins, the middle class loses," linked Romney to the death of a woman who lost her battle with cancer.

Another of the super PAC's most memorable ads featured a worker describing how building the stage on which officials announced the plant's closure, after it was bought by Bain Capital, was like building his "own coffin" and made him "sick."

Eighty-eight percent of Restore Our Future's spending went toward negative ads, as did 95 percent of American Crossroads' expenditures.

Many of these ads have criticized Obama's handling of the economy, arguing that the country "can't afford" four more years of Obama's policies. One spot features a small-business owner saying, "We can't create more jobs until Obama loses his."

Others ads have featured disillusioned Obama supporters from 2008 expressing disappointment with the president.

The winners in the post-*Citizens United* campaign finance regime won't be known for certain until after Election Day. But Ciara Torres-Spelliscy, an assistant professor of law at Stetson University's law school who previously worked as an attorney with the Brennan Center for Justice, said it won't be the voters.

"I fear that we have lost elections on a human scale with post-*Citizens United* spending by super PACs" and non-disclosing groups, she said. "The losers here are voters who get carpet bombed with political ads full of half-truths and distortions." ■

Researchers Robert Maguire of the Center for Responsive Politics and Alexandra Duszak of the Center for Public Integrity contributed to this report. Graphic design by Paul Williams of the Center for Public Integrity.

House candidates fear super PACs

LONG ISLAND DISTRICT DRAWS HEDGE FUND MONEY

By Rachael Marcus and Michael Beckel

Published Online: September 13, 2012

A **NEW SUPER PAC,** backed by a $500,000 contribution from a wealthy hedge fund manager, is aiming to knock off a Long Island congressman who doesn't share the big donor's views on reform of the finance industry.

Conservative super PAC Prosperity First is bankrolled by wealthy hedge fund CEORobert Mercer, whose firm has lobbied against the Dodd-Frank financial reform law passed in the wake of the 2008 collapse of the banking and real estate industries.

Super PACs — which were made possible by the 2010 *Citizens United* Supreme Court decision — have played pivotal roles in high-profile national and statewide races, but have the potential to make a far greater impact on House contests.

"Outside spending can certainly have more impact in House races than in Senate or presidential contests," said Viveca Novak, communications director of the nonpartisan Center for Responsive Politics. "It takes less money to make an impression."

Congressional districts are smaller, and candidates don't collect anywhere near the amounts seen in statewide and nationwide elections, she added.

Prosperity First wants to oust Democratic Rep. Tim Bishop, whose 1st Congressional District is located in eastern Long Island. According to Federal Election Commission records, in less than a week, the super PAC has spent more than $294,000 on ads supporting wealthy Republican businessman Randy Altschuler and opposing Bishop.

Super donor Mercer, co-CEO of hedge fund giant Renaissance Technologies, gave Prosperity First $500,000 in April, accounting for nearly 80 percent of the $635,500 raised through June, according to the group's most recent filing. Mercer made the contribution three days after Prosperity First was founded.

Mercer has also given $5,000 to Altschuler's 2012 campaign, as well as $1 million to the New York Conservative Party to oppose the construction of an Islamic cultural center near Ground Zero in lower Manhattan.

Mercer, through a spokesman, decline to comment.

Altschuler's position on Wall Street reform aligns with that of Mercer and Renaissance. The hedge fund lobbied against the Dodd-Frank financial reform law, which tightens regulations on hedge funds, among other things.

Altschuler opposes the law, which he has described as "flawed" and a "job killer for New York," local news site Smithtown Matters reported in 2010, while Bishop voted in favor of the legislation.

Renaissance spent $740,000 on lobbying in 2011 and $310,000 during the first six months of 2012. Another of its targets is a bill that would tax investment interest paid to hedge fund managers as ordinary income, which is subjected to a much higher rate.

Altschuler, like GOP presidential nominee Mitt Romney, has pledged to maintain the current capital gains tax rates.

Altschuler and Bishop is a rematch from 2010, which was a nail biter. Both campaigns challenged the results, and three weeks after the election, just 16 votes separated the candidates, The Hill reported. Eventually, Altschuler, who primarily funded his own campaign, conceded. The final tally gave Bishop a margin of victory of less than 600 votes in a race where about 200,000 votes were cast.

The 1st District has seen $296,000 in reported outside spending this election, according to the Center for Responsive Politics, with an undetermined amount spent on unreported "issue ads." Prosperity First is responsible for 99 percent of the reported spending.

Crossroads GPS and the U.S. Chamber of Commerce have also aired issue ads designed to help Altschuler's campaign, according to Robert Pierce, Bishop's communications director.

Prosperity First's television spot encourages people to vote for Altschuler and attacks Bishop as a "pawn" of House Minority Leader Nancy Pelosi, D-Calif.

"Pelosi has one chess piece to always count on: Her bishop, Tim

Bishop," the ad states. The spot claims Bishop voted with Pelosi 97 percent of the time — a statistic backed up by the Washington Post, which calculated that Bishop voted 97 percent of the time with the Democratic Party while Pelosi was House Speaker during the 111th Congress.

Meanwhile the candidates themselves have been trading attack ads.

Bishop's campaign has gone after Altschuler's firm OfficeTiger, which outsources clerical business services to India. Altschuler sold it in 2006 to RR Donnelly for $250 million. Altschuler insists OfficeTiger's outsourcing did not cost American jobs.

Altschuler has accused Bishop of misbehavior when he allegedly helped a constituent obtain fireworks permits for his son's bar mitzvah in return for a campaign contribution, according to Long Island's Newsday.

Bishop's campaign says it did not solicit contributions in exchange for official action — it was merely following up on the constituent's expressed interest to donate.

Prosperity First did not respond to a request for comment. Altschuler's campaign manager Diane Weir said she was not aware of the ads beforehand, but she welcomed the support.

"It's encouraging to know people support our agenda," said Weir. "It's an option people have … and I think that's appropriate."

Federal law prohibits a candidate from coordinating advertising activities with an outside spending group.

As in 2010, New York's 1st District is considered a tossup this year, but Bishop may receive a bump from increased Democratic turnout for the presidential election.

While Bishop had a slight edge in the money race at the end of the second quarter — raising $1.85 million compared to Altschuler's $1.4 million — his campaign doubts the advantage will hold.

"No one in this campaign is under the impression that we won't be outspent," said Pierce of Bishop's campaign. "Randy Altschuler made a career out of outsourcing American jobs to countries such as India, and now his fellow outsourcing pioneers are opening up their wallets for him."

Sumir Chadha, another top donor to Prosperity First at $50,000, served on the board of directors of GlobalLogic with Altschuler, to whom he has given the legal maximum of $5,000 this election cycle.

GlobalLogic specializes in offshore software research and development.

House candidates draw one-campaign super PACs

SUPER DONORS TARGET CONGRESSIONAL RACES

By Russ Choma

Published Online: October 30, 2012

CANDIDATE-SPECIFIC super PACs, once exclusively associated with presidential hopefuls, have moved down-ticket and are now supporting candidates in congressional races this election.

Super PACs devoted solely to supporting a congressional candidate spent $28 million in the 2012 election with about $22 million going toward helping conservative candidates, according to a Center for Responsive Politics analysis of campaign data.

Federal Election Commission rules prohibit "coordination" between a candidate and an outside spending group, but many super PACs have gotten around those rules by hiring operatives who previously worked for the campaign.

The groups became prominent during the Republican presidential primary when each candidate had a supporting chorus in the form of a super PAC. The largest by far was Restore Our Future, which backs GOP presidential nominee Mitt Romney.

Restore Our Future raised nearly $133 million this election cycle, or one of every five dollars raised by super PACs.

By far the biggest player in the congressional candidate-specific super PAC world is theTexas Conservatives Fund, which spent $5.5 million on independent expenditures, all of it during the Texas GOP primary battle for U.S. Senate.

The money was spent in opposition to Ted Cruz, the tea party candidate, in hopes of electing Lt. Gov. David Dewhurst, who was considered the favorite of the Republican establishment. Cruz won the primary and is expected to easily win the general election.

The primary became an all-out spending war that attracted nearly $15 million. The pro-Dewhurst group was outspent by Club for Growth Action Fund, a tea party-aligned super PAC that targeted moderate Republicans in primaries in other states.

The Texas Conservatives Fund's top donors are a roll call of super donors. The largest source of cash was Harold Simmons, the Texas billionaire who owns Contran Corp. Simmons, the No. 2 donor to super PACs this election, gave the Fund $1.1 million. Fellow Texan Bob Perry, the No. 3 overall donor to super PACs, gave $600,000. Sheldon Adelson, the top donor to super PACs, chipped in $250,000.

Both Adelson and Perry have also given money to Independence Virginia PAC, a super PAC targeting Virginia's Democratic Senate candidate Tim Kaine, with $2.5 million — the group has only raised $2.6 million.

Adelson gave $2 million to Florida Freedom PAC, a super PAC that has spent $2.6 million on advertising in support of Rep. Connie Mack, R-Fla., who is running for Senate. Perry has given the group $250,000 while Rick Santorum-backer Foster Friess and hedge fund boss Robert Mercer have also chipped in.

Super PACS dedicated to a single candidate have fought for Democrats, as well.

End the Gridlock targeted Deb Fischer, the Republican candidate for U.S. Senate from Nebraska. She faces former U.S. Sen. Bob Kerrey, who is trying to get his old job back. Kerrey has a money edge over Fischer, having spent $5 million to her $3.4 million but has trailed in polls.

In other instances, like the Texas Senate race, they have proven to be a way for donors like Adelson, Simmons and Perry to wage intra-party warfare, making sure their favorite candidate has support against an insurgent.

In the incumbent vs. incumbent matchup in California's 30th District, pitting Brad Sherman against Howard Berman, both Democratic House members, a candidate-specific super PAC called the Committee to Elect Effective Valley Congressman has injected $1.2 million into the race, all of it in support of Berman. ■

This story is a collaboration between the Center for Public Integrity and the Center for Responsive Politics.

Bad day for super donors

BIGGEST CONTRIBUTORS TO SUPER PACS IN 2012 ELECTION BACKED LOSING CANDIDATES

By Rachael Marcus and John Dunbar

Published Online: November 7, 2012

MONEY can't buy happiness, nor can it buy an election, apparently.

The top donors to super PACs in 2012 did not fare well — casino magnate Sheldon Adelson, the No. 1 super PAC contributor with more than $53 million in giving, backed eight losers at this writing.

Adelson was top backer of the pro-Mitt Romney Restore Our Future super PAC, with $20 million in donations. Romney lost to President Barack Obama. In addition, Adelson's contributions to super PACs backing U.S. Senate candidates in Florida, Virginia and New Jersey were also for naught.

He was not the only conservative billionaire who had a bad night.

Contran Corp. CEO Harold Simmons, (No. 2), homebuilder Bob Perry (No. 3) and TD Ameritrade founder Joe Ricketts, (No.4), also bet on Romney. Collectively, the trio gave $13.4 million to Restore Our Future, and Ricketts' super PAC, Ending Spending Action Fund, spent an additional $9.9 million helping Romney's failed bid.

The super donor winner of the night was Newsweb Corp. CEO Fred Eychaner (No. 5). Eychaner gave $3.5 million to pro-Obama super PACPriorities USA Action through the most recent filing period, which ended Oct. 17, according to Federal Election Commission records.

In Florida, Republican Rep. Connie Mack lost his challenge to the popular Democratic Sen. Bill Nelson, who won with 55 percent of the vote. Adelson gave $2 million to the pro-Mack super PAC Freedom PAC, and Simmons and Perry gave a combined $255,000 to the group.

The hotly contested Senate race in Virginia attracted $2.5 million from Adelson and Perry, both giving to Independence Virginia, the

The flood of spending by independent super PACs and nonprofits unleashed by the U.S. Supreme Court's *Citizens United* decision helped Republican nominee Mitt Romney stay competitive in 2012, but it wasn't enough to overcome President Barack Obama's dominant fundraising machine. AP

super PAC supporting former Republican Sen. George Allen. His opponent, Democratic Gov. Tim Kaine, won the seat with 52 percent of the vote.

Adelson also invested in the re-election of Rep. Allen West, R-Fla., in Florida's 18th District, who was trailing in his battle with Democratic newcomer Patrick Murphy at this writing.

The casino billionaire's $1 million to Patriot Prosperity, a New Jersey-specific super PAC supporting the Republican candidate for U.S. Senate, Joe Kyrillos, and the Republican candidate for U.S. House in the state's 9th District, Rabbi Shmuley Boteach, also did not pay off.

During the primary season, Adelson's $16.5 million in contributions to the super PAC Winning Our Future was not enough guide former House Majority Leader Newt Gingrich to a Republican presidential nomination, though it is credited with keeping him in the race longer than expected. Nor were Adelson's contributions enough to help Texas Lt. Gov. David Dewhurst win the GOP primary for Texas Senate earlier this year, a cause to which gave at least a quarter-million dollars.

Adelson did score one point with his $2 million contribution that helped sink a Michigan ballot initiative seeking to enshrine collective bargaining in the state's constitution. Adelson runs the only non-union casinos on the Las Vegas Strip.

Tuesday marked the first presidential election under the new campaign finance regime installed following the 2010 *Citizens United* U.S. Supreme Court decision. The ruling paved the way for super PACs and nonprofits, allowing them to accept unlimited contributions from individuals, corporations and unions, which could be spent on advertising backing or opposing candidates. ■

Win-Loss Rundown

Giving to candidate-specific super PACs in the federal election

Sheldon Adelson, Republican, $53.7 million*

Mitt Romney	GOP presidential candidate	Loss
Connie Mack	Florida Senate	Loss
George Allen	Virginia Senate	Loss
Allen West	House, Florida's 18th	Loss
Joe Kyrillos	New Jersey Senate	Loss
Shmuley Boteach	House, New Jersey's 9th	Loss

Win-Loss Rundown [CONTINUED]

Newt Gingrich	GOP presidential primary	Loss
David Dewhurst	GOP primary, Texas Senate	Loss

Harold Simmons, Republican, $26.9 million*

Mitt Romney	GOP presidential candidate	Loss
Connie Mack	Florida Senate	Loss
Rick Santorum	GOP presidential primary	Loss
Newt Gingrich	GOP presidential primary	Loss
Rick Perry	GOP presidential primary	Loss
David Dewhurst	GOP primary, Texas Senate	Loss
Orrin Hatch	GOP primary, Utah Senate	Win

Bob Perry, Republican, $21.5 million*

Mitt Romney	GOP presidential candidate	Loss
George Allen	Virginia Senate	Loss
Connie Mack	Florida Senate	Loss
Rick Perry	GOP presidential primary	Loss
David Dewhurst	GOP primary, Texas Senate	Loss

Joe Ricketts, Republican, $12.9 million*

Mitt Romney	GOP presidential candidate	Loss

Fred Eychaner, Democrat, $12 million*

Barack Obama	DEM presidential candidate	Win

**As of Oct. 17, 2012 for the 2011-2012 election cycle.*

Source: Center for Responsive Politics and Center for Public Integrity analysis of Federal Election Commission records. Totals include contributions from individuals, family members and corporations that are controlled by the individual super donor.

Rove-affiliated groups spend $175 million, lose 21 of 30 races

PRESIDENCY, SENATE STILL IN HANDS OF DEMOCRATS

By Michael Beckel and Reity O'Brien
Published Online: November 9, 2012

IF KARL ROVE was an NFL coach and not a political strategist, he would probably be looking for a new job about now.

Karl Rove, former Senior Advisor to President George W. Bush Sue Ogrocki/AP

Organizations co-founded by the GOP's most effective fundraiser spent more than $175 million only to see President Barack Obama win a second term and Democrats actually gain seats in the U.S. Senate.

According to a Center for Public Integrity review of spending records, Rove's super PAC, American Crossroads, went 3-10 during the 2012 election cycle, while Crossroads GPS, its nonprofit counterpart, went 7-17. The two groups, which were both active in a handful of contests, had a combined 9-21 record.

When asked by Fox News host Chris Wallace on Election Night if his groups' spending was "worth it," Rove was unapologetic: "Look, if groups like Crossroads were not active, this race would have been over a long time ago."

Meanwhile, Jonathan Collegio, the spokesman for the two Crossroads organizations, has maintained that "sub-optimal candidate quality" contributed to Republican losses in the Senate and that his groups will be a "permanent entity on the center-right."

"By leveling the financial playing field, conservative super PACs kept this race close and winnable all the way until the end," Collegio told the Center for Public Integrity. "Our contributors are of course disappointed with the results, but satisfied with the impact we had."

Democratic super PACs fared far better, especially Majority PAC, launched by former aides to Senate Majority Leader Harry Reid, D-Nev. The organization had a 14-3 record.

House Majority PAC, a group focused on aiding House Democrats, also appears to have backed more winners than losers. Thirty-five of its preferred candidates won while 31 lost. Democrats are leading in four of five undecided contests where the group also invested money.

"If you look back to 2010, there were lots of races where Democrats were overwhelmed by outside money at the last minute," said House Majority PAC spokesman Andy Stone. "We aimed to reduce the disparity in outside GOP money to outside Democratic money, and we cut it in half from 2010 to 2012."

Zach Gorin, the spokesman of Majority PAC, stressed that it was important for Democrats to compete in the fundraising arms race against groups like American Crossroads and Americans for Prosperity, which has ties to conservative billionaire brothers Charles and David Koch.

"At the beginning of the cycle, the conventional wisdom was that Democrats would surely lose their majority in the Senate," Gorin said. "But our growing financial momentum in the lead-up to November ensured that we would not only be able to compete with Karl Rove and the Koch brothers on the air in Democratic seats, but also bring the fight to them in red states, as well."

The Democratic super PACs may have played a role, but they had an easier task than their Republican counterparts. Democratic candidates for Senate, for example, collectively outraised their Republican counterparts by more than $35 million in the seven most hotly contested races. A similar dynamic held true in the presidential contest, where Obama's campaign outraised his Republican rival Mitt Romney by more than $240 million.

In addition, Republican Senate seats in Missouri and Indiana, which were expected to be Republican pickups, appear to have suffered from "sub-optimal" candidates, in Collegio's words.

Rep. Todd Akin, the GOP Senate candidate in Missouri, saw his standing in the polls drop after he said women who were victims of "legitimate rape" rarely get pregnant.

Scorecard for the top 10 outside spenders

Rank	Group	Wins–Losses	Total spent
1	Restore Our Future	0–1	$143 million
2	American Crossroads	3–10	$105 million
3	Crossroads GPS	7–17	$71 million
4	Priorities USA Action	1–0	$67 million
5	Majority PAC	14–3	$37 million
6	Americans for Prosperity	1–2	$37 million
7	U.S. Chamber of Commerce	7–33	$36 million
8	House Majority PAC	40–31	$31 million
9	Service Employees International Union	52–29	$30 million
10	American Future Fund	5–17	$25 million

Source/Methodology: Center for Public Integrity analysis of Federal Election Commission data collected by the Center for Responsive Politics and the Sunlight Foundation. Total spending and win-loss records calculated based on all 2011-2012 election cycle activity, including the November general election, primaries and special elections.

Comments about rape also contributed to the defeat of Indiana Republican Richard Mourdock, who, during a late October debate, said that pregnancies resulting from rape shouldn't be aborted because they were "something that God intended to happen."

In addition to Indiana, Majority PAC's 14 "wins" included victories in Montana and North Dakota, states where Obama lost the popular vote to Romney.

Super PACs and nonprofits, which proliferated after the controversial 2010 Supreme Court's *Citizens United* ruling, are allowed to accept contributions of unlimited size from individuals, corporations and unions. This money can be used on advertisements, officially called "independent expenditures," but spending cannot be coordinated with campaigns.

The scorecards of the Democratic Senatorial Campaign Committee and the National Republican Senatorial Committee mirrored those of their aligned super PAC and nonprofit allies, even though they face limits on fundraising.

Party committees can only accept limited contributions from individuals and PACs, and while some of their spending can be coordinated, they also operate arms devoted strictly to independent expenditures.

The NRSC's independent spending supported nine GOP Senate candidates, seven of whom lost on Election Night. Eleven of 13 candidates the DSCC made independent expenditures on behalf of won.

The Democratic Congressional Campaign Committee and National Republican Congressional Committee had more mixed results.

The GOP managed to retain control of the U.S. House of Representatives though its advantage appears to have dropped by a handful of seats. As of press time, the Associated Press had still not called nine races.

"The money was not decisive in a lot of races," said Kyle Kondik, an analyst at the Center for Politics at the University of Virginia. "Candidates matter too."

Despite the Crossroads organizations not having "a very good record to point to," Kondik says that Rove "still does have a lot of cachet on the right."

Conservative attorney Dan Backer, too, predicts Rove is here to stay.

"Karl Rove is not retiring anytime soon," Backer said. ■

Andrea Fuller contributed to this report.

Sheldon Adelson, chairman and CEO of the Las Vegas Sands Corp. Vincent Yu/AP file

Adelson gave $40 million to super PACs in final weeks of election

By Michael Beckel and Andrea Fuller

Published Online: December 21, 2012

BILLIONAIRE casino magnate Sheldon Adelson and family poured nearly $40 million into the coffers of GOP-aligned super PACs In the final three weeks of the 2012 campaign, bringing their total giving to the groups to more than $93 million.

Adelson ranks as the top donor to the outside spending groups by a wide margin, according to a Center for Public Integrity analysis of campaign finance records.

Super PACs raised roughly $830 million in the 2012 election, with conservative groups accounting for about 60 percent of the total, according to the nonpartisan Center for Responsive Politics.

By contrast, President Barack Obama's presidential campaign raised nearly $720 million and Republican challenger Mitt Romney's raised almost $450 million, according to Federal Election Commission filings.

In all, the top 25 super PAC super donors doled out more than $310 million, about 37 percent of all super PAC receipts, according to the Center's analysis of data from the FEC and Center for Responsive Politics. Ninety-one individuals gave at least $1 million to super PACs and collectively donated more than $330 million, according to the analysis.

The unlimited donations, which are used primarily to fund candidate attack ads, concern advocates such as Stephen Spaulding, staff counsel at Common Cause.

"People are able to distort the political process, open doors and be kingmakers simply because of the size of their bank account," he said. "The threat of the spending just hangs over all the political decisions that are happening on [Capitol] Hill."

After focusing primarily on the presidential contest, in the final weeks of the campaign, Adelson ramped up his giving to GOP-aligned super PACs active in House and Senate races.

In Virginia alone, Adelson invested $4 million into a super PAC that ran attack ads against Democrat Tim Kaine in the final days of the election.

His million-dollar contribution to a super PAC called the "Hardworking Americans Committee" accounted for the bulk of the money used in an unsuccessful last-ditch effort to defeat incumbent Sen. Debbie Stabenow, D-Mich.

And a GOP-aligned super PAC known as the "America 360 Committee" received $500,000 from the Adelsons as it touted incumbent Sen. Scott Brown, R-Mass., and criticized Democratic challenger Elizabeth Warren in telephone calls and mailings.

Despite the spending, however, Democrats prevailed in the most contentious races — including battles for U.S. Senate seats in Massachusetts and Virginia.

Adelson's donations to super PACs — which can accept unlimited donations from individuals, corporations and unions — set a new standard in political giving.

Texas businessman Harold Simmons, the billionaire owner of Contran Corp., ranked a distant second among super donors, giving $30.9 million, including donations from his company and wife, Annette Simmons.

One of Simmons' business ventures includes a site in West Texas built to store nuclear waste. The Nuclear Regulatory Commission is currently debating rules that could result in sizeable contracts for Simmons' company.

Another Texan, millionaire Bob Perry, ranked third, giving $23.5 million to conservative super PACs. Perry is the owner of Perry Homes and an advocate for the business-led effort to limit damages awarded in lawsuits.

Millionaires and billionaires pepper the Center's list of the top 25 super donors (see page 6). The list also includes seven unions and the Republican Governors Association, a so-called "527 committee" that used a super PAC to direct funds into state races. None of these donors broke the $20 million mark.

Billionaire New York City Mayor Michael Bloomberg, No. 9, was a new addition to the list. Bloomberg gave more than $10 million to a group he launched called Independence USA PAC, whose priorities include stronger gun control laws and marriage equality for same-sex couples.

Other new additions to the Center's list of top donors include:

- William S. Rose, Jr., No. 6, the 61-year-old attorney tied to two companies that gave more than $12 million to conservative super PAC FreedomWorks for America since the beginning of October;
- the American Federation of State, County and Municipal Employees, No. 12 at $8.2 million;
- the American Federation of Teachers, No. 15 at $5.8 million; and
- the United Association of Journeymen and Apprentices of the Plumbing, Pipefitting and Sprinkler Fitting Industry, tied for 23rd at $4.2 million.

Rose's companies — Specialty Investments Group, Inc., and Kingston Pike Development, LLC — both list their address as Rose's $634,000 private home outside of Knoxville, Tenn. Both were registered with the state of Tennessee in late September, and neither have websites.

Rose, after intense press scrutiny, went public saying Specialty's mission is to "buy, sell, develop and invest in a variety of real estate ventures and investments." Rose released a lengthy press release, but did not indicate where the money for the donations originated.

Rose did not respond to requests for comment for this story.

The top Democratic-aligned super donor was Chicago media mogul Fred Eychaner, who gave $14.1 million over the course of the election cycle, split among five groups. That sum earned him the No. 4 spot on the Center's top 25 list.

The pro-Obama Priorities USA Action super PAC collected $4.5 million from Eychaner, ranking as his top beneficiary. He also backed Majority PAC, House Majority PAC, Women Vote!, the super PAC of abortion rights advocacy group EMILY's List, and America Votes Action Fund, a super PAC that funded get-out-the-vote efforts.

Liberal billionaire hedge fund manager George Soros* made it on the list, donating about $2.8 million split among four Democratic groups. His children Andrea, Alexander and Jonathan also each donated six-figure sums to Democratic super PACs, as did his daughter-in-law Melissa, bringing the family's total giving to $5.1 million, enough to rank 18th.

Soros' children collectively gave $1.1 million to the pro-campaign finance reform super PAC "Friends of Democracy," which was launched by Jonathan Soros.

This is a far cry from the $23.7 million Soros donated during the 2004 election to 527 groups — the predecessors of super PACs — when he ranked as the top 527 committee financier, according to the Center for Responsive Politics.

Despite fears to the contrary, donations from blue-chip corporations were rare, although a month

* George Soros is the chairman of the Open Society Foundation, which provides funding for the Center for Public Integrity. See list of the Center's donors at: www.publicintegrity.org/about/our-work/supporters.

George Soros AP Photo

before the election, Chevron, the third-largest American company according to Forbes, donated $2.5 million to a Republican super PAC closely allied with House Speaker John Boehner, R-Ohio.

One of the largest, high-profile corporate donors was Weaver Holdings, the parent company of the Indiana-popcorn company known for its brands "Pop Weaver" and "Trail's End," which is sold by Boy Scouts across the country. Weaver Holdings, along with Weaver Popcorn, donated $3.4 million to American Crossroads, including $1 million during the final three weeks of the election.

American Crossroads was co-founded by GOP strategists Karl Rove and Ed Gillespie.

Unlike traditional political action committees, there is no limit on contributions to super PACs. They emerged following the U.S. Supreme Court's *Citizens United* decision and a federal court ruling called SpeechNow.org v. Federal Election Commission.

Adelson is a staunch ally of Israel and an opponent of unions. He first hit the news when he and his relatives pumped more than $16 million into a super PAC that supported former GOP House Speaker Newt Gingrich's failed bid for the Republican nomination for president.

He and his wife Miriam gave $30 million to the pro-Romney super PAC Restore Our Future, which accounted for nearly 20 percent of the nearly $154 million raised by the group.

In late October, the Adelsons also gave $23 million to American Crossroads, their first donations to the group. Crossroads spent more than $90 million in an unsuccessful effort to help Romney oust Obama.

Roughly two-thirds of Adelson's $93 million went to super PACs that backed just one or two specific candidates. None of Adelson's preferred candidates prevailed in any of the 10 races in which these super PACs were active.

Earlier this month, a defiant Adelson told the Wall Street Journal that he would spend even more money in future elections.

"I happen to be in a unique business where winning and losing is the basis of the entire business," Adelson told the newspaper. "I don't cry when I lose. There's always a new hand coming up."

Collect 'em all! Super donor 'all-star' cards

Full profiles of the super donors on the Center for Public Integrity website at:

www.publicintegrity.org/2012/04/26/8754/meet-super-donor-all-stars

Court opened door to $933 million in new election spending

CITIZENS UNITED DECISION LED TO SPENDING BLITZ IN 2012

By Reity O'Brien and Andrea Fuller

Published Online: January 22, 2013

THE SUPREME COURT'S *Citizens United* decision unleashed nearly $1 billion in new political spending in the 2012 election, with media outlets and a small number of political consulting firms raking in the bulk of the proceeds.

Spending records released by the Federal Election Commission show that throughout the 2012 election, corporations, unions and individuals that could take advantage of the high court's ruling were responsible for about $933 million of the estimated $6 billion spent during the contest.

Nearly two-thirds of the new money — about $611 million — went to 10 political consulting firms, according to a Center for Public Integrity analysis. All but one of the top 10 recipients bought advertising in various media markets on behalf of super PACs and nonprofits. Eighty-nine percent of the expenditures made to the top 10 went to spots attacking candidates, the data show.

"For some in the industry, it has been a definite boon," said Dale Emmons, president of the American Association of Political Consultants. "This election appears to have set a new benchmark on the amount of money that could be spent, because there were no limits on what could be spent."

The 2010 *Citizens United* decision and a lower-court ruling allowed unlimited donations to super PACs and nonprofits, independent groups that used the funds primarily to fund ad campaigns.

Media buyers keep only a fraction of the total spending — usually 15 percent, according to Federal Communications Commission records, with the rest going to media outlets.

The winners

The top recipient of independent spending among media buyers was Mentzer Media Services, the Towson, Md.-based media placement firm run by longtime GOP consultant Bruce Mentzer.

Mentzer attracted nearly $204 million from conservative super PACs and other outside groups. In a tough year for Republicans, only 26 percent of the candidates who were supposed to benefit from the ads won their races, according to a Center for Public Integrity analysis.

The firm was the preferred vendor for the pro-Mitt Romney super PAC Restore Our Future, which paid Mentzer nearly $132 million to purchase air time in presidential battleground states.

A Mentzer employee who answered the phone declined to comment on the firm's involvement in the 2012 election.

Second was Crossroads Media, which was paid about $163 million to buy media time for conservative super PACs and nonprofits in 2012. The firm is run by Michael Dubke, the former president of Americans for Job Security — a pro-Republican nonprofit and one of Crossroads' top clients.

Waterfront Strategies, which worked for Democratic groups, ranked third, at $81 million.

Democratic-aligned Mundy Katowitz Media, fourth on the list, was the preferred vendor for the pro-Obama super PAC Priorities USA Action, placing more than $57 million in television ads for the group.

American Media & Advocacy Group, a favorite of conservative groups, ranked No. 5 at $27 million.

Target Enterprises — a Los Angeles-based media buyer for conservative super PACs — was paid $17 million, ranking it No. 6. The firm had a dismal success rate, coming in dead last among firms catering to super PACs and nonprofits. Seven percent of its preferred candidates won on Nov. 6.

A woman who answered the phone at Target Enterprises Tuesday said both principals of the company were "mid-flight" and unavailable for comment.

The Center analyzed FEC data compiled by the Sunlight Foundation and the Center for Responsive Politics. The $933 million in spending came from super PACs, nonprofits, and to a lesser extent, "527" organizations that were the favorite independent spending vehicle in past elections.

FEC coordination law a 'joke'

The *Citizens United* decision opened a huge new potential market for consultants, but there was a catch. Consultants who work for candidates — but also work for "independent" groups that support those same candidates — have to be careful.

The high court's decision did not affect the ban on donations to candidates from corporations and unions, nor did it affect contribution limits from individuals. Instead, it focused on spending by independent groups, unaffiliated with candidates.

As long as super PACs act independently of the candidate, there is no danger of corruption, the high court reasoned.

But sometimes the separation between the campaign and the like-minded super PAC or nonprofit can be hard to discern.

Waterfront Strategies, for example, in its FEC filings lists the same address as GMMB — a well-known Democratic media consulting firm and the preferred vendor for President Barack Obama's 2008 and 2012 campaigns.

Waterfront was the beneficiary of $81 million paid by some of the biggest Democratic outside spending groups — including Majority PAC, a super PAC backing Democrats running for Senate, and the League of Conservation Voters.

The Huffington Post reported that Waterfront is an internal branch of GMMB. It was incorporated in Delaware, and its president is listed as Raelynn Olson, GMMB's managing partner.

Both Waterfront and its parent company, GMMB, worked to elect Democrat Richard Carmona in his unsuccessful bid for Arizona's open U.S. Senate seat. Majority PAC hired Waterfront to purchase airtime for ads supporting Carmona and attacking his Republican opponent, then-Rep. and now Sen. Jeff Flake. Carmona's campaign hired GMMB for its ad buys in the same race.

One Majority PAC ad used the same childhood photo of Carmona that was featured in an official Carmona campaign ad.

GMMB did not reply to requests for comment.

Setting up spinoffs is more about "optics" than skirting coordination rules, said Paul S. Ryan, senior counsel for the nonpartisan Campaign Legal Center.

Under current law, as long as a firm assigns each client separate consultants — and those two don't coordinate their activities — that constitutes a satisfactory firewall, according to Ryan.

"That's a pretty ridiculous and modest constraint on campaign coordination," Ryan said.

Texas two-step

American Media & Advocacy, which also has no website, received nearly $27 million to buy media for super PACs and other outside groups.

The organization worked for the Congressional Leadership Fund, a super PAC that paid for ads attacking Pete Gallego, a Democrat who defeated Republican Francisco Canseco in the race for U.S. House of Representatives in Texas' 23rd District. The firm also worked for Canseco's campaign.

Records show that at least one of American Media's buyers purchased media in the San Antonio market for both the Congressional Leadership Fund and the Canseco campaign.

Records show that American Media shares an Alexandria address with the high-profile, bipartisan consulting group Purple Strategies. Purple Strategies failed to respond to the Center's repeated inquiries about any affiliation that it might have with American Media & Advocacy Group.

American Media and Advocacy is "well aware of the FEC coordination rules, including the common vendor rules," said Jim Kahl, the group's attorney, "and they have procedures in place to comply with them."

In Ohio, American Media & Advocacy Group was paid by the Congressional Leadership Fund to purchase ads slamming Democrat Betty Sutton in the House race for District 16. American Media was also working for Sutton's Republican opponent, Rep. Jim Renacci.

The same person was listed in records as buying media in the Cleveland market — at the same TV station in at least one case — for both the Renacci campaign and the Congressional Leadership Fund.

Candidates and super PACs can avoid charges of coordination altogether by sending up smoke signals in cyberspace.

For example, one of Target's top clients was Freedom PAC, a super PAC that paid the firm nearly $3.4

million for ad buys supporting Rep. Connie Mack, the unsuccessful Republican candidate in the Florida Senate race.

Freedom PAC released an ad containing some of the same footage that was on the Mack campaign's YouTube channel.

Under FEC coordination rules, campaign committees and the outside groups that boost their candidates may share material as long as it is publicly available.

"It's a pretty big joke that anyone would really believe that these groups are truly independent from the candidates," Ryan said. "They're not." ■

Beneficiaries from *Citizens United*

The 2010 U.S. Supreme Court ruling that led to the creation of super PACs and free-spending political nonprofits added nearly $1 billion in new spending to the 2012 election. Nine of the top 10 beneficiaries were media buyers, which usually collect a 15 percent commission of the amount billed.

Rank	Name	Total Given
1	**Mentzer Media Services**	**$204 million**
2	**Crossroads Media LLC**	**$163 million**
3	**Waterfront Strategies** (GMMB)	**$81 million**
4	**Mundy Katowitz Media**	**$59 million**
5	**American Media and Advocacy Group**	**$27 million**
6	**Target Enterprises**	**$17 million**
6	**Red Sea LLC**	**$17 million**
8	**Revolution Media Group/Revolution Agency**	**$16 million**
9	**Arena Communications** (direct mail)	**$14 million**
10	**Main Street Media Group**	**$13 million**

Quick stats on super PACs

Full profiles at: www.publicintegrity.org/politics/consider-source/super-pacs

Restore Our Future

Supports: Mitt Romney
Founded: Oct. 8, 2010
Website: www.restoreourfuture.com
Principals: Carl Forti, Charles Spies, Larry McCarthy, Steve Roche

Priorities USA Action

Supports: Barack Obama
Founded: April 29, 2011
Website: www.prioritiesusaaction.org
Principals: Bill Burton, Sean Sweeney

Congressional Leadership Fund

Supports: Republican candidates
Founded: October 21, 2011
Website: www.congressionalleadershipfund.org
Principals: Norm Coleman, Brian Walsh, Fred Malek, Vin Weber

YG Action Fund

Supports: Republican candidates
Founded: Oct. 27, 2011
Website: www.ygaction.com
Principals: John Murray, Brad Dayspring

Club for Growth Action

Supports: Conservative candidates
Founded: Aug. 9, 2010
Website: www.clubforgrowth.org
Principals: Chris Chocola

Ending Spending Action Fund

Supports: Conservative candidates
Founded: Oct. 5, 2010
Website: www.endingspendingfund.com
Principals: J. Joe Ricketts, Brian Baker, Nancy Watkins

FreedomWorks for America

Supports: Conservative candidates
Founded: Sept. 6, 2011
Website: www.freedomworksforamerica.org
Principals: Ryan Hecker, Russ Walker, Matt Kibbe, Dick Armey, Dean Clancy

American Bridge 21st Century

Supports: Democratic candidates
Founded: Nov. 23, 2010
Website: www.americanbridgepac.org
Principals: David Brock, Kathleen Kennedy Townsend, Rodell Mollineau

Majority PAC

Supports: Democratic Senate members and candidates
Founded: June 11, 2010
Website: www.majority2012.com
Principals: Susan McCue, Monica Dixon, Harold Ickes, Jim Jordan

Quick stats on super PACs [CONTINUED]

Full profiles at: www.publicintegrity.org/politics/consider-source/super-pacs

House Majority PAC

Supports: Democratic House members and candidates

Founded: April 6, 2011

Website: www.thehousemajoritypac.com

Principals: Alixandria "Ali" Lapp, Candace Bryan Abbey

Americans for a Better Tomorrow, Tomorrow

Supports: Political satire

Founded: June 30, 2011

Website: www.colbertsuperpac.com

Principals: Stephen Colbert, Trevor Potter, Shauna Polk

American Crossroads

Supports: Republican candidates

Founded: July 9, 2010

Website: www.americancrossroads.org

Principals: Mike Duncan, Steven Law, Carl Forti, Karl Rove, Haley Barbour

Cain Connections

Supports: Conservative candidates

Founded: Dec. 14, 2011

Principals: Herman Cain, Anthony Holm, Matk Block

9-9-9 Fund

Supports: Herman Cain

Founded: Oct. 20, 2010

Website: www.americansforhermancain.com

Principals: Scott Mackenzie, Jordan Gehrke

Citizens for a Working America PAC

Supports: Republican candidates

Founded: Sept. 10, 2010

Website: www.citizensforaworkingamericapac.com

Principals: Ken Blackwell, Ed Brookover, David Langdon, Jeremy Hughes

Winning Our Future

Supports: Newt Gingrich

Founded: Dec. 13, 2011

Website: www.winningourfuture.com

Principals: Becky Burkett, Gregg Phillips, Rick Tyler

Strong America Now

Supports: Newt Gingrich

Founded: Nov. 1, 2011

Website: www.strongamericanow.org

Principals: Mike George, Peter O'Rourke, F. Scott O'Grady

Leaders for Families

Supports: Rick Santorum

Founded: Dec. 27, 2011

Website: www.thefamilyleader.com

Principals: Charles Hurley, James Bopp

Red, White and Blue Fund

Supports: Rick Santorum

Founded: Oct. 1, 2011

Website: www.rwbfund.com

Quick stats on super PACs [CONTINUED]

Full profiles at: www.publicintegrity.org/politics/consider-source/super-pacs

Principals: Nick Ryan, Stuart Roy, Christopher Marston

Revolution

Supports: Ron Paul

Founded: July 14, 2011

Website: www.revolutionpac.com

Principals: Gary Franchi, Lawrence W. Lepard, Penny Langford Freeman

Endorse Liberty

Supports: Ron Paul

Founded: Dec. 20, 2011

Website: www.endorseliberty.com

Principals: Abraham D. Niederhauser, Jeffrey Harmon, Ladd Christensen, Stephen Oskoui, Dan Backer

Quick stats on nonprofits

Full profiles at: www.publicintegrity.org/politics/consider-source/nonprofits

Patriot Majority USA

Supports: Democratic candidates

Location: Washington, D.C.

Founded: 2010

Website: www.patriotmajority.org

Principals: Craig Varoga, Joe Householder, Bill Burke

League of Conservation Voters Inc.

Supports: Pro-environment candidates, mostly Democrats

Founded: 1969

Website: www.LCV.org

Principals: Gene Karpinski, Patrick Collins, Navin Nayak, Tiernan Sittenfeld, Scott Nathan

Club for Growth Inc.

Supports: Conservative candidates

Location: Washington, D.C.

Founded: 1999

Website: www.clubforgrowth.org

Principals: Chris Chocola, Chuck Pike, Stephen Moore

American Commitment

Supports: Conservative candidates

Location: Washington, D.C.

Founded: April 10, 2012

Website: www.americancommitment.org

Principals: Phil Kerpen

Americans for Prosperity

Supports: Conservative candidates

Founded: 2004

Location: Arlington, Va.

Website: www.americansforprosperity.org

Principals: Tim Phillips, Art Pope

Quick stats on nonprofits [CONTINUED]

Full profiles at: www.publicintegrity.org/politics/consider-source/nonprofits

Ending Spending

Supports: Fiscally conservative candidates
Founded: 2010
Location: Washington, D.C.
Website: www.endingspending.com
Principals: J. Joe Ricketts, Brian Baker, Stephanie Mesick

American Future Fund

Supports: Conservative candidates
Founded: 2007
Location: Des Moines, Iowa
Website: www.americanfuturefund.com
Principals: Nick Ryan, Sandra Greiner, Allison Dorr Kleis

American Action Network

Supports: Conservative candidates
Location: Washington, D.C.
Founded: July 23, 2009
Website: www.americanactionnetwork.org
Principals: Norm Coleman, Douglas Holtz-Eakin, Brian Walsh, Fred Malek

Americans for Tax Reform

Supports: Republican candidates
Founded: 1985
Location: Washington, D.C.
Website: www.atr.org
Principals: Grover Norquist

60 Plus Association

Supports: Republican candidates
Founded: 1992
Location: Alexandria, Va.
Website: www.60plus.org
Principals: Amy Noone Frederick, Jim Martin

U.S. Chamber of Commerce

Supports: Describes itself as "bipartisan" but mostly supports Republican candidates
Website: www.uschamber.com
Principals: Thomas J. Donohue, R. Bruce Josten, Edward B. Rust, Jr.

Crossroads GPS

Supports: Republican candidates
Founded: 2010
Location: Washington, D.C.
Website: www.crossroadsgps.org
Principals: Steven Law, Karl Rove, Ed Gillespie

Project staff

Paul Abowd, Reporter

Paul is a money and politics reporter for the Center for Public Integrity's Consider the Source project. He comes to D.C. from Detroit, where he reported for *Labor Notes* magazine and *Critical Moment*. His story on President Obama's charter school policy won a 2010 Project Censored award. He also wrote and co-produced a documentary about Detroit's Brewster-Douglass housing projects, which premiered in April 2012. His stories have appeared in *Mother Jones*, *The Washington Post*, In These Times, on MSNBC.com and elsewhere. Paul's website is **www.paulabowd.net**.

Michael Beckel, Reporter

Michael joined the Center for Public Integrity as a money and politics reporter in February 2012. He previously spent three years with the Center for Responsive Politics in a similar capacity. Michael's work there took him inside the U.S. Supreme Court multiple times, including to oral arguments of the landmark campaign finance case *Citizens United* v. Federal Election Commission. Previously, he completed a yearlong editorial fellowship with *Mother Jones*, wrote for two alternative newsweeklies in Colorado and performed legislative research at Project Vote Smart. Michael is a graduate of Colorado College.

John Dunbar, Project Director

John is director of Consider the Source, an ongoing investigation of the impact of money on state and federal politics, and managing editor for political coverage. He created the Center's Well Connected project, an investigation of the political ties of the media and broadband industries, and led the Who's Behind the Financial Meltdown investigation into the subprime lending industry. He returned to the Center in 2011 after two years

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as director of the Connected project at the Investigative Reporting Workshop at American University, where he investigated the political influence of the telecommunications and media industries. Prior, he reported on media and technology issues and the financial meltdown for the Washington bureau of the Associated Press. He is a graduate of the University of South Florida in Tampa.

Alexandra Duszak, Reporter

Alexandra served as a reporter for the Center for Public Integrity's Consider the Source project. Previously, she was the Center's 15th James R. Soles Fellow. She has interned at Delaware Today, *DC* magazine and *The News Journal* (Wilmington, Del.). While in college, Alexandra was a reporter and editor at *The Review*, the University of Delaware's award-winning student newspaper. She served as executive editor from 2010-2011 and is the recipient of multiple awards from the Delaware Press Association. Alexandra is a 2011 Honors graduate of the University of Delaware, where she majored in international relations and minored in journalism and economics.

Andrea Fuller, Data Reporter

Andrea joined the Center for Public Integrity in September 2012 as a data reporter. She previously worked at *The Chronicle of Higher Education* in a similar role. There, she oversaw the publication's award-winning analysis of presidential pay at nonprofit colleges. She also worked on stories and interactive graphics about a number of other higher education issues, including student debt, conflicts of interest and fraud. Andrea previously interned for *The Chronicle*, *The New York Times*, *The Hill* and the *Asheville Citizen-Times*. She is a graduate of Stanford University.

Dave Levinthal, Senior Reporter

Dave is the Center for Public Integrity's senior political reporter. Before joining the Center, Dave reported on campaign money and lobbying for Politico and co-wrote the daily Politico Influence column. He also edited OpenSecrets.org from 2009 to 2011, where he led coverage that won the Online News Association's top honors in 2011 for best topical reporting. From 2003 to 2009, Dave worked as a political reporter for *The Dallas Morning News*, and from 2000 to 2002, he covered the New Hampshire Statehouse for *The Eagle-Tribune* of Lawrence, Mass. Dave is a Buffalo, N.Y., native and graduate of Syracuse University.

Rachael Marcus, Reporter

As a reporter for the Consider the Source project, Rachael wrote the Daily Disclosure feature, which tracked outside spending and campaign ads in the 2012 elections. She joined the Center for Public Integrity in September 2011 as an American University Fellow. Previously, she interned for the *Portland Mercury*, an alternative newsweekly, and freelanced for several local newspapers and magazines in Laguna Beach, Calif., and Portland, Ore. Rachael holds a master's degree in journalism from American University and is a graduate of Reed College in Portland. Rachael is now a freelance investigative reporter in San Francisco.

Amy Myers, Reporting Intern

Reity O'Brien, James R. Soles Fellow

Reity is the Center's 16th James R. Soles Fellow. She graduated from University of Delaware in May 2012 with an Honors degree in political science and economics and minors in Spanish and journalism. She worked for *The Review*, the university's student-run newspaper, where she served as city editor and covered Delaware's turbulent U.S. Senate contest in 2010. Reity has been the recipient of awards from the Maryland Delaware DC Press Association and the William P. Frank Scholarship Fund. She has held internships at *Fortune Small Business Magazine*, the *Cecil Whig* and *The Philadelphia Inquirer*.