

Democracy North Carolina

1821 Green St., Durham, NC 27705 • 919-286-6000 or 489-1931 • democracy-nc.org

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Contact: Bob Hall, 919-489-1931

LOBBYISTS EARN MILLIONS, BUT DISCLOSE LESS ABOUT WINING AND DINING THAN 15 YEARS AGO

Due to Loopholes, 93% Report NO Spending

Lobbyists are spending less than half as much as they did 15 years ago to wine and dine lawmakers in Raleigh – that is, if you believe the reports filed with the Secretary of State’s office.

“Those reports are a joke – thousands of pages of blank forms, signed by lobbyists saying they spent nothing that needs to be disclosed,” said Bob Hall, research director of Democracy North Carolina, a nonpartisan watchdog group based in Carrboro. “Disclosure of spending by lobbyists is actually worse now than it was in 1990.”

A law passed by the N.C. General Assembly in 1991 was supposed to improve disclosure, but with legislators discussing new changes this year, Hall decided to see what difference the last major reform actually made. He and his associates reviewed thousands of reports filed for 2003 and 2004 and compared them to others from 1989 and 1990.

When the 1991 law passed, it was heralded as “the most important ethics reform since 1975” by *The Charlotte Observer*, among others, but critics now say it was riddled with loopholes. One of the biggest allows all spending on “goodwill” lobbying, where specific legislation is not discussed, to go unreported.

The Democracy North Carolina research reveals just how big the loopholes are:

- Ninety-seven percent of the disclosure forms submitted by lobbyists registered for the last General Assembly reported spending nothing to entertain or feed lawmakers. Ninety-three percent of the reports for 2003-2004 showed no spending for any purpose, compared to 36 percent of those submitted for the 1989-90 session..
- Zeb Alley, who has long ranked among the first or second most influential lobbyist in a survey by the NC Center for Public Policy Research, turned in 72 disclosure forms during 2003 and 2004 for his 18 clients – and all of them showed only zeros. By contrast, in 1989-90, Alley detailed shelling out more than \$17,327 on specific dates to various restaurants, country clubs, a golf outing, etc., to benefit this or that group of legislators (without listing their names).
- Ten of the top 12 lobbyists for 2003-04 (including Don Beason, Sandy Sands and Dave Horne) reported nothing for food or entertainment. Roger Bone itemized \$27,126 spent for his 12 clients, while John McMillan paid \$587 for his client Allstate Insurance for 2 meals with House Insurance and Senate Commerce committees members; neither lobbyist named any legislators.
- Tobacco companies R. J. Reynolds and Philip Morris disclosed spending a total of \$24,360 for entertainment and food connected to lobbying in 1989 and 1990, including country

club dinners, ABC liquor purchases and meals with lawmakers; but the two companies said they spent nothing to wine and dine legislators in 2003 and 2004. The two tobacco firms did disclose paying lobbyists \$171,743 for 2003-04, but gave no details about the use of that money.

- Duke Energy and Progress Energy paid lobbyists \$212,865 in 2003-04, but reported no other spending; for 1989-90, they reported paying a total \$9,509 for food and entertainment.

- The largest reported spenders on food and entertainment during 2003-04, mostly for legislative receptions, were the NC Home Builders Association (\$26,843), Sprint (\$23,202), the Manufacturers & Chemical Industry Council (\$16,312), Anheuser-Busch (\$12,135), the NC Hospital Association (\$9,002), Corning Inc. (\$8,490), and the NC Farm Bureau (\$8,426)

- All together, the disclosure reports covering 1989 and 1990 show that lobbyists spent a total of \$612,000 on food or entertainment, including breakfast receptions, golfing at Pinehurst, and lavish dinners for legislators, whether or not they just involved goodwill. By contrast, reports for 2003 and 2004 list only \$255,000 for food and entertainment tied to lobbying.

“The 1991 law was supposed to provide greater disclosure of lobbying activities, but it has actually given the public less information about the crucial interactions of lobbyist and legislator,” Hall said.

“We now get one number for how much each client pays its lobbyists – and it adds up to a big number, \$18.6 million for two years or more than \$50,000 per legislator per year – but we can’t tell which lobbyist gets how much of that total and, more importantly, we can’t tell what’s being spent to schmooze and booze which legislators.”

Hall noted that clients reported paying lobbyists \$2.3 million during 1989-90, but the old law exempted compensation paid as an annual retainer or as a salary to an employee of the client. “The main improvement from 1991 was closing the compensation loophole, but others were opened, whether by design or by accident.”

In addition to the goodwill loophole, Hall said the revised law added an exemption from lobbyist registration for a lawyer or other “professional” who advises “legislators on behalf of clients as to the construction and effect of proposed or pending legislation” [NCGS 120-47.8(4)]. “We’ve seen lawyers use that exemption to do everything a lobbyist does, but ignore the requirement to publicly identify their client and file disclosure reports,” he said.

He also noted that the current law, as rewritten in 1991, exempts organizations – such as many chambers of commerce – that entertain or lobby legislators without hiring a lobbyist. And he said the law did not significantly improve the timeliness or accessibility of disclosure reports.

“To be meaningful full disclosure must be complete, timely, and accessible. The current law lacks all three crucial elements,” Hall said.

Democracy North Carolina is a member of the North Carolina Coalition for Lobbying Reform, which is advocating a set of reforms. Hall said a bill passed by the Senate last month is “a positive start,” but still has numerous loopholes and “weak disclosure features.”

“Democracy needs lots of sunshine to survive,” he said. “The public should get complete information about all the financial transactions between public officials and private lobbying groups, and it should be delivered quickly, posted on the Internet, and updated every month the legislature is in session.”

CONTRAST IN DISCLOSURE ON WINING & DINING LEGISLATORS, THEN & NOW

Lobbying Group	<u>1989-1990</u>		<u>2003-2004</u>	
	Spending on Food & Entertainment		Food & Ent.	Compensation
Duke Power/ Duke Energy	\$ 7,772	Liquor, food, restaurants	\$ 0	\$ 94,865
Glaxo / Burroughs Wellcome GlaxoSmithKline	\$ 4,539	Country clubs, restaurants	\$ 0	\$205,000
NC Bankers Association	\$ 8,748	"Econ. Seminar" and "reception" for state legislators	\$ 0	\$ 51,420
Philip Morris	\$ 1,978	Breakfast for legislators	\$ 0	\$ 46,743
CP&L / Progress Energy	\$ 1,737	Entertainment, food	\$ 0	\$118,000
R. J. Reynolds Tobacco	\$22,623	Receptions, restaurants, Country clubs, food, liquor	\$ 0	\$125,000
NC Assoc. of County Commissioners	\$22,635	Two receptions, "briefings"	\$ 6,450	Recptn. \$190,583 for legs.
NC Press Association	\$ 4,646	Reception/entertainment	\$ 0	\$116,713
NC Principals & Assistant Principals Association	\$25,528	Food and entertainment	\$ 0	\$ 6,500
Travel Council of NC Travel & Tourism Coalition	\$25,101	Legislative Gala	\$ 194	Food \$115,000
<u>SUMMARY TOTALS</u>				
All Lobbyists/Clients:	528 Lobbyists / 511 Clients		644 Lobbyists / 685 Clients	
Food & Entertainment:	\$612,000		\$255,000	
Compensation reported:	\$2.3 million		\$18.6 million	

SPENDING DISCLOSED BY LOBBYISTS FOR 2003-2004

Lobbyist's Name and NCCPPR Rank	# Clients For 2003-04	#Reports On File	Total Spending Disclosed	Spending on Food/Entertainment
1 Don Beason	24	96	\$ 0	\$ 0
2 Zeb Alley	18	72	\$ 0	\$ 0
3 Roger Bone	12	48	\$27,126	\$27,126
4 Franklin Freeman	4	0	\$ 0	\$ 0
5 Sandy Sands	26	104	\$ 5,000*	\$ 0
6 Leslie Bevacqua	1	4	\$ 0	\$ 0
7 Davis Horne	16	64	\$ 0	\$ 0
8 Eugene Ainsworth	2	8	\$ 0	\$ 0
9 John McMillan	11	44	\$ 587	\$ 587
10 Kevin Howell	4	0	\$ 0	\$ 0
11 Jeff Van Dyke	1	4	\$ 0	\$ 0
12 Marvin Musselwhite	18	72	\$ 0	\$ 0

Based on data recorded by NC Secretary of State for clients registered to lobbyists during all or part of the 1989-90 and 2003-04 legislative sessions. Prepared by Democracy North Carolina, May 2005

* Sandy Sands listed the \$200 lobbyist registration fee for his clients.