

Texans For Public Justice

609 W. 18th Street, Suite E, Austin, TX 78701, PH:(512) 472-9770, FAX:(512) 472-9830 E-Mail:
tpj@tpj.org , <http://www.tpj.org>

March 31, 2003

Re: Request for investigation of possible illegal corporate political expenditures and failure to report certain political expenditures by Texans for a Republican Majority.

Honorable Ronald Earle
Travis County District Attorney
509 W. 11th Street
Austin, TX 78701

District Attorney Earle:

Texans for Public Justice (TPJ) has reason to believe that a general-purpose political committee registered in the state of Texas, Texans for Republican Majority (400 West 15th Street, Suite 1600, Austin, TX 78731, Bill Ceverha, Treasurer), violated Chapter 253 of the Texas Election Code on numerous occasions relating to the 2002 Texas legislative elections. Particularly, TPJ has reason to believe that the Texans for a Republican Majority political committee (TRM) failed to report certain political contributions and expenditures with the Texas Ethics Commission and misused corporate contributions to pay for political expenditures incurred by the committee. We are formally asking your office to investigate these apparent violations and, if the evidence warrants, to prosecute the offending parties.

A review of public disclosure records filed by TRM with the Texas Ethics Commission and the Internal Revenue Service reveal that the committee raised a total of \$1,547,963 in funds from a combination of individuals, political committees and corporations and expended a total of \$1,410,766 between September 5, 2001 and November 23, 2002. A review of the \$1,547,963 in contributions reported by TRM in its IRS 8871 filings appears to show that, at a minimum, \$602,300 of those funds appeared to be contributed by corporations, which under the Texas Election Code, are prohibited from contributing to TRM to fund any political activities. Contributions from these corporate sources may only be used by TRM to pay for "the establishment or administration of a general purpose-political committee" (section 253.100). TRM also reported contributions from non-Texas political committees (e.g. Americans for a Republican Majority) which may include contributions from corporate sources. Contribution and Expenditure reports filed by TRM with the Texas Ethics Commission for the same period reveal that TRM listed a total of \$796,651 in political contributions and \$799,626 in political expenditures. None of the political contributions reported by TRM to the Texas Ethics Commission appear to be from prohibited (corporate) sources.

TRM's IRS 8872 filings also include the \$791,500 in political expenditures that are itemized on the TRM Ethics Commission filings, but the IRS filings reveal an additional

\$619,266 in expenditures, many of which appear to be political expenditures not reported to the Texas Ethics Commission. A sampling of the expenditures listed on the IRS forms but not reported to the Ethics Commission as political expenditures includes:

- \$69,936 in payments to John Colyandro who apparently functioned as the staff director of the TRM political committee.
- \$65,000 in payments to Contact America, a telemarketing and phone calling center based in La Jolla, California. TRM reported an additional \$48,041 in political expenditures to Contact America on its Texas Ethics filings on November 5, 2002.
- \$50,843 in payments to WMR Consulting, Inc. located in Frederick, MD.
- \$39,162 in payments to Kevin Brannon who is listed as a self-employed consultant. TRM reported an additional \$15,000 in political expenditures to Kevin Brannon during the period.
- \$28,524 in payments to Lilly & Company, an Austin-based firm that provides grassroots and government affairs consulting.
- \$27,617 in payments to Coastal Consulting which is based in Sugar Land, TX.
- \$27,000 in payments to Fabrizio McLaughlin & Associates an international survey research and strategic consulting firm based in Alexandria, VA.
- \$24,894 in payments to Tri-South, Inc. located at 5725 Sam Houston Cir, Austin, TX. 78731, the same address as Russell Anderson, the custodian of records for TRM as listed in the IRS reports.
- \$10,200 in payments to the Texas Association of Business and Chambers of Commerce.

Again, a review of the contributor lists reported by TRM to the IRS appears to show that the committee did not raise enough non-corporate funds to pay for the above expenditures, i.e. some or all of these expenditures (and others listed in the TRM IRS filings) must have logically been paid for using corporate contributions. Under the Texas Election Code, corporate contributions to TRM may only be used for very limited administrative expenses (see Ethics Advisory Opinion No. 132) or for the limited purposes of soliciting political contributions only from the stockholders, employees, or families of stockholders or employees of the corporations that established the general-purpose committee. While TRM's IRS filings do not state the purpose of its itemized expenditures, it is extremely unlikely that most or all of these expenditures meet the very narrow definition of acceptable "administrative" expenditures as defined by the Election Code and through Ethics Advisory Opinions.

In conclusion, if the expenditures listed above, as well as others reported to the IRS do not qualify as legitimate administrative expenses as defined by Texas law, these expenditures should have been reported as political expenditures on the TRM's Contributions and Expenditures Reports filed with the Texas Ethics Commission. Indeed, if these expenditures are political expenditures, as we have reason to suspect, it appears they were paid for with corporate funds which is a clear violation of the Election Code.

We appreciate your office's attention to this matter.

Sincerely,

Craig McDonald
Director
Texans for Public Justice

Encls:

Copies of Texans for a Republican Majority's IRS 8872 filings for the period 9/5/01 through 11/23/02.

Copies of Texans for a Republican Majority's Contributions and Expenditures Reports filed with the Texas Ethics Commission from 7/1/01 through 12/31/03.