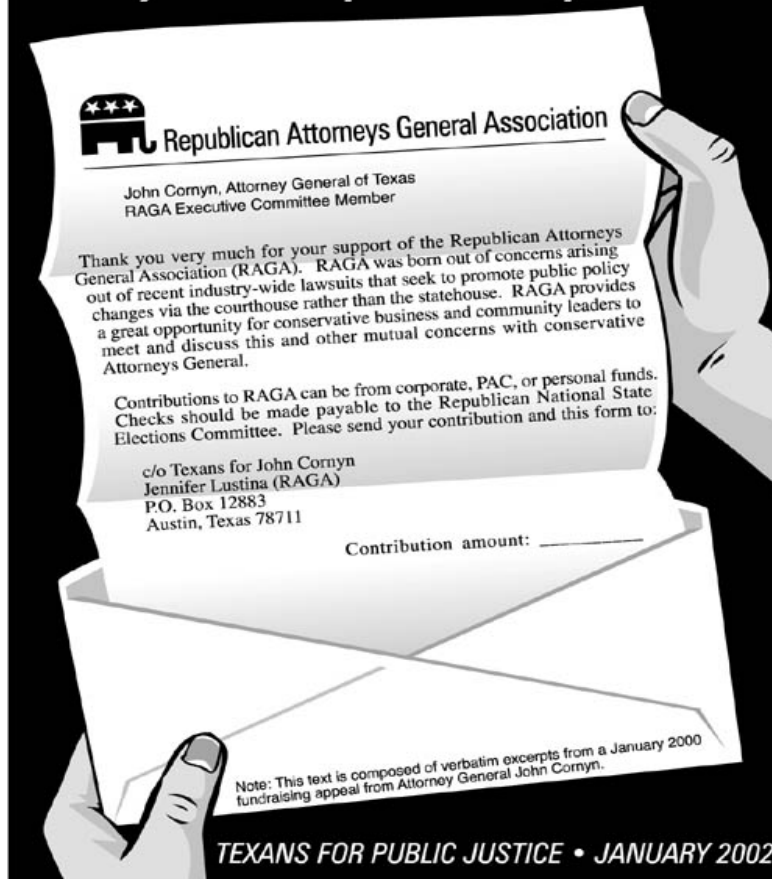


Cornyn's Corporate Sponsors



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Texans for Public Justice is a non-profit, non-partisan advocacy and research organization that tracks the role of money in Texas politics.

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Introduction

In Texas' 1998 general election, the fix usually was in long before November, with one candidate in most races establishing an overwhelming fundraising advantage early on. Against this dull backdrop, three competitive statewide races projected an air of choice, with the attorney general race posing the most striking contrasts.¹

On the campaign trail, business-backed Republican John Cornyn called his Democratic opponent a "junkyard dog," referring to Jim Mattox's reputation for running nasty campaigns.² Rather than disputing this moniker, Mattox embraced it, saying he would fight like a junkyard dog for "working folks...against the corporate powers-that-be." Mattox wielded far greater name recognition and a 20 percentage-point lead in the polls two months before the election. But Cornyn prevailed on election day with a 10 percent lead. Money was a key factor in this outcome, with Cornyn raising \$6.1 million—or almost twice the \$3.3 million that Mattox raised.³

Cornyn's aggressive fundraising has sustained—as well as stained—his political career. Cornyn's previous elected office was the Texas Supreme Court, where no justice raised a greater share of his or her campaign money from donors who had cases before the court.⁴ After Cornyn resigned from the court to run for attorney general in October 1997, the corporate law firm of Thompson & Knight hired him to work on six appeals before his old Supreme Court colleagues. In five of these six cases, Cornyn defended business interests against consumers or workers.

Soon after becoming attorney general in 1999, Cornyn helped found the Republican Attorneys General Association (RAGA), which promised to slam the brakes on states filing industry-wide lawsuits such as the tobacco litigation. After Cornyn mailed a 2000 RAGA fundraising pitch to companies that fear state lawsuits, however, RAGA started looking like a lawsuit protection racket. Microsoft, tobacco lobbyists and the National Rifle Association have openly supported RAGA (see "Selling Lawsuit Protection?").

The estimated \$3 million that Cornyn has left over in his Attorney General campaign coffers could benefit his current U.S. Senate bid. Although federal law bars Cornyn from transferring state campaign funds to his federal Senate campaign, Cornyn could give the money to one or more state or federal political party committees. These committees then could spend this money on "get out the vote" or other efforts that would indirectly aid Cornyn's Senate campaign.

Cornyn raised \$10.6 million in attorney general money between September 1997 and June 2001. This report analyzes the \$9,767,257 that Cornyn collected in big checks of \$500 or more; these large checks accounted for 92 percent of all the money that he raised. Cornyn raised much of this money from the "corporate powers-that-be" that Mattox vowed to subdue.

¹ The other close races offering some semblance of choice were for lieutenant governor and comptroller.

² In the 1990 gubernatorial primary, for example, Mattox called opponent Ann Richards a substance abuser.

³ Although Cornyn faced tougher primary challenges than Mattox, both candidates raised the vast majority of their funds after the primary.

⁴ Justices Cornyn and Greg Abbott (who is now seeking Cornyn's job) led the court in their dependency on docket-related donors. They both took 46 percent of their money from lawyers and litigants with cases before the court. See "Payola Justice," *Texans for Public Justice*, February 1998.

Top Overall Donors: Business Dominates

From September 1997 through June of 2001, John Cornyn raised \$10.6 million. This report analyzes the \$9.7 million (92 percent of the total) that he raised in checks of at least \$500. Cornyn raised 62 percent of this big-check money (\$6.1 million) for his 1998 attorney general race and raised the remaining \$3.7 million after he became attorney general.

Cornyn's campaign funds came from highly concentrated sources. The PACs and executives of the top 25 sources of his money chipped in \$2.9 million—or 30 percent of all big-check donations. Almost all of this money came from powerful business interests or the law firms that represent them. Often a single executive provided all—or virtually all—of the money that Cornyn received from these sources. Seventeen of these top 25 sources of Cornyn's money have ties to Texans for Lawsuit Reform (see next section).

Top 25 Overall Cornyn Donors

(Includes contributions from PACs, employees and their immediate family members.)

Employer/PAC	Interest	City	Cornyn Contributions
*Sterling Group	Chemicals	Houston	\$310,500
*Enron Corp.	Energy	Houston	\$193,000
*Bob Perry Homes	Construction	Houston	\$185,500
*Bass Family	Energy	Fort Worth	\$172,352
*Kinetic Concepts, Inc.	Hospital beds	San Antonio	\$146,500
*Texans for Lawsuit Reform	Ideological	Houston	\$145,000
Associated Republicans of Texas	Ideological	Austin	\$144,000
Texas Medical Association	Health	Austin	\$138,429
*Vinson & Elkins	Law	Houston	\$121,554
*Cogen Technologies	Energy	Houston	\$116,000
*Baker Botts	Law	Houston	\$112,020
*HEB Grocery	Grocery chain	San Antonio	\$103,611
Dell Computer	Computers	Austin	\$89,028
*First City Bancorp (retired exec.)	Banks	Houston	\$85,500
*Everen Securities	Investments	Houston	\$84,570
Thompson & Knight	Law	Dallas	\$80,666
Locke Liddell & Sapp	Law	Houston	\$80,360
*Hicks Muse Tate & Furst	Buyouts	Dallas	\$80,000
*HD Vest Financial Services	Accounting	Irving	\$80,000
*Beecherl Investments	Investments	Dallas	\$79,000
Akin Gump Strauss Hauer & Feld	Law	Dallas	\$73,800
Haynes & Boone	Law	Dallas	\$71,500
TX Automobile Dealers Assoc.	Automobiles	Austin	\$70,640
*Enterprise Products Co.	Energy	Houston	\$70,000
*SBC Corp. (Southwestern Bell)	Communications	San Antonio	\$67,250
TOTAL:			\$2,900,780

* Close ties to Texans for Lawsuit Reform (TLR): An affiliated PAC or executive is a big TLR donor and/or sat on TLR's board.

Tort-Related Donors

Cornyn received a remarkable \$2,813,705—or 29 percent of his big-check contributions—from PACs and individuals with close ties to Texas’ two leading groups that work to lower the liabilities that businesses face when they harm consumers, workers or communities. PACs and individuals associated with Texans for Lawsuit Reform gave Cornyn \$1,985,680—or one-fifth of his big-check contributions. Cornyn took another \$828,025 from donors linked to the Texas Civil Justice League. For more on the confluence of donors to Cornyn and Texans for Lawsuit Reform, see “Top Individual Donors.”

Tort Group	Associated Money To Cornyn
Texans for Lawsuit Reform (PAC & Members)	\$1,985,680
Texas Civil Justice League (PAC & Members)	\$828,025
TOTAL:	\$2,813,705

Selling Lawsuit Protection?

Given Cornyn’s support from litigious industries seeking to curb lawsuits, it is not surprising that he helped start the Republican Attorneys General Association (RAGA). In a 2000 RAGA fundraising appeal, Cornyn wrote that the group was started to stop those with “a wish list for future mass state lawsuits [targeting]—car rental companies, pharmaceutical firms, makers of lead paint and gun manufacturers.”

Cornyn’s letter did not mention that one of his top donors, Harold Simmons (\$51,000 to Cornyn), owns NL Industries, which was a leading producer of lead paint. Nor did Cornyn say that Simmons hired Gale Norton (before she became U.S. Interior Secretary) to lobby Cornyn and other attorneys general not to follow Rhode Island’s example by suing lead paint makers for the cost of cleaning up lead paint that can poison children’s brains.¹

Cornyn’s RAGA has sparked controversy by refusing to reveal its donors. RAGA launders its money through the Republican National State Elections Committee (RNSEC). In the 2000 election cycle, RNSEC received money from a variety of interests that fear state lawsuits, including tobacco companies (\$665,765), Simmons’ holding companies (\$350,000), the National Rifle Association (\$150,000) and Aetna (\$75,000). Microsoft Corp. has said it gave RAGA \$10,000 through RNSEC.²

Given these contributions, it is significant that Texas has not taken legal action against Microsoft, lead paint makers and gun makers and that Cornyn allowed Aetna to settle a patient-protection lawsuit for free. Cornyn’s predecessor, Dan Morales, filed a 1998 lawsuit charging Aetna with millions of dollars in violations of state law as a result of the alleged incentives that it offered doctors to withhold medically necessary care. Cornyn’s April 2000 settlement did not require Aetna to admit wrongdoing, pay a fine or even cover the state’s legal costs. Instead, it simply required Aetna to start obeying the law.³

¹ “AG’s Office Says Donor Not An Issue,” *Dallas Morning News*, April 17, 2001.

² “Attorneys General For Sale,” *Multinational Monitor*, June 2001; “Post Retreat Sparks Questions for GOP,” *Dallas Morning News*, March 30, 2000.

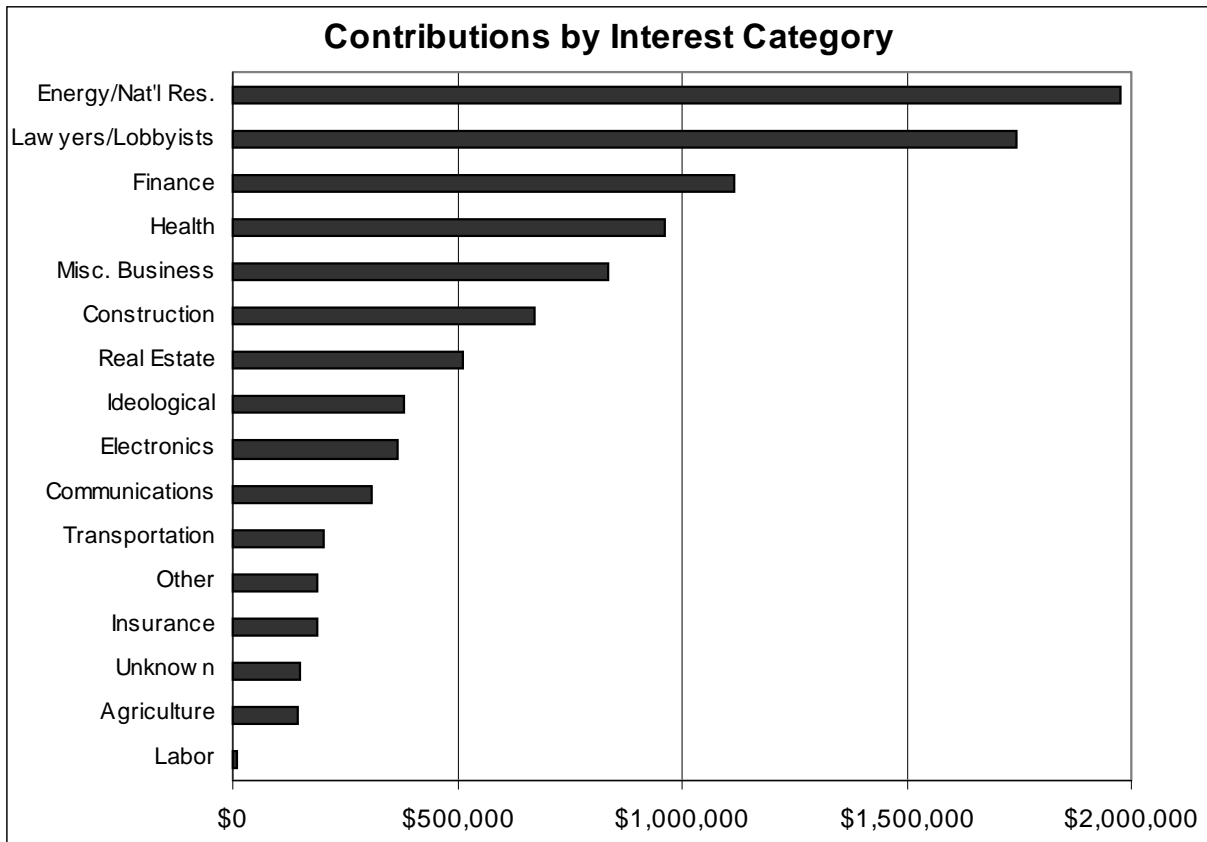
³ Cornyn received \$3,000 from an Aetna PAC and executive. “Aetna Settles Managed-Care Lawsuit in Texas,” *Washington Post*, April 12, 2000; “State, Aetna Reach Landmark Settlement,” *Dallas Morning News*, April 11, 2000.

Top Donors By Industry

The accompanying charts break down Cornyn’s \$9.8 million in big-check campaign money by the economic and ideological interests of his donors. Significantly, 93 percent of this money came from business interests.

Another 4 percent of Cornyn’s big-check money came from ideological interests—most of which have close business ties. Cornyn’s two top ideological donors—Texans for Lawsuit Reform (\$145,000) and the Associated Republicans of Texas (\$144,000)—for example, both get most of their PAC funds from business executives. Finally, labor interests, led by a Dallas Teamsters local, supplied a negligible part of Cornyn’s war chest.

Interest Group	Contributions	Percent
Energy/Nat'l Resources	\$1,976,302	20%
Lawyers/ Lobbyists	\$1,741,889	18%
Finance	\$1,115,770	11%
Health	\$959,673	10%
Misc. Business	\$836,691	9%
Construction	\$670,600	7%
Real Estate	\$513,010	5%
Ideological	\$382,864	4%
Electronics	\$369,203	4%
Communications	\$309,812	3%
Transportation	\$202,441	2%
Other	\$190,528	2%
Insurance	\$190,000	2%
Unknown	\$150,724	2%
Agriculture	\$145,750	1%
Labor	\$12,000	0%
TOTAL:	\$9,767,257	100%



Industry Breakdowns: Energy & Natural Resources

One-fifth of Cornyn's big-check money came from Energy & Natural Resources interests dominated by polluting energy and chemical companies. Such interests realize that vigorous enforcement of state environmental laws by the Attorney General's Natural Resources Division could endanger Texas' No. 1 ranking in toxic emissions, hazardous waste and hazardous chemical spills.⁵ Oil & Gas interests dominated by Enron Corp. (\$193,000) led this sector. Next came Chemical interests, headed by the Sterling Group (\$310,500), which specializes in chemical company buyouts. Cogen Technologies (\$116,000) led electricity industry donors. Finally, USA Waste Services (\$34,500) topped the heap of waste disposal donors.

Industry	Contributions	Percent
Oil & Gas	\$1,305,552	66%
Chemicals	\$408,500	21%
Electric Utilities	\$213,500	11%
Waste Disposal	\$43,000	2%
Other	\$5,750	0%
TOTAL	\$1,976,302	100%

Enron Fries In Its Own Juice

The late great power trader Enron Corp. was Cornyn's leading energy donor. Enron's PAC and executives gave Cornyn \$193,000, with 60 percent coming from Enron Chair Kenneth Lay. Enron was notorious for its aggressive use of its campaign money and revolving door to manipulate public officials. But the company's own investors pulled the plug on Enron in November of 2001 after they learned that it manipulated them by issuing bogus financial reports that papered over debt and inflated profits. Enron then declared the biggest bankruptcy in history. The Securities and Exchange Commission is investigating Enron's financial reports and investors (including the Employee Retirement System of Texas) are suing the company to recover lost billions. State retirement funds lost \$60 million in the Enron debacle. Cornyn is representing the state in Enron bankruptcy proceedings and is studying what—if any—other legal action he will take against Enron.

⁵ See Texans for Public Justice's "State of the Lone Star State," September 2000.

Industry Breakdowns: Lawyers & Lobbyists

Lawyers and Lobbyists accounted for another 18 percent of Cornyn's big-check money. Cornyn received almost \$1.6 million from lawyers. Led by Vinson & Elkins (\$121,554), attorneys who typically represent business interests gave Cornyn almost \$1.4 million. This money far outstripped the \$72,834 that Cornyn received from plaintiff lawyers, led by Jamail & Kolius (\$10,000). Cornyn received another \$114,850 from lawyers who could not be pigeon holed as corporate defense or plaintiff attorneys. Houston immigration attorney Tammy Tran (\$20,000) led this diverse group.

Lobbyists gave Cornyn \$153,300, led by ex-Congressman Tom Loeffler (\$25,000), whose lobby firm and partner gave Cornyn an additional \$9,500.⁶ Cornyn's next largest lobby donor is ex-Texas legislator and railroad commissioner Kent Hance (\$20,000). Cornyn issued a 1999 opinion that benefits a waste dump with close ties to Hance (see "Alien Waste").

Interest	Contributions	Percent
Business Lawyers	\$1,395,993	80%
Lobbyists	\$153,300	9%
Other Lawyers	\$114,850	7%
Plaintiff Lawyers	\$72,834	4%
Other	\$4,912	0%
TOTAL	\$1,741,889	100%

Alien Waste

Waste disposal giants Waste Management Inc. (WMX) and USA Waste announced a merger in 1998. In one of his first opinions one year later, new Attorney General Cornyn concluded that a 1991 state law unconstitutionally barred Texas from importing hazardous waste from abroad.¹ Waste companies pushed the Texas Natural Resources Conservation Commission to obtain this opinion after the agency used the law to block WMX's Chem Waste from importing hazardous waste to its Port Arthur incinerator. Given a prior U.S. Fifth Court of Appeals ruling striking a similar Louisiana law,² Cornyn's opinion would be uncontroversial but for the \$114,000 he took from interests that could benefit from it. Cornyn has received \$43,000 from waste companies, including \$36,500 from Chem Waste's parent companies. Cornyn received another \$71,000 from principals of Waste Control Specialists, Inc., which operates a hazardous and radioactive waste dump in West Texas.³ Cornyn received \$51,000 from Waste Control owner Harold Simmons and another \$20,000 from Waste Control lobbyist Kent Hance.⁴

¹ Opinion No. JC-0017, March 10, 1999.

² *Chemical Waste Management, Inc. v. Temple*, 967 F.2d 1058 (5th Cir. 1992).

³ See "Simmons Would Make Billions," TPJ's *Lobby Watch*, March 27, 2001.

⁴ Hance donations are classified as "Lobbyist" money; Simmons is classified with "Finance" money.

⁶ Loeffler left Arter & Hadden (\$2,000 to Cornyn) in May 2001 to start Loeffler Jonas & Tuggey.

Industry Breakdowns: Finance

The finance industry provided 11 percent of Cornyn's big-check money. Securities firms provided 54 percent of this cash, led by Everen Securities (\$84,570). Banks provided almost one-third of this Finance money, led by Houston's First City Bancorp (\$85,500). Accounting firms provided 10 percent of this sector's money, led by H.D. Vest Financial Services (\$80,000). Non-Bank Finance companies, dominated by predatory lenders, supplied the remaining 6 percent of this money, led by Rep. Gary Elkins' Personal Rental Corp. (\$28,000). Cornyn's predecessor, Dan Morales, accused Elkins' company of breaking state usury laws in 1991. Personal Rental offered cash to poor consumers who agreed to lease back their own appliances from the company at effective interest rates exceeding 780 percent. A jury acquitted Elkins, who won a House seat a year later.⁷

Interest	Contributions	Percent
Securities	\$604,770	54%
Banks	\$341,750	31%
Accounting	\$107,000	10%
Non-Bank Finance	\$62,250	6%
TOTAL:	\$1,115,770	100%

Educational Investments

Several top Cornyn donors had a role in the scandal in which politically connected financiers profited from the University of Texas System's (UT's) \$14 billion endowment. After corporate raider Tom Hicks failed to convince UT to invest in his 1990 take over of a dental company, he contributed \$17,500 to then-Governor Ann Richards. Richards appointed Hicks to the UT Board of Regents and Hicks' lobbyists also helped pass a 1995 bill that created the quasi-public UT Investment Management Co. (UTIMCO).

Since 1996, a nine-member UTIMCO board—stacked with big political donors who received gubernatorial appointments as UT or A&M regents—has been hiring outside firms to invest portions of UT's endowment. With Hicks as its first chair, UTIMCO secretly awarded many of these lucrative contracts to firms with close ties to Hicks and then-Governor George W. Bush.¹ “Under the protection of two Texas attorney general rulings upholding UTIMCO's authority to act in secrecy,” the *Houston Chronicle* reported, UTIMCO “placed \$457 million ... into funds run by associates of UTIMCO Chairman Tom Hicks or with five funds run by major Republican political donors.”²

Following the footsteps of predecessor Dan Morales, Cornyn repeatedly denied public requests for information on UTIMCO's dealings, thereby shielding UTIMCO board members (who gave him \$194,000) and the recipients of these lucrative contracts. Cornyn received \$115,000 from Tom Hicks' family.³ Another founding UTIMCO board member, lobbyist Tom Loeffler, gave Cornyn \$25,000. Hicks and Loeffler (who both resigned from UTIMCO after the *Chronicle's* expose), voted to award a big UTIMCO contract to Maverick Capital, whose founders—Sam and Charles Wyly—gave Cornyn \$45,000. UTIMCO also invested \$20 million with a Bass Brothers Enterprises fund. Cornyn received \$172,352 from Bass family interests.

¹ After Richards' 1994 defeat, Hicks' family gave \$146,000 to Bush's gubernatorial campaigns.

² “In Secret,” March 26, 1999. See also: “Secrecy Cloaks \$1.7 Billion in UT Investments,” *Houston Chronicle*, March 21, 1999; “Notes on a Native Son,” *Harper's*, February 2000.

³ Tom Hicks (\$65,000) and R. Steven Hicks (\$50,000).

⁷ “Easy Money,” *Houston Press*, August 27, 1998.

Industry Breakdowns: Health Care

The health industry provided 10 percent of Cornyn's big-check money. Doctors, led by the Texas Medical Association (\$138,429), were the largest source of this money. Health Product interests were the next largest subsector, led by social conservative James Leininger (\$146,500), who owns high-tech hospital bed company Kinetic Concepts. Cornyn received another \$17,004 from ephedrine diet product interests. Hospital and Clinic interests came next, led by \$45,000 from a Memorial Hermann Healthcare System executive.⁸ The Texas Dental Association (\$60,000) and the Texas Optometric Association (\$30,000) dominated Non-Doctor Health Professionals. Nursing home interests, led by Sensitive Care, Inc. (\$13,000) and the Texas Health Care Association (\$12,500), led Nursing Home giving. Finally, Columbia/HCA (\$8,500) and Aetna (\$3,000) led health insurance interests.⁹

Interest	Contributions	Percent
Physicians	\$410,918	43%
Health Products	\$167,004	17%
Hospitals/Clinics	\$127,350	13%
Other Health Professionals	\$118,701	12%
Nursing Homes/Home Care	\$76,200	8%
HMOs	\$22,500	2%
Other	\$38,000	4%
TOTAL:	\$960,673	100%

Sensitive Contributions

Cornyn's top donor from the embattled nursing home industry is Sensitive Care, Inc. (\$13,000).¹ Its bedpan hit the fan in 1997, as the Texas Legislature strengthened state nursing home oversight and the attorney general campaign got under way. The company paid \$1.4 million in June 1997 to settle a lawsuit over 94-year-old Inez Hagans, who waited two days for treatment after breaking her neck in a Sensitive Care facility.² Four months later a jury hit Sensitive Care with \$250 million in punitive damages for letting 80-year-old Woodrow Bryan Sellers starve to death after he got a mouth infection.³ Then-Attorney General Dan Morales also sued Sensitive Care in 1997, charging it with failing to protect three female residents from sexual abuse by a male resident who had a history of sexually inappropriate behavior. The case was closed in 1998 with the company charged with \$10,000 in penalties and \$5,500 in attorney fees.

How Sensitive Care would have fared under Cornyn is unknown because the Feds cracked down on the company as Cornyn took office in January 1999. Accusing Sensitive Care of fraudulent Medicare billings, the federal government froze its Medicare payments. This forced the Texas Department of Human Services to takeover Sensitive Care's 13 nursing homes.

¹ All but \$2,500 of this money flowed before Cornyn took office.

² "Bedford Nursing Home Agrees To Pay \$1.4 Million," *Fort Worth Star Telegram*, June 3, 1998.

³ "Underfed Man's Relatives Win \$250 Million Jury Award," Associated Press, October 17, 1998.

⁸ Next came Accident and Injury Pain Centers owner Robert M. Smith (\$32,000) and the Texas Hospital Association (\$27,500).

⁹ This subsector just counts donors that are predominantly engaged in health insurance. Interests with broader insurance lines fall into the Insurance category.

Top Individual Donors

Cornyn's top 25 individual donors gave him \$2.2 million, accounting for 22 percent of his big-check contributions. Many of these top donors owe their fortunes to highly litigious industries. All but seven of them are donors to the Texans for Lawsuit Reform (TLR) PAC, which received \$2.5 million from these same donors since its 1994 founding.

Cornyn's Top Individual Donors

Contributor	Company	Money To Cornyn	Money To TLR's PAC
*Bob Perry	Bob Perry Homes	\$185,000	\$140,000
*James Leininger	Kinetic Concepts (hospital beds)	\$146,500	\$175,000
*William McMinn	Sterling Group (chemicals)	\$125,000	\$190,000
*Thomas Hicks	Hicks Muse Tate & Furst (finance)	\$115,000	\$5,000
*Kenneth Lay	Enron Corp. (electricity)	\$115,000	\$80,000
*Richard Weekley	David Weekley Homes	\$104,500	\$432,000
*Charles Butt	HEB Grocery	\$101,111	\$10,000
*Gordon Cain	Sterling Group (chemicals)	\$96,000	\$240,000
*Robert McNair, Sr.	Cogen Technologies (electricity)	\$91,000	\$475,000
*James Elkins, Jr.	First City Bancorp (retired)	\$85,000	\$46,000
*J. Virgil Waggoner	Sterling Group (chemicals)	\$85,000	\$23,500
*David Underwood	Everen Securities	\$84,570	\$97,500
*Louis Beecherl, Jr.	Beecherl Investments	\$80,250	\$21,000
*Herb Vest	HD Vest Financial Services	\$80,000	\$0
*Dan Duncan	Enterprise Products Co. (gas)	\$70,000	\$58,000
*Harlan Crow	Trammell Crow (real estate)	\$66,000	\$331,500
*Albert Huddleston	Hyperion Resources (oil)	\$65,000	\$25,000
*Richard Salwen	Dell Computer	\$62,028	\$500
*S. Reed Morian	D X Service Co. (chemicals)	\$60,000	\$36,000
Thomas Luce III	Luce & Williams (law)	\$53,000	\$0
J. Ralph Ellis, Jr.	Belmont Oil & Gas Corp.	\$52,000	\$0
*Harold Simmons	Contran Corp. (finance/waste)	\$51,000	\$130,000
Glenn Collins	NeoDyne Technologies (software)	\$50,000	\$0
Steven B. Solomon	CT Holdings (software)	\$50,000	\$0
George Farris	Memorial Hermann Healthcare	\$45,000	\$0
Charles/Sam Wyly	Diverse software & retail empire	\$45,000	\$0
TOTALS:		\$2,162,959	\$2,516,000

Note: Money includes contributions from named individuals and their family members.

* Donor to Texans for Lawsuit Reform (TLR) PAC.