Rick Perry's Heavenly Host

Dr. James Leininger Convenes Christian-Right Retreat for Perry



Learn About the Texas Tycoon

Behind Rick Perry's "Call to Action"

to the Nation's Christian Conservatives

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"Inasmuch as ye have done it unto one of the least of these my brethren, ye have done it unto me." —Matthew 25:40

Dr. James Leininger is hosting a Christian-Right retreat for the Perry campaign in the Texas Hill Country the weekend of August 27, 2011. The San Antonio entrepreneur and social-conservative activist has been one of Rick Perry's most stalwart helpmates. He has underwritten Perry's political and personal finances. Leininger gave \$239,233 to Perry's gubernatorial campaigns and another \$100,000 to the Perry-affiliated Republican Governors Association in 2007. Leininger's money ushered Perry into Texas' political major leagues more than a decade ago. This report hits the highlights of Perry's special relationship with Dr. Leininger and explores who Leininger is—and what he wants.

Over the past two decades, certain political issues have prompted Leininger to dig into a personal fortune worth hundreds of millions of dollars. These issues are his vehement opposition to tort laws, abortion and gay marriage and his devout belief in school vouchers and the teaching of such conservative Christian ideas as creationism in private and public schools. Leininger's deep-pocket fervor makes him a divisive force even within the GOP. He has spent millions of dollars attacking moderate Republican lawmakers.

Perry might never have been governor—nor now be a presidential candidate—but for James Leininger. In a game-changing 1998 race then-Texas Agriculture Commissioner Perry was elected Lieutenant Governor. That victory secured Perry's automatic promotion to governor two years later when President-Elect Bush abandoned the Governor's Mansion. Perry narrowly won his fateful 1998 race against Democrat John Sharp, capturing just 50.04 percent of the vote. This squeaker victory was secured by an eleventh-hour media blitz that Perry paid for with a last-minute, \$1.1 million loan. Leininger and two other Texas tycoons guaranteed the loan, which supplied more than 10 percent of the \$10.3 million that Perry raised for that election.² Leininger's family and company PAC contributed \$62,500 to that Perry

Leininger Donations To Governor Perry

Date	Amount
6/18/2001	\$25,000
4/8/2002	\$25,000
12/16/2003	\$25,000
2/13/2004	*\$2,968
3/4/2004	\$5,000
3/15/2004	\$25,000
10/11/2004	\$5,000
6/23/2005	\$50,000
10/17/2005	*\$6,600
9/16/2006	\$433
9/19/2007	\$19,232
12/11/2008	\$25,000
6/26/2009	\$25,000
TOTAL:	\$239,233
*In-kind travel	

Dr. Leininger's Political Erogenous Zones:

- Tort Laws;
- School Vouchers;
- Abortion;
- Homosexuality;
- Biblical Creationism, etc.

campaign. Leininger also was the No. 1 contributor at the time to the Texas Republican Party (then chaired by former Leininger employee Susan Weddington), which sank \$82,760 into that Perry campaign.3 "I congratulate Leininger," Perry opponent John Sharp said at the time. "He wanted to buy the reins of state government. And by God, he got them."4

Time and again, the political and personal fortunes of James Leininger and Rick Perry have intertwined.

Perry-Leininger Joint Ventures

Perry's Kinetic Stock Pop

On January 24, 1996 then-Agriculture Commissioner Rick Perry saw James Leininger in San Antonio and personally bought 2,800 shares of stock in Kinetic Concepts, Inc., Leininger's company that makes specialty hospital beds. Later that day an investment group began buying 2.2 million shares of Kinetic stock in an effort to acquire the company. 5 That shopping spree drove up the value of Kinetic shares and made Perry \$4,487 in one month. Perry told the Dallas Morning News, which broke the story, that he had not received any insider information from Leininger. "I certainly didn't talk to him about the stock price or anything like that," Perry said. Commissioner Perry also said that he had no knowledge of the transaction because his broker had initiated it through "a managed account" and it was a "coincidence" that he did so the day Leininger and Perry met. ⁶ A week later, Perry reversed this account, telling the Houston Chronicle that his broker reminded him that Perry himself had ordered Kinetic stock purchase. "I may have called and said sell something that's not performing and buy some more KCI stock," Perry told the Chronicle. "It was a stock that was going up at the time." Perry said he began investing in Kinetic Concepts in 1994 because he knew the Leiningers. Taken together, Perry made \$38,000 off stock investments in Leininger's company. As a new governor in 2001, Perry appointed former Kinetic public affairs director Diane Rath as chair of the Texas Workforce Commission and former Kinetic CEO Raymond Hannigan to the Texas Board of Health.8

Perry Gets Campaign Lift

To help it take off, Perry's Lieutenant Governor campaign bought a \$475,000 used Piper Cheyenne I tubo prop plane in October 1996. The transaction would have been impossible without Leininger lift. An aviation company owned by Jim Leininger's brother Daniel sold the plane to brothers Peter and James Leininger. Those brothers then financed the Perry campaign's purchase of a 10 percent share in the plane through monthly installments. Perry sought taxpayer reimbursements for his official uses of the plane. Jim Leininger told the *Houston Chronicle*, which broke the story, that the deal was Perry's idea. Rick's the guy who talked me into getting an airplane, Leininger said. In a subsequent 1997 deal, Perry's campaign agreed to buy out the Leiningers' 90 percent share in the plane through monthly installments totaling \$346,500. The *Houston Chronicle* reported that similar planes were selling for \$550,000 or more, suggesting that the Leiningers' portion was worth at least \$495,000. The Perry campaign finished paying this debt soon after winning the 1998 lieutenant governor race. Lobbyists who had backed Democrat John Sharp in that race told the *Austin Chronicle* that Perry campaign representatives called them post-election to say that they were expected to help pay Perry's campaign debts.

Tax Cranks Unwind in the Bahamas

Explaining that his political activity is "an emotional thing," Leininger told the *Houston Chronicle* in 2007, "If I sat down and planned it out, I think I'd just go to Bermuda instead." Four years earlier Leininger did go on a luxury junket—to the Bahamas. The Leininger-subsidized trip was intended as a secretive inner junket where Governor Perry and his top funders and backers could follow up on a recent school-finance conference convened by Leininger's Texas Public Policy Foundation (TPPF). Joining Perry and Leininger on the yacht were Washington anti-tax crank Grover Norquist, Perry campaign consultant Dave Carney, TPPF Director Brooke Rollins, beer distributor John Nau (who has given \$283,919 to Perry) and gubernatorial aides Mike Toomey, Deirdre Delisi and Mike Morrisey. I made a decision that in order to best facilitate my office's development of politically viable education policy I would need to get together with a select group of political and technical advisors in a setting removed from daily distractions," Perry said in Texas Ethics Commission affidavit about the trip. Later in 2004 Texas lawmakers roundly

rejected Governor Perry's plans to offset reductions in property taxes funding schools. Those proposals included raising levies on corporate franchises, auto sales, cigarettes and topless clubs. Perry also proposed legalizing slot machines at Indian reservations and race tracks.¹⁶

Perry Slush Funds Favor Leininger

Governor Perry's economic development slush funds recently awarded a total of \$4.75 million in Texas taxpayer money to two biotech firms connected to James Leininger and John McHale, who contributed \$100,000 to Perry's gubernatorial coffers. Perry's Emerging Technology Fund awarded \$1.75 million in early 2009 to Dallas-based Gradalis, in which McHale and Leininger held significant stakes. Gradalis, in turn, controls 10 percent of another Texas drug start-up called G-Con. Perry's Texas Enterprise Fund awarded \$3 million to G-Con in May 2010. David Shanahan, principal at both Gradalis and G-Con, contributed another \$10,000 to the Perry campaign. Shanahan and Leininger both sit on the board of the Leininger-funded Patrick Henry College. This evangelical Christian school in Purcellville Virginia is known for its theological purity, a knack for placing interns in the Bush White House and its academic rigor in such subjects as baraminology (creationist biology).

Culture Wars: Leininger & Perry on the Issues

Torts

The one-time head of the emergency department at the Baptist Health System in San Antonio, Leininger made a fortune through Kinetic Concepts Inc. Kinetic makes hospital beds that oscillate to prevent bedsores. Leininger bought the struggling precursor to this company in 1975. Lawsuits and reams of FDA injury reports indicate that Kinetic beds have dropped and squished nurses and patients, triggering numerous lawsuits. In fact, Kinetic lost its liability insurance in 1987 as Leininger prepared to take Kinetic public, according to investigative reports in the *San Antonio Current* and *Texas Monthly*. This tort problem—coming after the medical malpractice lawsuits he faced as an emergency room doctor—became Leininger's political baptism. In his first big political splash, Leininger gave \$196,000 to help Karl Rove elect a conservative, anti-tort majority to the Texas Supreme Court in 1988. After three Houston tycoons founded Texans for Lawsuit Reform PAC in 1994, Leininger emerged as a major underwriter of what quickly became the biggest PAC in Texas. Governor Perry champions Texas' severe tort laws as key part of the alleged "Texas miracle."

Leininger's tort-reform religion did not prevent Kinetic from filing lawsuits on its own behalf. In 1995 Kinetic sued its top competitor in federal court, alleging that Hillenbrand Industries engaged in unfair business practices. Hillenbrand defense lawyers vainly argued that, "These courtrooms are not casinos to win something [market share] in here that they can't win out there." A San Antonio jury awarded Kinetic a \$174 million verdict in 2002. The parties then settled that federal antitrust verdict, which was subject to treble damages, for \$250 million. Wendy Gramm, wife of former U.S. Senator Phil Gramm, sat on the Kinetic board in this period, earning stock options and \$25,000 a year for her troubles. She also chaired the board of Leininger's Texas Public Policy Foundation.

When Leininger helped make Rick Perry lieutenant governor in 1998, Texans for Lawsuit Reform secretly teamed up with a Leininger school-voucher PAC, Putting Children First in a failed effort to establish a Republican majority in the Texas House. The explicit goal of this joint venture was to oust then-Democratic House Speaker Pete Laney, who stood in the way of GOP tort and voucher agendas. Leininger's longtime voucher lieutenant, Austin telecommunications executive James Mansour spearheaded this strategy at Putting Children First—the same year that he and Leininger guaranteed the \$1.1 million Perry campaign loan. 28

DeLay Scandal

Four years after the Leininger-funded groups failed to bankroll a Republican majority in the Texas House a new coalition got the job done—with Leininger's aid. That coalition involved Texans for Lawsuit Reform, the Texas Association of Business and Tom DeLay's Texans for a Republic Majority PAC (TRMPAC). DeLay's TRMPAC raised more than \$1.5 million that election cycle. Its top *individual* contributors were Houston homebuilder Bob Perry (\$165,000 to TRMPAC) and James Leininger (\$142,500 to TRMPAC).²⁹ In October 2002 now-indicted TRMPAC Executive Director John Colyandro instructed his accountant to send \$152,000 in TRMPAC checks to GOP House Speaker candidate Tom Craddick to distribute to Texas House candidates.³⁰ "You should receive a check from Jim Leininger today" to cover expenses Colyandro wrote.³¹ That week Leininger gave TRMPAC \$100,000. "It is a shame that our grand jury system has been abused by a district attorney pursuing a political agenda," Governor Perry said of DeLay's 2005 TRMPAC indictment.³²

Vouchers

Thanks in part to Leininger-funded PACs, Tom Craddick became House Speaker in early 2003. Speaker Craddick declined his invitation to the Leininger-Perry Bahamas trip the following year to recover from neck surgery. Speaker Craddick and Governor Perry aggressively pushed Leininger's voucher agenda in the 2005 legislative session but failed to secure the votes (public schools enjoy strong support in many rural districts represented by Texas Republicans). The voucher vote failed toward the end of a 10-year, so million voucher experiment that Leininger bankrolled in San Antonio Edgewood school district. Leininger struck back in the 2006 election cycle, pumping so million into Texas state races—four times his usual outlay. Leininger spent much of this money on the Republican Primary in a mostly failed effort to unseat GOP House members who opposed him on vouchers. In an extraordinary case, Leininger supplied 95 percent of the almost \$500,000 that Mark Williams raised for his failed challenge of moderate Republican Rep. Tommy Merritt. Most of these contributions took the form of in-kind contributions of voter lists, research, polls, media production and media buys. Referring to this level of Leininger control, Austin-based *Quorum Report* editor Harvey Kroenberg said, The candidates—no matter how well-informed and well intentioned they are—they're a passenger on this bus, not the driver.

Board of Education

Bankrolled by his friend James Leininger, San Antonio dentist Bob Offutt was first elected in 1992 to the Texas State Board of Education. Offut detected moral decay in the way that the board oversees public school funds, policies and textbooks, taking special interest in curricula related to such things as sexuality, homosexuality and birth control. The three new Christian conservatives elected to that Board in 1994 spent Leininger's money at Leininger's own direct-mail shop, Focus Direct. One mailer Leininger's shop used to help Donna Ballard unseat Democrat Mary Knott Perkins used a picture of a white man kissing a black man to warn that Perkins wanted to teach Texas kids about oral and anal sex. 40 By the new millennium this conservative bloc, which occupied 10 of 15 board seats, was officially honoring Leininger as a "Hero for Children." "By pumping tens of thousands of dollars into the previously ignored State Board of Education races," the Texas Monthly reported, Leininger "turned an obscure committee of retired teachers into an ideological hornet's nest."42 The Leininger board proceeded to promote creationism and battle corporate textbook publishers that bad-mouth capitalism and promote paganism. 43 Perry vetoed a 2001 bill to transfer control of a multi-billion public school endowment from the State Board to professional managers. 44 "I am a firm believer in intelligent design as a matter of faith and intellect," Perry has written, "and I believe it should be presented in schools alongside the theories of evolution."45

ABCs: Abortion & Birth Control

Leininger's family and PACs gave \$156,000 to the 2002 Republican campaign of John Shields, son-in-law of mega-donor B.J. "Red" McCombs (\$398,625 to Perry's gubernatorial campaigns). To some, Shields' campaign may have been a crusade to purify the Texas Republican Party. He mounted a failed primary challenge to Senator Jeff Wentworth: Texas' only pro-choice Republican lawmaker. ⁴⁶ Although abortion is a hot-button issue, anti-abortion PACs account for a miniscule amount of Texas political funds. Texas' biggest anti-abortion PAC, Texas Right To Life, raised almost \$365,000 over the past decade, taking 29 percent of that total from Leininger. ⁴⁷ Leininger is a major funder of such anti-abortion groups as Heidi Group and the Christian Pro Life Foundation. ⁴⁸ With the Texas Legislature facing a \$20 billion budget gap in 2011, one item that Governor Perry declared as a legislative "emergency" was fast-track passage of a proposal, now law, requiring women to endure a detailed description of their fetal sonogram 24 hours before obtaining an abortion.

Leininger's Covenant Foundation contributed at least \$450,000 to the Austin-based Medical Institute for Sexual Health (MISH) from 1997 to 2005. MISH promotes sexual abstinence among young people by teaching them that condoms and other contraception do a poor job of preventing unintended pregnancies and sexually transmitted diseases. ⁴⁹ Governor Perry promotes abstinence-only sex education in a state that boasts the nation's third-highest teen birthrate. ⁵⁰

Gay Marriage

At no time in its valiant history has Texas legally recognized a gay marriage. Yet historians insist that the male-to-female ratio at the Alamo was horribly mismatched. And not even Texas' current macho governor has escaped rumors; in 2004 a dubious crowd rallied outside the Governor's Mansion in support of Perry's "alternative lifestyle." Surrounded by sin, Texas lawmakers proposed a November 1995 state constitutional amendment to outlaw gay marriage once and for all. Although opponents of the measure outspent supporters 3:1, 76 percent of voters backed the heterosexual marriage amendment. Dr. Leininger—who supplied \$100,000 of the \$121,712 raised by amendment supporters—saved Texas as it stood at Sodom and Gomorrah's door. Second Se

Epilogue

The Leininger-funded Free Enterprise PAC attacked six incumbent Republican lawmakers in the 2002 primary. Alongside yet another photo of two men kissing, the mailers denounced the legislators' support of a hate crimes bill. One target of these attacks, then-Senator Bill Ratliff, had a reputation for wisdom and integrity that prompted some colleagues to refer to him as "Obi-Wan Kenobi." Ratliff told *Texas Monthly* that some people who had bankrolled the Free Enterprise PAC attacks later called him to apologize. "I asked them if they would tell me who solicited the contribution," Ratliff said, "and they said Mr. Leininger had." Not one of the lawmakers hit with Leininger's trashy mailers lost. It was almost as if Texas voters, to paraphrase the old country song, told Dr. Leininger, "Take your tongue out of my mouth...I'm kissing you goodbye."

Governor Perry won the March 2010 Republican Primary with 51.14 percent of the vote. Farther down that ballot appeared the name of Thomas Ratliff, Obi-Wan Kenobi's lobbyist son. By the slimmest margin, Thomas Ratliff unseated Don McLeroy, the Christian conservative ideologue chairing the State Board of Education. •

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Notes

- ¹ Also guaranteeing the October 26, 1998 loan were Sterling Chemical's William McMinn and telecommunications executive Jimmy Mansour. The loan came from Austin-based Hartland Bank. Its founder, David Hartman, was a former GOP official and a fellow advocate for school vouchers. See "Leininger's Lieutenant?" TPJ's Lobby Watch, January 26, 1999.
- ² "Million Dollar Man," Austin Chronicle, January 29, 1999.
- ³ "God's Sugar Daddy," San Antonio Current, November 26, 1998. "Whiteout," Texas Observer, May 8, 1998.
- ⁴ "Million Dollar Man," Austin Chronicle, January 29, 1999.
- ⁵ California investors Richard Blum and Jerald Weintraub led the buyout group.
- ⁶ "Perry Defends \$38,000 in Stock Profits," Dallas Morning News, May 15, 1998.
- ⁷ "Green Wants Perry's Stock Trades Probed," Houston Chronicle, May 20, 1998.
- ⁸ Perry reappointed Rath, who was originally appointed by Bush. See Diane Rath profile, San Antonio Business Journal, September 19, 1997. "Perry Appoints Two To State Board of Health," Dallas Morning News, August 8, 2001.
- ⁹ "Mr. Right," *Texas Monthly*, November 2002.
- ¹⁰ "Perry Owned Airplane Jointly with Rich Backers," Houston Chronicle, September 22, 1997.
- ¹¹ "Million Dollar Man," Austin Chronicle, January 29, 1999.
- ¹² Businessman Invests Capital in His Causes," *Houston Chronicle*, September 21, 1997.
- ¹³ The trip was outted by an anonymous blogger who reported seeing Perry, Norquist and some other suits on a "54foot pleasure craft" while he was fishing in the Abaca Islands, "Amateur Parparazzi," Texas Weekly, March 1, 2004.
- ¹⁴ "Perrys, Donors Go To the Bahamas," *Dallas Morning News*, February 23, 2004.
- ¹⁵ "Is Norquist Still the Man?" Houston Chronicle, January 26, 2006.
- ¹⁶ "Special Sessions For Special Interests," Texans for Public Justice, April 2006. "Perry's Trip Is a Fond Memory—for his Foes," Austin American-Statesman, February 17, 2006.
- ¹⁷ "Perry Mines Texas System To Raise Cash," New York Times, August 20, 2011.
- ¹⁸ "Perry's tech fund aided firms with ties to his donors," *Dallas Morning News*, October 3, 2010.
- ¹⁹ "Shakeup at Patrick Henry," Christianity Today, May 15, 2006. "The Bible college that leads to the White House," The Independent, April 21, 2004. God's Harvard: A Christian College on a Mission to Save America, Hanna Rosin, Houghton Mifflin, 2007.
- ²⁰ "Little-Known Texas Patron Guided Bush Policies on Vouchers, Tort Reform," Center For Public Integrity," July
- ²¹ "God's Sugar Daddy," San Antonio Current, November 26, 1998. "Mr. Right," Texas Monthly, November 2002.
- "Quiet Doctor's Issues, Money Put Him in GOP's Texas," Austin American Statesman, January 17, 1999.
- ²² For more on Rove's use of Texas torts to create a political money machine see "Winning the White House in the <u>'Lawsuit Lottery,' the Bush-Rove Ticket To Power,"</u> *Multinational Monitor*, March/April 2005.

 23 "Stop Lawsuit Abuse—or I'll Sue," *Texas Observer*, October 25, 2002.
- ²⁴ "Companies Settle Hospital Bed Dispute," Associated Press, January 1, 2003.
- ²⁵ "Businessman Invests Capital in His Causes," *Houston Chronicle*, September 21, 1997.
- ²⁶ "Do Two Gramms Tip the Scales?" TPJ's Dollar Docket, June 4, 2004.
- ²⁷ "Bullock Quits School-Voucher Group," Dallas Morning News, March 6, 1998.
- ²⁸ Mansour has contributed \$55,000 to Perry's gubernatorial campaigns. The third loan guarantor was Houston chemical magnate William McMinn (who has given \$126,000 to Perry's gubernatorial campaigns). In 2005 Governor Perry appointed McMinn to a state Tax Reform Commission that was supposed to find ways to overhaul business taxes to provide more educational funding (the resulting franchise tax reform failed to deliver). Perry also appointed his 1998 Democratic opponent John Sharp to that tax panel. Two days after announcing his presidential bid Perry secured added goodwill from this ex-rival. Perry appointees to the Texas A&M University Board of Regents selected Sharp as the lone finalist to be A&M chancellor on August 15, 2011.
- ²⁹ "TPJ Files Complaint Against Texans for Republican Majority," TPJ press release, March 31, 2003.
- ³⁰ TRMPAC, DeLay and Colyandro got into legal trouble for raising \$600,000 from corporations and illegally funneling corporate funds to Texas candidates.
- ³¹ Chris Bell ethics complaint against Tom DeLay, U.S. House Committee on Standards of Official Conduct, June 2004.
- ³² "DeLay Risks Losing Post, Job," Cox News Service, September 29, 2005.
- ³³ "Perry Campaign To Pay For Trip," *Dallas Morning News*, February 25, 2004.
- ³⁴ "Mr. Right," Texas Monthly, November 2002. Leininger's voucher foray dates to his 1992 creation of his Children's Economic Opportunity (CEO) Foundation.
- 35 "For Their Eyes Only," *Texas Observer*, June 17, 2010.

"History? Whose Story? Texas Gives Lesson In Revision," Austin American-Statesman, August 24, 2011.

³⁶ "Take Over Voucher Plan, State Urged," *Austin American-Statesman*, February 7, 2007.

³⁷ "Dr. Leininger Injects \$5 Million Into Election," TPJ's Lobby Watch, November 16, 2006. "Leininger Clan Injected \$3.1 Million into Texas Politics in Last 5 years," TPJ's Lobby Watch, March 3, 2006.

³⁸ "Treasure of Notorious Leininger PAC Runs For Railroad Commission," TPJ's *Lobby Watch*, October 21, 2010.

³⁹ "Buying Democracy," *San Antonio Express-News*, March 5, 2006. ⁴⁰ "God's Sugar Daddy," *San Antonio Current*, November 26, 1998.

⁴¹ "State Board of Education To Honor S.A. Millionaire as a Hero for Children," San Antonio Express-News, September 14, 2000. ⁴² "Mr. Right," *Texas Monthly*, November 2002.

⁴³ "The State Board of Education: Dragging Texas Schools Into the Culture Wars," Texas Freedom Network, 2008.

^{44 &}quot;Mr. Right," Texas Monthly, November 2002.

⁴⁵ See "2010 The Vote: K-12 Education," San Angelo Standard-Times.

⁴⁶ Mr. Right," Texas Monthly, November 2002.

⁴⁷ Leininger gave \$92,000 directly and moved another \$15,000 through his Texas Opportunity PAC in 2006.

⁴⁸ "God's Sugar Daddy," San Antonio Current, November 26, 1998.

⁴⁹ "The State Board of Education: Dragging Texas Schools Into the Culture Wars," Texas Freedom Network, 2008.

⁵⁰ "Texas has 3rd-highest teen birthrate among states, study says," Fort Worth Star-Telegram, July 7, 2010.

⁵¹ "The Real Sins of Gov. Perry," Austin Chronicle, February 27, 2004.

⁵² "In Gay-Marital Amendment Spat, Tolerant Give More Than Intolerant," TPJ's Lobby Watch, October 24, 2005.

⁵³ Mr. Right," *Texas Monthly*, November 2002.