The Thirst For Money

The 1994 election results were a major setback for Democrats. For the first time in 40 years, Republicans controlled both houses of Congress. The Democrats' loss of Congress, along with the President's concern that he might face a primary challenge, fueled an urgent need for political money. The President and his top advisors decided to raise money early for his re-election campaign. To accomplish their goal, the President and his top advisors took control of the DNC and designed a plan to engage in a historically aggressive fund-raising effort, utilizing the DNC as a vehicle for getting around federal election laws. The DNC ran television advertisements, created under the direct supervision of the President, which were specifically designed to promote the President's re-election. To fund this early advertising for the President's benefit, the DNC had to raise more than three times what it raised during the 1991-92 election cycle -- and nearly three times what was raised during the 1993-94 cycle.

The panoply of DNC fund-raising irregularities in the 1996 election derived, directly or indirectly, from the unprecedented need for money to finance this ambitious advertising strategy.

The President's Precarious Political Position in Late 1994

In the wake of the 1994 congressional elections, the President was politically vulnerable. The President himself recognized as much when he was reduced to defending his "relevance" in the political process during an extraordinary prime-time news conference, which was covered by only one network.[1] The President's close political confidantes were also keenly aware of his weakened political state.

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[1] *See* Todd S. Purdum, "Undertones of Relevance," *The New York Times*, April 20, 1995, p. A18.

Terence R. McAuliffe, the DNC's National Finance Chairman from March 1994 to January 31, 1995, and later National Finance Chairman for Clinton-Gore '96, testified that "for the Democrats, it was not a very optimistic time."[2] McAuliffe was in a unique position to assess the mood of both the Democratic Party and its incumbent President. As DNC Finance Chairman, McAuliffe testified that he "had a better feeling for the mood of the donors ... than anybody else in the country."[3]

During his deposition, McAuliffe offered a candid assessment of the President's political position in December 1994:

> I had just finished up as Finance Chairman of -- told the President I was leaving the party, and we had just lost the House and the Senate for the first time in a long time. So there was a general mood out there that the President was in serious trouble. A lot of people wondered if the President was even going to run again. I can tell you the political mood at the time clearly was that he had no chance of winning again, clearly would not win re-election and would have a very tough time with a primary. And there was a lot of talk that people would run against him in a primary. It was a very tough political time.[4]

McAuliffe's concern was shared by Harold Ickes, the Deputy Chief of Staff to the President from January 1994 until after the 1996 election:

> **Q:** Now, as we move forward -- as you move forward from, say, November [1994] through early 1995, did you have a major concern about the ability of the President to be re-elected for a second term because of what happened in the November elections?
>
> **A:** If you're a Democrat, you're always concerned about primaries, and having played a fairly significant role in the Kennedy-Carter primary of 1980, I appreciated what a divisive primary in connection with a

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2 Deposition of Terence R. McAuliffe, June 6, 1997, p. 13.

3 *Id.* at pp. 13-14.

4 *Id.* at pp. 11-12.

> sitting President could do that, even if you were to win the primaries, i.e., win the nomination -- "win the primaries" is sort of shorthand for that -- y[ou] could be damaged enough to lose the general election. So the answer is yes, I was concerned at that time because I think it was -- it's fair to say that there were people within the party -- using the party writ broad now -- the Democratic Party family who were questioning whether the President could win re-election in a general election, and there was certainly some loose talk around about some people mounting a primary against him. So the answer is -- the short answer, after a long answer, is I was concerned.[5]

This was the bleak outlook for the President as he contemplated his re-election campaign.

An Early Emphasis on Money to Stave off Primary Challengers

Two days after Christmas 1994, the President and McAuliffe ate breakfast in the President's personal study on the second floor of the White House.[6] The breakfast lasted about two hours.[7] The general discussion concerned what the President and McAuliffe needed to do to get "ready for the '96 election."[8]

When asked whether he and the President discussed the possibility of a primary challenge to the President, McAuliffe answered:

> You know, I can't recall if he talked about a primary challenge, but, I mean, just pick up the newspapers, I mean, I don't think we would have had to have talked about it. I mean, it was evident that the President was in a very precarious political situation. I think his poll numbers, he was in the low thirties.[9]

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5 Deposition of Harold Ickes, June 26, 1997, pp. 21-22; *see also infra*, notes 28-29 and accompanying text.

6 Deposition of Terence R. McAuliffe, June 6, 1997, pp. 10-11.

7 *Id.* at p. 14.

8 *Id.* at p. 12.

9 *Id.* at p. 13.

Nevertheless, McAuliffe, who by his own admission is "not negative by nature," was "optimistic and thought [the President] should be re-elected."[10] McAuliffe testified that he was "willing to lead that fight."[11]

Of course, the President would require money to wage that fight, a topic which he discussed with McAuliffe. In his deposition, McAuliffe tried to downplay the discussion of fund-raising at the breakfast, stating that "the fund-raising discussion probably took 32 seconds."[12] When they first sat down for breakfast, the President and McAuliffe talked about the mood of the donors. McAuliffe described them as "depressed" and "demoralized."[13] Nonetheless, McAuliffe volunteered to "put this operation together," telling the President, "Let's not talk about fund-raising here, sir, I'll handle all that for you."[14] McAuliffe continued:

> Mr. President, you have broad support out there in the donor community, which is what I represented as the Finance Chair of the party. I'm going to be able to put this operation together for you. The support of the people will be there for you. Don't worry about it. I'll handle it.
>
> And he -- I think it took a tremendous burden off his shoulders. I think he was worried. I think he was probably worried that I wouldn't be his Finance Chairman. I mean, they worry about -- see, what you worried about at the time is a lot of the donors and political supporters would leak off and go to other candidates. That was a big concern.
>
> **Q:** And when you say other candidates, you mean other Democratic candidates?

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10 *Id.* at pp. 12, 13.

11 *Id.* at p. 13.

12 *Id.*

13 *Id.* at p. 14.

14 *Id.*

> **A:** Yeah. You know, that potentially -- you know, there was talk out there that Bradley was looking at it, that Gephardt was looking at it, that Jesse Jackson might look at it. You know, the names you normally hear, you hear them again today.
>
> **Q:** Did you commit to raise a specific amount of money for the President in that meeting?
>
> **A:** I said I'd take care of the money, it would be no problem: Don't you worry about it, sir, I'll take care of it. I don't think I knew at the time what the limits were.[15]

According to McAuliffe, most of the remaining two hours were devoted to discussing "issues," such as "where this country was going."[16]

At the end of the breakfast, the topic of fund-raising arose again. The discussion centered on what the President needed to do to help raise funds. The conversation helped set the stage for, among other things, the White House coffees:

> **Q:** Did you discuss with the President what his involvement would be in the fund-raising operation?
>
> **A:** The only thing I discussed with him, I think at the end of the meeting he said, What do I need to do? And I said, Mr. President, you know, I need to get some time with you to meet with some of the key supporters who are demoralized out there so that you can get them re-energized and ready for the '96 election.[17]

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[15] *Id.* at pp. 15-16.

[16] *Id.* at p. 14.

[17] *Id.* at p. 16; *see also* the section of this report on White House coffees.

McAuliffe left the meeting knowing that he would be the Finance Chairman for the President's re-election effort. As McAuliffe put it, the President "never said, Terry, will you be my Finance Chairman? It was clear that I was going to be the guy."[18]

McAuliffe did go on to lead Clinton/Gore's fund-raising effort; however, Clinton/Gore was limited by law to raising funds in certain increments (no more than $1,000 from an individual),[19] and there was an overall spending limit. By the end of the summer of 1995, the re-election campaign had raised "a good chunk" of all the funds it could legally raise.[20] No doubt, a strong motivating factor in quickly raising this money was the need to discourage potential primary challengers. Indeed, no additional funds could be raised for the general election due to federal restrictions.[21] In any event, all of the re-election campaign's funds were expected to be raised by the end of 1995.[22]

Dick Morris' Early Advertising Blitz -- The Need for More Money

Still, a formidable re-election treasury, by itself, would not resuscitate the President's moribund political position. After the devastating 1994 mid-term Congressional elections, the President reached out to his old friend and former political consultant, Dick Morris, for political advice. Morris, one of the President's closest political consultants,[23] explained to the President that,

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18 Deposition of Terence R. McAuliffe, June 6, 1997, p. 11.

19 2 U.S.C. § 441(a)(6).

20 Deposition of Terence R. McAuliffe, June 6, 1997, p. 50.

21 26 U.S.C. §§ 9003(b)(2) & 9012(b).

22 Deposition of Terence R. McAuliffe, June 6, 1997, pp. 50-51.

23 After Morris graduated from Columbia College, he became involved in New York politics and worked for the Citizen's Budget Commission as a research analyst. Deposition of Richard Morris, August 20, 1997, p. 6. His first political consulting company was the Public Affairs Research Organization, which provided issue

even to consider a chance at re-election in 1996, he must begin in 1995 an advertising campaign unprecedented in scope, timing, and cost. The President ultimately seized upon Morris's plan, thereby creating a tremendous need for huge amounts of money to finance this media crusade.[24]

In the spring of 1995, Morris explained to the President that he needed to advertise early to improve his approval ratings and give him a chance to win re-election.[25] The President agreed to some initial advertisements to determine if Morris' views were correct. The first "flight" of

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consulting for New York Democrats. *Id*. at pp. 6-7. In 1977, he began a new political consulting firm, Dresner, Morris, which later changed names to Dresner, Morris, Tortorello, and has remained a full time political consultant since that time. *Id*. at p. 7.

In 1977, when President Clinton was the Attorney General of Arkansas, he first engaged Morris to perform a variety of political consulting tasks, including polling, advertisement design, and speech-writing. *Id*. at p. 8. Morris also assisted President Clinton with his failed 1980 re-election campaign for Governor of Arkansas and his successful 1982 bid for Governor. *Id*. at p. 13. Morris consistently performed consulting work for Governor Clinton from 1982 through January 1991. *Id*. at p. 14. In 1991, Morris terminated his consulting services for Governor Clinton and testified as follows:

> I had become more of a Republican at that point, and I had handled his 1990 campaign as the only Democrat that I was working for. And I told - I grandfathered him in, in a sense, because I had a long relationship with him, and he asked me to handle his 1990 campaign.

Id. at p. 14. Morris did not conduct any professional consulting services for Governor Clinton throughout his 1992 Presidential campaign. *Id*. at p. 15.

24 Though familiar with the media blitz that gave rise to the White House's thirst for money, Morris had extremely limited knowledge of the DNC's and Clinton/Gore's fund-raising activity. He testified as follows: "I had no involvement nor have I ever had with fund-raising for him [the President]." *Id*. at p. 8. Morris also denied any knowledge of John Huang, Charlie Trie or James Riady other than what he had read in newspaper articles beginning in late 1996. *Id.* at pp. 8-9.

25 *Id.* at pp. 97-98, 271-72.

advertising released in July 1995 was paid for by the Clinton/Gore '96 re-election committee (hereinafter referred to as "Clinton/Gore") .[26] The results of the July media "showed very significant movement" for the President, which Morris used to convince the President to undertake the unprecedented advertising campaign Morris had proposed.[27]

As noted, Ickes, the White House deputy chief of staff in charge of the President's re-election campaign, was concerned that the President could face a primary contest.[28] Ickes believed that the President needed to save Clinton/Gore funds (which Morris wanted to spend on advertising) in the event that they were needed for a primary fight.[29] For precisely this reason, Ickes opposed Morris' early advertising campaign. When Ickes was asked whether he and Morris disagreed about spending money on advertising in 1995 -- rather than closer to the election in 1996 -- Ickes testified:

> There was a debate about that running over a period of months, and different people had different positions. My own position was that, depending upon what money you were talking about -- there are different kinds of money, as I'm sure you know by now -- that if it were going to be Clinton-Gore campaign money, that I was very reluctant to see that money spent that early.[30]

Morris, however, was convinced that without a massive advertising campaign prior to the primaries, the President would be so weak in the polls that he definitely would face a primary fight.[31]

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26 *Id.* at pp. 130-31. These expenditures occurred prior to any discussions concerning "the possibility of funding ads or running specific ads or the text of ads that would be run under the DNC label." *Id.* at p. 131.

27 *Id.* at p. 132.

28 *Id*. at p. 126; *see also supra,* text accompanying note 5 (quoting from Ickes' deposition before the Committee).

29 Morris deposition, p. 126.

30 Deposition of Harold Ickes, June 26, 1997, p. 31.

31 Morris deposition, p. 127.

Although Morris was initially unaware of the financial condition of Clinton/Gore and the DNC at the time he was pressing for significant advertising expenditures, he learned that the Clinton/Gore Primary Committee was limited to spending approximately $30 million.[32] Morris shared Ickes' concern that the media campaign likely would exceed the $30 million limit placed on the Clinton-Gore Primary Committee.[33] Confronted with these funding limitations, Morris searched for alternative methods to finance the President's re-election campaign.

Morris suggested that the President reject federal matching funds so as to increase the amount of contributions that could be legally accepted by Clinton/Gore (and provide the desperately needed additional funds for advertising).[34] Morris presented this concept to the President and his top advisors in the March 2 and 16, and April 27, 1995 weekly agendas.[35] In July 1995, Erskine Bowles, then Ickes' counterpart as White House deputy chief of staff, told Morris that the President had decided not to reject federal matching funds.[36] Bowles told Morris to come up with a "plan B," *i.e.*,

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32 *Id.* at pp. 129-30.

33 *See id.* at p. 132.

34 *Id.* at pp. 97-100, 262-63. A presidential candidate who accepts federal matching funds agrees in return to limit campaign expenditures in primaries and in the general election. 2 U.S.C. § 441a(b)(1).

35 Morris deposition, pp. 262-63; *see* March 2 and 16, and April 27, 1995 agendas (Exs. 1, 2 and 3). Morris produced portions of written agendas for the weekly strategy meetings beginning in February or March of 1995. *See* Morris deposition, p. 256. The meetings were chaired by Morris, and were regularly attended by the President, the Vice President, Chief of Staff Leon Panetta, Ickes, Bowles, and other top White House, Clinton/Gore, and DNC officials. Dick Morris, *Behind the Oval Office*, p. 26 (1997) (hereinafter "*Behind the Oval Office*"). The weekly agendas were summaries of the advice Morris gave the President during those meetings. Morris deposition, p. 258.

36 *Id*. at p. 133.

a method for accomplishing his advertising objectives within the limits of the federal matching funds expenditures.[37] Initially, Morris did not know how he would fund the advertising plan because the Clinton/Gore funds would have to be used for other campaign expenditures.[38]

Hatching a Scheme to Evade Federal Election Laws

Ultimately, the White House found a "Plan B": running the advertisements through the DNC under the guise of issue advertising. Unlike Clinton/Gore, the DNC could raise unlimited amounts of non-federal, "soft" money, although such money can only be spent for "party-building" activities, such as voter registration and "get out the vote" efforts.[39] During the 1996 federal election cycle, these restrictions on the use of "soft" money were ignored; the DNC became a shadow re-election campaign, allowing the President to spend more than the federal limits to which he had agreed in accepting partial public financing for his campaign. In short, the President used the DNC for an end-

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37 *Id*.

38 *Id*.

39 Justice Breyer, writing for the Supreme Court, described the limited uses of "soft money":

> We recognize that FECA permits individuals to contribute more money ($20,000) to a party than to a candidate ($1,000) or to other political committees ($5,000). 2 U.S.C. § 441a(a). We also recognize that FECA permits unregulated "soft money" contributions to a party for certain activities, such as electing candidates for state office, see § 431(8)(A)(i), or for voter registration and "get out the vote" drives, see § 431(8)(B)(xii). But the opportunity for corruption posed by these greater contributions is, at best, attenuated. Unregulated "soft money" contributions may not be used to influence a federal campaign, except when used in the limited, party-building activities specifically designated in the statute. See § 431(8)(B).

Colorado Republican Fed. Campaign Comm. v. FEC, ___ U.S. ___, 116 S. Ct. 2309, 2316 (1996).

run around restrictive federal campaign laws. Both Morris and Ickes claimed credit for this idea in their testimony before this Committee.

Morris testified that he first "became aware of the existence of issue advocacy advertising" in the spring or summer of 1995.[40] Joseph Sandler, the DNC general counsel, and Lyn Utrecht, counsel for Clinton/Gore, provided Morris with his understanding of issue advocacy advertising.[41] He testified that "all the impressions that [he had] as to what you could or couldn't do and still qualify for . . . issue advocacy advertising comes from their legal opinion."[42] Morris explained his understanding of the legal guidelines concerning issue advocacy advertising as follows:

> issue advocacy advertising had to relate to . . . a legislative issue that was pending before Congress, that was actively in play and in discussion before Congress. It had to express a point of view on that issue which was held by the President, the administration in general . . . and the leadership of the Democratic Party; that it had to be an issue position in which the Republican Party leadership took a generally different point of view, period. The advertisement had to be related to the substantive disagreements between the two camps and had to urge a substantive point of view in connection--calling for the adoption of the Presidential/Democratic views on those issues . . . [t]he advertisements . . . could not overly [sic] urge the re-election of the President or the defeat of any particular Republican candidate . . . that there were constraints on the extent to which the President's picture could be used in the advertisements or the picture of possible Republican opponents . . . that there were restrictions on the proximity to primary dates that such advertisements could be run in different states . . . that there was a cut-off date of Memorial Day '96 after which all advertising . . . had to come from the campaign.[43]

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40 Morris deposition, p. 134.

41 *Id.* at pp. 140-41. Morris did not recall who first informed him of issue advocacy advertising, but he believed it was Utrecht, Sandler or Bill Knapp, a consultant with the firm Squier Knapp & Ochs. *Id.* at p. 134.

42 *Id.* at p. 140.

43 *Id.* at pp. 142-43.

Morris did not perform any independent research to determine the accuracy of Sandler's and Utrecht's advice.[44] Indeed, Morris relied heavily upon Sandler's advice regarding both DNC and Clinton/Gore advertisements, as evidenced by Sandler's presence during all media planning meetings.[45]

Morris provided the following examples of how he used DNC funded issue advocacy advertising to further his advertising plan. From January through April 1996, Morris testified that advertisements concerning family and medical leave had to be done by Clinton/Gore because the issue currently was not before Congress.[46] Advertisements on Medicare, however, could be paid for by either the DNC (through issue advocacy advertising) or Clinton/Gore because "it was in play before the Congress."[47] Moreover, from August through December of 1995, all advertising funds came from the DNC because the advertisements allegedly pertained to the "budget fight" pending before Congress.[48] During the period of the Republican primaries (approximately January through April of 1996), however, the funds for advertising were split between the DNC and Clinton/Gore depending upon the issue.[49] Indeed, once Morris understood the concept of issue advocacy advertising, he

44 *Id.* at p. 145.

45 *Id*. at p. 160. Morris argued that his understanding of one instance where the RNC may have used issue advocacy advertising created a "precedent" for the DNC to run his massive media campaign. *Id.* at p. 298. His knowledge of RNC issue advocacy advertising was limited to second-hand information that, in 1983, "the Republican Party ran extensive ads on its success in combating inflation" unrelated to President Reagan's re-election. *Id.* at p. 296.

46 *Id.* at p. 158.

47 *Id.* at pp. 158-59.

48 *Id.* at pp. 152, 154.

49 *Id.* at p. 153.

regretted "having spent the $2.4 million of campaign money on the crime ads" Clinton/Gore ran in the spring of 1995.[50] Morris admitted, however, that irrespective of the method of payment for these different advertisements, their ultimate goal was the President's re-election.[51]

Ickes, however, also wished to claim credit for using DNC "issue" advertising to circumvent federal election laws. He testified that he conceived of financing Morris' advertising campaign with "soft" money to run so-called "issue ads" on which unlimited money could be spent.[52] Ickes volunteered that, "Basically, it was my idea."[53]

Regardless of whether Ickes or Morris deserves the "credit" for hatching a scheme to violate the laws, there is no doubt that this early spending of "soft" money was driven by the President's re-election. In testifying about the purpose of the early "soft" money advertising, Ickes offered another glimpse into a nervous President's thought process -- a President bent on avoiding a repeat of the 1994 election debacle, deterring prospective primary challengers, and winning re-election:

> The idea was to try to -- to use paid media, in addition to what the President was saying publicly, to used paid media to reinforce what he was saying publicly, and I think that the theory was that through well-placed, well-designed paid media, that you could get more -- you could educate the public more on what the President had done and what he was trying to do in an unfiltered way so that you could have direct contact with potential voters as opposed to having it filtered through the media. I think a lesson had been learned -- well . . .
>
> **Q:** And was part of the goal of this idea to successfully avoid a primary in '96, a primary challenge?

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50 *Id.* at pp. 134-35.

51 *Id.* at p. 293.

52 *See* Deposition of Harold Ickes, June 26, 1997, p. 31.

53 *Id.*

A: I don't think there was a concern at that point, but it depends what point you're talking about. Where are we in terms of time frame?

Q: In the '95, say from February through August, time period.

A: The focus was more -- was less on avoiding a primary, much more on the general election.

Q: The 1996 general election?

A: Yes. <u>The use of -- the use of paid media was focused much more on the '96 general election</u>, but the basic focus was the President was concerned in '94, he had not been able to reach, get through, or break through, to use a campaign term, with the public about the issues that he had been prosecuting in his agenda in '93 and '94. <u>He was very concerned about that</u>, and I think early on the basic thought was that the use of paid money could help break through and you'd have direct communication with voters on particular issues, whether it be crime, welfare reform, or what have you.[54]

To a President wishing to avoid repetition of the 1994 debacle, the strategy of using unregulated DNC "soft" money to ensure that his re-election message resonated with the voting public must have been welcome.

The September 10, 1995 White House Meeting: Unveiling the Scheme

The scheme for spending DNC "soft" money to run early advertising in support of the President's re-election under the control of the White House was unveiled to the DNC's National Chairman at a significant meeting at the White House. The meeting took place on Sunday, September 10, 1995, at 9:00 PM.[55] Those present included: the President, the Vice President, White House Chief of Staff Leon Panetta, Ickes, DNC National Chairman Don Fowler, and one of the President's

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[54] *Id*. at pp. 36-37 (emphasis added).

[55] Deposition of Donald L. Fowler, May 21, 1997, pp. 290-92.

pollsters.[56] In addition, the First Lady may have been present.[57] DNC General Chairman Christopher Dodd was supposed to participate by telephone, but did not, as he could not be located.[58] Ickes ran the meeting.[59] The first topic of conversation concerned the need to communicate the President's accomplishments through an advertising campaign.[60] The White House's plan was for the DNC to buy this advertising. The advertising "was to be funded by the party, but it would focus on the President's program for the party and what he had done."[61] According to Fowler, "there was a general consensus that this was a good idea."[62]

The meeting then focused on whether there was enough money to pay for the proposed advertisements. As Fowler put it, "The discussion was mostly could we raise enough money to do it, and the initial plan was 10 weeks at a million dollars a week or thereabouts, and the discussion was we could raise it."[63] Everybody in the room discussed whether that amount of money could be raised.[64]

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56 *Id.* at p. 292.

57 *Id.*

58 *Id.*

59 *Id.* at p. 293.

60 *Id.*

61 *Id.*

62 *Id.* at p. 294.

63 *Id.*

64 *Id.*

Although no “serious doubts” were expressed in the meeting about the ability to raise the money, “a number of people said it was going to take a lot of work and stuff like that.”[65] Apparently, the meeting’s participants also discussed the need for the President and Vice President to devote more time and effort to fund-raising if the plan was to be fulfilled.[66] The meeting concluded sometime around 10:30 or 11:00 in the evening.[67] The strategy was set in motion.

In His Own Words: The President’s Knowing Subversion of Federal Election Law

Clearly, the President and his aides devised a strategy to subvert the spending limits imposed by federal law on presidential candidates who agree to accept public financing. “Soft” money was used for the express purpose of promoting the President’s re-election. As documented elsewhere in this report, the money was raised and spent under the supervision of White House officials.[68] The money was spent on ads that were produced by the firm handling the re-election campaign’s ads, ads that the President himself edited and revised.

The President knew that he was using DNC “soft” money to support his re-election campaign. He told a group of major contributors to the DNC:

> [W]e even gave up one or two of our fundraisers at the end of the year to try to get more money to the Democratic Party rather than my campaigns. My original strategy had been to raise all the money for my campaign this year, so I could spend all my money next year being president, running for president, and raising money for the Senate and House Committee and for the Democratic Party.

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65 *Id.* at pp. 294-95.

66 *Id.* at p. 295.

67 *Id.* at pp. 295-96.

68 *See* the section of this report on the White House’s control of the DNC.

> And then we realized that we could run these ads through the Democratic Party, which meant that we could raise money in twenty and fifty and hundred thousand dollar lots, and we didn't have to do it all in thousand dollars. And run down -- you know what I can spend which is limited by law. So that's what we've done. But I have to tell you I'm very grateful to you. The contributions you have made in this have made a huge difference.[69]

The "Bottom Line": Pressure on the DNC to Satisfy the Campaign's Need for Money

The President's massive media plan, combined with the DNC's operating costs, required Democrats to raise an unprecedented amount of money.[70] Morris testified that the media team constantly needed additional money to fund fully the planned weekly media purchases. For example, the media team would plan $1.2 million in paid advertising for a week, but the DNC would have only $1 million available.[71] Consequently, Morris appealed to the President to hold additional fund-raising events on at least ten occasions, and to the Vice President on two or three occasions.[72] When Morris learned from Doug Sosnik[73] that the President was not giving fund-raisers enough priority on his

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69 Transcribed Statement of President Bill Clinton, White House Communications Agency Videotape, Dec. 7, 1995 (Hay-Adams Dinner).

70 Morris stated in his book that "[n]o president had ever advertised even remotely this far in advance of an election .... Ten million dollars was about equal to what most president or candidates for the presidency spent on media ads for the entire primary season, from Iowa through the convention -- yet here we were spending it on issue ads more than a year before the election began." *See Behind the Oval Office*, p. 150.

71 Morris deposition, p. 241.

72 *Id.* at pp. 241, 244. Either Marvin Rosen, Democratic Finance Chairman, or Terry McAuliffe once even asked Morris to meet with a potential donor. *Id.* at p. 249.

73 Sosnik was the White House political affairs director.

schedule, he made open appeals at the weekly strategy meetings "for more time to be spent on scheduling fund-raisers."[74]

In November and December 1995, the DNC "spent a vast amount of money" on advertising to boost the President's poll numbers during the government shutdown.[75] Ickes or Bowles informed Morris that the extended advertising that fall had "functionally cleaned out the DNC money," and that there were insufficient funds to advertise in January.[76] In the agenda for the December 7, 1995 White House political strategy meeting, Morris informed the participants: "Need to do phone calls and fund raising to turn around media as soon in January as possible -- or as soon after deal is cut as possible."[77] Morris testified that, in the agenda, he was requesting the DNC to "redouble" its fund-raising efforts because it was critical that the advertising campaign on the President's behalf continue.[78] Morris' concern over the lack of funding for advertising is emphasized in the agenda for the February 22, 1996 White House political strategy meeting, which warned participants that the "[f]ailure to advertise is, once again catching up with us."[79] In the agenda for the March 6, 1996 meeting, Morris wrote that "DNC fund raising is not now equipped to cope with the money needs

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74 *Id.* at pp. 241-42.

75 *Id.* at p. 324.

76 *Id.* at pp. 324-25.

77 *See* December 7, 1995 agenda, p. 2 (Ex. 4).

78 *See* Morris deposition, pp. 324.

79 February 22, 1996 agenda, p. 3 (Ex. 5).

. . . We have had trouble getting this week's DNC money together . . . Fund raising at DNC level must be improved."[80]

Morris testified that the Vice President "tended to favor the advertising that we were doing and . . . worked fairly hard at trying to raise the money."[81] In his book, however, Morris wrote that the President "complained bitterly" at having to raise the money required to run the advertisements.[82] The fund-raising became so consuming that the President told Morris:

> "I can't think. I can't act. I can't do anything but go to fund-raisers and shake hands. You want me to issue executive orders; I can't focus on a thing but the next fund-raiser. Hillary can't, Al can't -- we're all getting sick and crazy because of it."[83]

The DNC also felt unprecedented pressure to raise money. As discussed at some length later in this report, Ickes took control of the DNC's Finance Division, and held weekly "Wednesday Money Meetings" beginning in 1995 to control the DNC's fund-raising and budgeting.[84] In these meetings, Ickes' emphasis on money was clear. DNC National Finance Director Richard Sullivan remembered well Ickes' concern with fund-raising. In discussing the regular money meetings,

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80 March 6, 1996 agenda (Ex. 6); *see* Morris deposition, p. 347.

81 *Id*. at p. 245.

82 *See Behind the Oval Office*, p. 150. Morris testified that all the statements in his book, *Behind the Oval Office*, were true; "everything in the book is, as far as I know, true." *See* Morris deposition, pp. 28, 36-37.

83 *Behind the Oval Office*, p. 151. A recent study of the President's rigorous fund-raising schedule confirms that the President was severely taxed by these fund-raising demands. *See* Glenn F. Bunting, "A Hard and Fast Ride on Donation Trail," *Los Angeles Times*, December 21, 1997, A1. The President's zeal for fund-raising placed a "strain ... on both the presidency and the operation of the White House." *Id*.

84 *See* Deposition of Harold Ickes, June 26, 1997, p. 55; *see also* the section of this report on White House control of the DNC.

Sullivan recalled Ickes' questioning of DNC Chief Financial Officer Brad Marshall -- and even employed some of Ickes' well-known profanity: "All Harold cared about was the bottom line . . . Harold just cared about the bottom line as they applied to Brad [Marshall]'s numbers of spending projections. He just cared about what, you know, [`]Goddamn it, just tell me what's in the bank, Brad.[']"[85] Ickes himself agreed that he had a "bottom line" focus on the DNC: "My focus . . . was the bottom line, as they like to say in the finance business."[86]

Ickes wrote memoranda summarizing what went on at these "money meetings," and these memoranda prove the White House's intense involvement in all aspects of DNC fund-raising, and provide some glimpse into the pressure the DNC was under to raise funds.[87]

In fact, the amount raised by the DNC during the 1996 election cycle vastly exceeded that raised in earlier years. McAuliffe characterized his 1994 DNC fund-raising effort as a much "smaller operation" when compared to the DNC's fund-raising during the 1996 election cycle.[88] The numbers support McAuliffe's description. In 1994, the DNC raised approximately $37 million.[89] By December 1995, a DNC draft budget for 1996 reflected a revenue projection of $110 million.[90]

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85 Deposition of Richard Sullivan, June 4, 1997, p. 90.

86 Deposition of Harold Ickes, June 26, 1997, p. 62.

87 *See* the section of this report on White House control of the DNC.

88 Deposition of Terence R. McAuliffe, June 6, 1997, pp. 20-21.

89 *Id.* S*ee also* Deposition of Richard Sullivan, June 5, 1997, p. 147 (estimating amount raised by the DNC in 1994 at $38 million).

90 Democratic National Committee Proposed 1996 Budget, December 21, 1995, p. 9 (Ex. 7). When DNC National Chairman Don Fowler first told Sullivan to plan to raise $120 million, Sullivan told Fowler that he (Sullivan) "was expecting a request for a plan of 90 to 100, and I thought 100 was kind of best case." Deposition of Richard Sullivan, June 5, 1997, p. 154.

Revenue from major donors alone in that draft budget was expected to total $80 million -- more than twice the entire amount raised by the DNC during 1994.[91]

But even that ambitious draft budget was not enough. In a February 9, 1996, memorandum from Ickes to the President and the Vice President, Ickes reported that Marvin Rosen, the DNC's Finance Chairman, was "confident that $125 million can be raised during the first 10 months of 1996."[92] By July 5, 1996, Ickes could report in another memorandum to the President and Vice President that the DNC's fund-raising was "on target," and that the DNC was projecting revenue of $136.6 million by the end of October 1996.[93]

The pressure to raise such enormous amounts of money was pervasive. DNC National Finance Director Richard Sullivan characterized the DNC in 1996 as engaged in "an historic effort in terms of the aggressiveness of the fund-raising."[94] Sullivan told the Committee that the DNC "raised an enormous amount of money," adding that, in the 1995-96 period, the DNC "almost tripled the amount raised in the 1991-92 election cycle."[95] DNC National Chairman Don Fowler stated that there were "pressing needs during the campaign to raise large sums of money . . . ."[96]

Conclusion

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91 *See* Ex. 7 at p. 9.

92 Memorandum to The President and The Vice President from Harold Ickes, February 9, 1996, p. 1 (Ex. 8).

93 Memorandum to The President and The Vice President from Harold Ickes, July 5, 1996, p. 2 (Ex. 9).

94 Deposition of Richard Sullivan, June 25, 1997, p. 120.

95 Testimony of Richard Sullivan, July 9, 1997, p. 8.

96 Testimony of Donald L. Fowler, Sept. 9, 1997 p. 6.

The many scandals that will be chronicled elsewhere in this report flow, directly or indirectly, from this "historic effort in terms of the aggressiveness of the fund-raising."[97] The coordinated issue advertising campaign proposed by Dick Morris, managed by the President, and funded by the DNC to promote the President's re-election, set the stage for the scandals that became the Committee's investigatory focus. To promote the President's re-election, Morris devised the issue advertising scheme. To pay for this project became the consuming passion of the President, his staff, and the DNC. Due to the DNC's need to feed the advertising beast, it dismantled its process for vetting contributions to ensure their legality. From the thirst for advertising dollars developed the DNC's search to tap new veins for money, such as emerging political groups. From the need for funds to pay for issue advertising arose the willingness to sell access to senior government officials and to use government property to raise funds. The White House and the Presidency were reduced to tools for fund-raising. In sum, Morris wrote the script. It was now up to the President and his cast of supporting actors to implement it. Tales from its implementation follow.

[97] *See* Deposition of Richard Sullivan, June 25, 1997, p. 120.