

**BEFORE THE
FEDERAL ELECTION COMMISSION**

CENTER FOR RESPONSIVE POLITICS
Suite 1030
1101 14th Street NW
Washington, DC 20005
202-857-0044

COMMON CAUSE
1250 Connecticut Ave. NW
Washington, DC 20036
202-833-1200

DEMOCRACY 21
Suite 400
1825 Eye St. NW
Washington, DC 20036
202-408-4605

PETITION FOR RULEMAKING

HOST COMMITTEES OF NOMINATING CONVENTIONS

1. The Center for Responsive Politics, Common Cause and Democracy 21 (collectively, "the Petitioners") hereby petition the Federal Election Commission to initiate a rulemaking proceeding to repeal or revise provisions of its rules that allow the use of soft money to illegally fund the national party committees' nominating conventions, in violation of the Federal Election Campaign Act¹ and the Bipartisan Campaign Reform Act of 2002.²

2. This petition seeks repeal or revision of 11 CFR 9008.52(c), which allows a host committee established for a national party nominating convention to raise millions of dollars in soft money from corporations and labor organizations to use for expenses incurred in conducting the convention. The host committees receive this soft money in the form of monetary contributions, and in the form of in-kind contributions of goods, facilities and services.

¹ 2 U.S.C. § 431 *et seq.* ("FECA" or "the Act").

² Pub. L. 107-155, 116 Stat. 81 (2002) ("BCRA").

3. According to published reports, the host committee for the Democratic National Committee's 2004 nominating convention in Boston has obtained more than \$20 million in pledges from 60 major donors to help defray the cost of the convention.

E. Silberman, "Conventions flout rules limiting corporate cash," *The Boston Herald* (December 5, 2002) (Exhibit A). A list of these donors reveals that most are corporations.

S. Ebbert, "Many Convention Donors Have Interests Before City," *The Boston Globe* (December 11, 2002) (Exhibit B). Another report describes the Democratic and Republican presidential nominating conventions as "unabashed festivals of corporate cash," and notes "[s]even companies, including GM, Microsoft and AT&T, coughed up \$ 1 million each for the Democrats' 2000 gathering in Los Angeles. One, insurer American International Group, gave \$ 2 million." J. Keen, "In capital, business and politics firmly entwined," *USA Today* (July 31, 2002) (Exhibit C). This report also states "[e]ight companies, including GM, AT&T and Microsoft, gave \$ 1 million each to the [2000] GOP convention in Philadelphia. Global Crossing and Enron each gave \$ 250,000. Tyco, whose CEO resigned June 3 after being indicted for personal tax evasion, gave \$ 100,000 to the Philadelphia host committee." *Id.*

4. By paying part of the convention costs, the host committee reduces the costs incurred by the national party committee, and effectively makes an in-kind contribution to the committee. One news report described the effect of the rule this way:

[T]he Federal Election Commission has allowed corporations to give money to local 'host committees,' which now provide the bulk of the financing for the conventions. Technically, "host committees" are only supposed to spend money on economic development. But most of the host committee's expenses, including paying for the convention site, benefit the political parties. At the 2000 Republican convention in Philadelphia, for example, the federal government provided about \$13.5-million in public financing while private donors contributed more than \$25-million.

D. Karp, "GOP Money Men Get Ready To Roll," *St. Petersburg Times* (December 8, 2002) (Exhibit D). Another report noted that each political party "will get an estimated \$14.5-million in federal funds for its convention. But the parties turn to local governments and

organizing committees for \$50-million to \$60-million more to stage them." M. Albright, "Conventions May Pay, But Not In Cash," *St. Petersburg Times* (July 31, 2002) (Exhibit E).

5. Section 323 of the Bipartisan Campaign Reform Act of 2002 (2 U.S.C. § 441i) broadly prohibits national party committees from receiving anything of value from corporations and labor organizations. This prohibition went into effect on November 6, 2002. Thus, national party committees may not receive corporate and labor organization contributions, either monetary or in-kind, under any circumstances. Because section 9008.52(c) allows national party committees to receive in-kind contributions from corporations and labor organizations through the host committees, it is contrary to this statutory prohibition.

6. This petition also seeks repeal or revision of 11 CFR 114.1(a)(2)(viii), which exempts in-kind contributions of facilities and services made through host committees from the definitions of "contribution" and "expenditure" contained in the corporate and labor organization restrictions in Part 114. Because section 114.1(a)(2)(viii) allows corporations and labor organizations to make contributions of facilities and services to party committees through a host committee, it is contrary to 2 U.S.C. §§ 441b(a) and 441i(a).

7. Finally, this petition seeks any conforming amendments made necessary by the foregoing revisions.

Procedural Issues

8. The Commission is currently preparing a Notice of Proposed Rulemaking relating to its "Title 26" public financing regulations. See Agenda Document 2003-05. The Commission's rulemaking schedule indicates that the Title 26 rulemaking will include proposals relating to convention committees and host committees. However, the schedule does not describe the specifics of those proposals or the issues they will seek to address.

9. Revision or repeal of sections 9008.52(c) and 114.1(a)(2)(viii) is urgently needed, because these rules are allowing millions of dollars of soft money to be used to pay for the national party committees' nominating conventions, in violation of the FECA and BCRA.

10. For these reasons, we urge the Commission to initiate a rulemaking to conform its regulations to the requirements of the FECA and BCRA as soon as possible. In the alternative, we urge the Commission to incorporate these issues into its existing Title 26 Notice of Proposed Rulemaking.

Parties

11. The Center for Responsive Politics is a non-partisan, non-profit research group that tracks money in politics, and its effect on elections and public policy. CRP conducts computer-based research on campaign finance issues for the news media, academics and the public at large. Among CRP's projects is FEC Watch, which is dedicated to ensuring enforcement of the nation's campaign finance laws.

12. Common Cause is a non-partisan, non-profit citizen action organization with approximately 200,000 members and supporters across the United States. Common Cause works on behalf of its members and supporters to make government more open, honest and accountable. Common Cause participates in the activities of the FEC to ensure that the provisions of FECA and BCRA are implemented effectively.

13. Democracy 21 is a non-profit, non-partisan public policy organization that works to eliminate the undue influence of big money in American politics and to ensure the integrity and fairness of our democracy. It supports campaign finance and other political reforms, participates in litigation involving the constitutionality and interpretation of campaign finance laws, and engages in efforts to help ensure that campaign finance laws are effectively and properly enforced and implemented.

Statutory Provisions

14. Section 431(8) of the FECA states that "[t]he term 'contribution' includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office." 2 U.S.C. § 431(8)(A).

15. Section 441b of the FECA states that "[i]t is unlawful for . . . any corporation whatever, or any labor organization, to make a contribution or expenditure . . . in connection with any primary election or political convention or caucus held to select candidates for any of the foregoing offices." 2 U.S.C. § 441b(a). The listed offices are President, Vice President, Senator or Representative in, or a Delegate or Resident Commissioner to, Congress. *Id.*

16. Section 441b also states that "[i]t is unlawful for . . . any candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section." 2 U.S.C. § 441b(a).

17. Section 441b(b)(2) states that for purposes of section 441b the term contribution . . . includes a contribution . . . as defined in [section 431] and also includes any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value (except a loan of money by a national or State bank made in accordance with the applicable banking laws and regulations and in the ordinary course of business) to any candidate, campaign committee, or political party or organization, in connection with any election to any of the offices referred to in this section.
2 U.S.C. § 441b(b)(2).

18. Section 441i, as added to the FECA by BCRA, states that "[a] national committee of a political party . . . may not solicit, receive, or direct to another person a contribution, donation, or transfer of funds or any other thing of value, or spend any funds, that are not subject to the limitations, prohibitions, and reporting requirements of [the FECA]." 2 U.S.C. § 441i(a)(1).

Regulations

19. Subpart B of 11 CFR Part 9008 sets out rules for registration and reporting by host committees representing convention cities, and also describes permissible sources of funds and permissible contributions to host committees.

20. Section 9008.52 states that

[a] host committee includes any local organization, such as a local civic association, business league, chamber of commerce, real estate board, board of trade, or convention bureau: Which is not organized for profit; whose net earnings do not inure to the benefit of any private shareholder or individual; and whose principal objective is the encouragement of commerce in the convention city, as well as the projection of a favorable image of the city to convention attendees.

11 CFR 9008.52(a).

21. Section 9008.52(c) contains rules for the receipt of contributions from local businesses and organizations. This subsection states that

[l]ocal businesses (including banks), local labor organizations, and other local organizations or individuals who maintain a local residence or who work for a local business, local labor organization, or local organization may donate funds or make in-kind donations to a host committee to be used for the following purposes:

- (i) To defray those expenses incurred for the purpose of promoting the suitability of the city as a convention site;
- (ii) To defray those expenses incurred for welcoming the convention attendees to the city, such as expenses for information booths, receptions, and tours;
- (iii) To defray those expenses incurred in facilitating commerce, such as providing the convention and attendees with shopping and entertainment guides and distributing the samples and promotional material specified in 11 CFR 9008.9(c);
- (iv) To defray the administrative expenses incurred by the host committee, such as salaries, rent, travel, and liability insurance;
- (v) To provide the national committee use of an auditorium or convention center and to provide construction and convention related services for that location such as: construction of podiums; press tables; false floors, camera platforms; additional seating; lighting, electrical, air conditioning and loudspeaker systems; offices; office equipment; and decorations;
- (vi) To defray the costs of various local transportation services, including the provision of buses and automobiles;
- (vii) To defray the costs of law enforcement services necessary to assure orderly conventions;

- (viii) To defray the cost of using convention bureau personnel to provide central housing and reservation services;
- (ix) To provide hotel rooms at no charge or a reduced rate on the basis of the number of rooms actually booked for the convention;
- (x) To provide accommodations and hospitality for committees of the parties responsible for choosing the sites of the conventions; and
- (xi) To provide other similar convention-related facilities and services.

11 CFR 9008.52(c).

22. Part 114 of Title 11 of the Code of Federal Regulations governs corporate and labor organization activity in Federal elections.

23. Section 114.1(a)(2)(viii) of Title 11 states that "[a]ctivity permitted under 11 CFR 9008.9, 9008.52 and 9008.53 with respect to a presidential nominating convention" is not a contribution for purposes of the prohibitions on corporate and labor organization activity in 2 U.S.C. § 441b.

Analysis

National Party Committees

24. Under 11 CFR 9008.52(c), a host committee may receive funds and in-kind contributions from a corporation or labor organization and use those contributions to support its efforts to persuade the party to select the city as its convention site. The host committee may also use these contributions defray the costs of the convention.

25. Section 9008.52(c) allows a host committee to promote its city as the convention site by making pledges to the party to provide facilities and services for the convention at a reduced rate or free of charge. These pledges often determine which city is selected as the convention site. According to one report, "[k]ey to Boston's successful bid [for the 2004 Democratic Convention] was about \$20 million in commitments that Senator Edward M. Kennedy, Boston Mayor Thomas M. Menino, and others raised from private and corporate donors such as Fidelity Investments, FleetBoston Financial Corp., and Gillette." R. Kerber, "On campaign finance, a debate about law's reach corporate pledges for DNC

convention provoke an outcry," *The Boston Globe* (December 5, 2002) (Exhibit F).

Similarly, another report said that "Boston 2004, the host committee charged with bankrolling the Democrats' bash, already boasts 60 major donors who have pledged a total of \$20 million toward the four-day event slated to begin July 26, 2004, at the FleetCenter."

E. Silberman, "Conventions flout rules limiting corporate cash," *The Boston Herald* (December 5, 2002) (Exhibit A).

26. The host committee's pledge to provide facilities or services to the national party committee is something of value to the party committee. Therefore, these pledges are contributions to the party committee.

27. The host committee's subsequent provision of facilities and services to the national party committee shifts a significant portion of the party committee's convention expenses to the host committee. According to one report, "[t]he political parties rely on government and private donations to underwrite their conventions. 'They try to get you to pick up the whole freight,' said James Steeg, NFL vice president for special events." M. Albright, "Conventions May Pay, But Not In Cash," *St. Petersburg Times* (July 31, 2002) (Exhibit E). Another report states that "[t]o raise money for the convention, the [Tampa] host committee would turn to a core group of money men . . . Just as fundraisers did in Philadelphia, they will call on corporations, most with headquarters outside the Tampa Bay area, to finance more than half the convention's \$50-million cost." D. Karp, "GOP Money Men Get Ready To Roll" *St. Petersburg Times* (December 8, 2002) (Exhibit D).

28. By paying for a portion of the facilities and services needed for the convention, the host committee makes in-kind contributions to the national party committee.

29. Because 11 CFR sections 9008.52(c) and 114.1(a)(2)(viii) allow the host committee to use contributions from corporations and labor organizations to make in-kind contributions to party committees, these rules allow corporations and labor organizations to make contributions to the national party committee.

30. Section 9008.52(c) is contrary to 2 U.S.C. § 441i because it allows national party committees to receive in-kind contributions paid for with funds from corporations and labor organizations.

Corporations and labor organizations

31. Under 11 CFR 9008.52(c) and 114.1(a)(2)(viii), a corporation or labor organization may donate funds or make in-kind donations to a host committee to be used to support the host committee's efforts to persuade the party to select the city as its convention site. A corporation or labor organization may also donate funds or make in-kind contributions to the host committee defray the costs of the convention.

32. Sections 9008.52(c) and 114.1(a)(2)(viii) are contrary to 2 U.S.C. § 441b because they allow corporations and labor organizations to make in-kind contributions in connection with a political convention.

Conclusion

33. For these reasons, the Commission should initiate a rulemaking proceeding to repeal or revise 11 CFR 9008.52(c) to prohibit national party committees from receiving in-kind contributions of facilities and services for their nominating conventions that are paid for with contributions from corporations and labor organizations.

34. Similarly, the Commission should initiate a rulemaking proceeding to repeal or revise 11 CFR 114.1(a)(2)(viii), to prohibit corporations and labor organizations from making contributions or in-kind donations to defray the expenses of a nomination convention.

Exhibits

Copyright 2002 Boston Herald Inc.

The Boston Herald

December 5, 2002 Thursday ALL EDITIONS

SECTION: NEWS; Pg. 005

LENGTH: 468 words

HEADLINE: Conventions flout rules limiting corporate cash

BYLINE: By Ellen J. Silberman

BODY:

From drinks and dinner to laptops and fleets of cars, private corporations will secretly bankroll the 2004 Democratic National Convention under federal rules that don't require organizers to release the financial details until long after the delegates leave town.

The rules, written to cut off corporate contributions in the wake of the Watergate scandal, are now so riddled with loopholes that both parties' conventions are awash in corporate cash.

And that's unlikely to change, despite the new federal campaign finance law that bans unlimited "soft money" contributions from corporations to political parties, experts say.

Boston 2004, the host committee charged with bankrolling the Democrats' bash, already boasts 60 major donors who have pledged a total of \$ 20 million toward the four-day event slated to begin July 26, 2004, at the FleetCenter.

Blue Cross Blue Shield of Massachusetts, Citizens Bank, Fidelity Investments, FleetBoston Financial, the Gillette Co., John Hancock Financial Services, Liberty Mutual Group, the Raytheon Co. and State Street Bank & Trust Co. have promised \$ 1 million apiece to Boston 2004.

Major donors will get their first taste of special access at a "thank you" luncheon hosted by Mayor Thomas M. Menino on Dec. 17 when Democratic National Convention Chairman Terry McAuliffe flies to Boston to sign the convention contract to make Boston's role official.

"It's a joke," said Matt Keller, legislative director of Common Cause, referring to the Federal Election Commission regulations that govern national party conventions.

Larry Noble, executive director of the Center for Responsive Politics, a group that advocates campaign finance reform, said, "This is all the stuff that was going on under Watergate that was supposed to be stopped."

Common Cause and other advocacy groups are pushing the FEC to close the convention loopholes in light of the new ban on "soft money," but the FEC has already passed up one opportunity to address the issue and has not yet decided whether to look at shutting down host committee fund raising.

Boston 2004 can raise the cash because it is a non-profit organization, said Rick Davis, who as chairman of U.S. Sen. John McCain's political action committee helped draft the landmark campaign finance measure.

"It's the last bastion of soft money," Davis said, noting that federal officials - from congressmen to the president - can still solicit corporate funds for charitable organizations.

David Passafaro, president of Boston 2004, defended his committee's fund raising.

"I didn't make up the rules. We're just playing (by them)," he said.

Passafaro acknowledged that some donors seem to have less civic motivations. "They may see it in their self-interest to contribute to both political parties," he said.

LOAD-DATE: December 05, 2002

Copyright 2002 Globe Newspaper Company

The Boston Globe

December 11, 2002, Wednesday ,THIRD EDITION

SECTION: METRO/REGION; Pg. A1

LENGTH: 1626 words

HEADLINE: MANY CONVENTION DONORS HAVE INTERESTS BEFORE CITY

BYLINE: By Stephanie Ebbert, and Ross Kerber, GLOBE STAFF

BODY:

A review of the complete list of the 64 private donors who have pledged \$21 million to Boston's bid to host the Democratic National Convention reveals that many of the corporations and developers have interests before the administration of Mayor Thomas M. Menino, who is benefiting politically from the city's selection as host for the huge political gathering.

While the businesses say that they are providing the money to help support an important civic event, government watchdogs say the Menino administration faces inevitable conflicts as some of the region's most powerful companies seek city approvals - from zoning to contract awards - while they also help underwrite the convention Menino desperately wants to go well here.

In an interview with the Globe yesterday, Menino said his administration and the convention host committee will impose ethical guidelines to prevent favoritism, or its appearance, toward the donors. The mayor and his allies on the host committee are seeking additional donations, most of them in-kind services, from more companies in the weeks and months ahead.

"You always have to be careful when you have a multimillion dollar project in front of you, how do you put the firewall up?" Menino said. "That's always the challenge."

The corporate contributors include major developers with big projects before the city, including:

- * Winn Development, which committed \$25,000, and plans to build 400 units of luxury housing on Clippership Wharf, as well as a 29-floor tower at Columbus Center, above the Massachusetts Turnpike between Back Bay and the South End. Both projects are under review at the Boston Redevelopment Authority.

- * Equity Office Properties Trust, which promised \$100,000, and just introduced plans for a hotel, office tower, and loft-style homes for Russia Wharf.

- * Millennium Properties, which pledged \$100,000, recently built the new Ritz-Carlton downtown, and is vying for the right to develop a nearby lot for the Boston Redevelopment Authority.

- * Spaulding & Slye Colliers, the firm that has nearly completed the city approval process for the Fan Pier development project, contributed \$100,000.

* Starwood Hotels, which won the Massachusetts Convention Center Authority's bid to build a hotel accompanying the new convention center, pledged \$100,000. Starwood is struggling to obtain financing for the hotel, and needs permits and further approvals from the BRA.

* Carpenter & Company, which worked with Starwood to win the hotel bid, is awaiting zoning approval to convert the former Charles Street jail into a luxury hotel; it gave \$100,000. New England Development, whose principal Steve Karp is among those trying to salvage the Starwood deal, promised \$50,000. The firm also has preliminary plans before the city for a 1 million-square-foot project of offices, hotels, and residences on Pier 4 on the South Boston waterfront.

* Suffolk Construction, which gave \$25,000 and often bids on city school construction, in addition to private residential development in Boston, is completing construction on a new school in Mattapan and the rehabilitation of Boston Latin School.

* Cashman Construction, which gave \$30,000, is currently working with the city on a \$1 million project to stabilize the Long Island shoreline.

Representatives from Spaulding & Slye Colliers, Millennium, New England Development, and Winn did not return phone calls for comment.

Local companies dominate the list of pledges because the Federal Election Commission requires that convention host committees raise the money from local firms or organizations. Yesterday, during a Greater Boston Chamber of Commerce breakfast, Menino lauded the corporate contributors, likening the "public-spirited folks" to "merchants who bankrolled and backboned Colonial Boston." He insisted their interests were unselfish.

"They didn't come forward to win a government contract or obtain any favored treatment," he said. "No such thing was ever offered or requested. That's not what this was about."

But Larry Noble, executive director for the Center for Responsive Politics, based in Washington, criticized the corporations' involvement, calling the political party conventions among the last remaining opportunities for businesses to give unlimited funds, and build positive relationships with powerful political figures.

"It's a fine line. I have no doubt that some of the contributors are doing it just to boost the city," Noble said. "I have no doubt that some of the contributors are doing it because they want something. And many of them probably have a mixed motive."

Menino said he sought to avoid conflicts in soliciting the convention funds, and did not personally ask for contributions from developers who have pending projects before the city, instead relying on convention committee cochairman Alan Leventhal to tap his fellow developers. The mayor, however, did solicit funds from law firms, including some that handle affairs before the city.

In late October, Menino met with representatives of the city's top law firms at the Parkman House on Beacon Hill. Senator Edward M. Kennedy, who also raised funds, called into the meeting by phone, and US Senator John F. Kerry stopped by, said one participant. City law firms contributed a collective \$475,000.

Among the firms that gave were Brown Rudnick Berlack Israels, \$50,000; Foley Hoag, \$100,000; and Mintz, Levin, Cohn, Ferris, Glovsky, and Popeo, \$100,000.

Kennedy spokeswoman Stephanie Cutter said the senator and the mayor divided up the list of businesses they contacted, to make sure neither appealed to companies with business pending before them.

"There was a decision made up front to ensure there would be no conflicts of interest with those from whom we raised the money," she said. "If there was a pending issue before the city, the senator, more often than not, reached out to those people," she said.

Menino also stressed that businesspeople who know him are already fully aware that he will not be swayed, or view their projects favorably, because of their donations.

"It doesn't make any difference to me," he said, adding that he has rejected the plans of political contributors in the past. "I've done that before and I'll do it in the future. This is not about access. This is about civic pride."

But the issues could be particularly thorny because Menino has long been known for having such a direct hand in development decisions, such as when he helped to chart the future of the Boston Red Sox by insisting that their park remain rooted in the Fenway. Among the convention contributors are the new owners of the Red Sox, who pledged \$100,000, and the Fenway Howard Johnson's, which would have been demolished as a result of the former Sox owners' building plans.

Howard Johnson's owner Bill Sage said there is no link between his hotel's \$30,000 commitment to the DNC host committee and his hotel's future.

"Absolutely not. It's completely separate," Sage said. "Who else is going to contribute? There's nothing to do with it and I resent that."

Sage said he had given to past civic efforts to help Boston try to lure the World Cup, and that hoteliers are an appropriate business to solicit, because they are expected to be the direct beneficiaries of the convention delegate spending. Sage owns 298 hotel rooms at the Howard Johnson's Fenway and the Radisson in Cambridge.

"People come into the city and they like it so much, they want to come back," Sage said. "It's an ad, more or less. Short-term returns are significant, but long-term, there's even more. You're trying to market the city and this is the best way to do it with a national audience." SIDEBAR:

Boston 2004 Democratic National Convention donors

John Hancock Financial Services \$2,000,000

FleetBoston Financial 1,250,000

Blue Cross Blue Shield of Mass. 1,000,000

Boston Foundation 1,000,000

Citizens Bank 1,000,000

Fidelity Investments 1,000,000

Gillette Company 1,000,000

Liberty Mutual Group 1,000,000

Raytheon Company 1,000,000

State Street Bank & Trust Company 1,000,000

New Balance Athletic Shoe, Inc. 750,000

Boston Scientific Corporation 500,000

AmGen, Inc. 500,000

Glaxo 500,000

International Data Group500,000
Senator Edward M. Kennedy500,000
Merck500,000
Novartis500,000
Sovereign Bank New England500,000
Anonymous250,000
Beacon Capital Partners250,000
Bristol Myers250,000
Coca-Cola250,000
Corcoran Jennison Companies250,000
Dunkin' Donuts250,000
Genzyme Corporation250,000
Linnar Development250,000
Staples, Inc.250,000
Boston Capital Corporation150,000
Boston Properties150,000
EMC Corporation150,000
Reebok International LTD150,000
Arnold Worldwide Partners100,000
Boston Red Sox Baseball Club100,000
Carpenter & Company, Inc.100,000
Druker Company100,000
Equity Office Properties Trust100,000
Ernst & Young100,000
Foley Hoag LLP100,000
Global Petroleum Corporation100,000
Goodwin Procter100,000
Hill, Holliday, Connors, Cosmopoulos, Inc.100,000
Hilton Hotels Corporation100,000
Marriot100,000
Millennium Properties100,000
Mintz, Levin, Cohn, Ferris, Glovsky, and Popeo, Inc.100,000
Serono, Inc.100,000
Spaulding & Slye Colliers International100,000

Steven B. Belkin100,000
Starwood Hotels100,000
Brown Rudnick Berlack Israels, LLP50,000
Crane & Company50,000
Hill & Barlow50,000
HP Hood, Inc.50,000
New England Development50,000
Nixon Peabody, LLP50,000
United Group50,000
Cashman Construction30,000
Fenway Howard Johnson Hotel30,000
Dwyer & Collora, LLP25,000
Suffolk Construction Company, Inc.25,000
Winn Development25,000
Jeffrey B. Rudman20,000
Millennium Pharmaceuticals5,000
TOTAL\$21,160,000

GRAPHIC: PHOTO CHART, Mayor Thomas Menino and FleetBoston Financial CEO Charles Gifford at last month's convention announcement. / AP PHOTO

LOAD-DATE: December 11, 2002

Copyright 2002 Gannett Company, Inc.

USA TODAY

July 31, 2002, Wednesday, FINAL EDITION

SECTION: NEWS; Pg. 1A

LENGTH: 2081 words

HEADLINE: In capital, business and politics firmly entwined

BYLINE: Judy Keen

BODY:

WASHINGTON -- Hanging in the bar of The Caucus Room, an expense-account restaurant halfway between the White House and the Capitol, is a painting of an elephant, a donkey, a bull and a bear sitting amiably around a table.

The depiction of the symbols of the Republican Party, the Democratic Party and Wall Street in chummy repose is a metaphor for life in official Washington. Politicians of all persuasions, corporate executives and their lobbyists coexist in an insular universe, bound by money, social connections and self-preservation. It's a facet of Washington life that lawmakers don't usually brag about when they're back home.

Now, corporate accounting scandals and their political fallout have unnerved this cozy community. Cracking down on business abuses doesn't come easily to presidents and lawmakers who depend on corporate cash to underwrite their campaigns and to provide jobs for their family members and often for themselves after they leave office. A new law against corporate corruption won't change any of that.

The scene Tuesday in the White House East Room was a singular event. Bush, a former oil company CEO, signed the law tightening business accounting practices and setting tough penalties for CEOs who violate it.

Congress passed the law in a hurry because lawmakers feared voters' wrath, says Charles Lewis of the Center for Public Integrity, a non-profit group that tracks the influence of money in politics. But "both parties are in up to their necks with these folks," he says.

Until the Enron and WorldCom scandals hit the headlines, the bond between government and business thwarted efforts to tighten controls. Two years ago, the accounting industry successfully headed off a Securities and Exchange Commission effort to bar accounting firms from doing consulting work for the companies they audit. Fifty-two members of Congress backed the industry in letters to the SEC.

Enron lobbied the White House to install its favored picks in key regulatory positions. Enron CEO Kenneth Lay contacted Bush adviser Karl Rove and White House personnel chief Clay Johnson about appointments to the Federal Energy Regulatory Commission. Two of Lay's choices, Pat Wood and Nora Brownell, were appointed.

Some of the ties are obvious. Bush's Cabinet is stocked with former business bosses. Vice President Cheney was CEO of Halliburton, an oil-services company being investigated by the SEC for its accounting practices during his tenure. Both major political parties depend on business sources for about 70% of their income. Members of Congress rely on corporations and their lobbyists to underwrite their campaigns. More and more, companies are putting their headquarters in the Washington area. The region is the nation's third largest high-tech hub.

'Totally incestuous'

Big business also is entwined with big government in the social fabric of Washington. Lawmakers, federal officials, business executives and lobbyists serve on the same boards for museums and private schools. They spend weekends together on the sidelines of their children's soccer games.

"What you see in Washington today is a totally incestuous relationship," says Scott Harshbarger, president of Common Cause, a public-interest group. "The culture of influence and arrogance between business and politics" makes it hard for politicians to go after their corporate benefactors with gusto, he says.

Others see nothing inherently wrong. They argue that managers who have experience running companies are vital to government because they know how to meet budgets and goals. Business leaders say their relationships with lawmakers are beneficial because they help shape economic policy that creates jobs. "If we were not here to tell the business side, it would have a detrimental effect on public policy because business creates the wealth that this country depends on," says Hank Cox of the National Association of Manufacturers, the nation's largest industrial trade group.

Republicans have long been labeled the party of business. But the current business scandals are also awkward for Democrats.

For years, center-leaning Democrats have been working to emphasize their pro-growth policies. The strategy has worked, if corporate donations are any guide. Over the past decade, for example, WorldCom, the telecommunications company that filed for bankruptcy protection this month, spread its political contributions evenly between Republicans and Democrats. Over the past five years, the accounting industry gave more money to Democrats on the Senate Banking Committee than to the panel's Republicans.

Even in the current climate, lawmakers find it hard to wean themselves from corporate largesse.

A day after voting this month to limit debate on legislation tightening rules on corporations, 16 Democratic senators flew on corporate jets to Nantucket for a retreat with 250 campaign donors. Jets were supplied by BellSouth, Eli Lilly and FedEx. Among those at the island getaway were

Senate Majority Leader Tom Daschle of South Dakota and Sen. Hillary Rodham Clinton of New York.

In 1995, 20 Democrats helped pass the Private Securities Litigation Reform Act, which shielded CEOs from shareholder lawsuits. When President Clinton vetoed it, the Democrats joined Republicans to override his veto. Among Democrats who voted to override the veto were two potential 2004 presidential candidates: Joe Lieberman of Connecticut and John Kerry of Massachusetts.

"Big business doesn't have a party," says lobbyist Haley Barbour. Barbour, a former chairman of the Republican National Committee, is an owner of The Caucus Room, where a porterhouse goes for \$ 36.

Washington's elite social network knows no party affiliations. Boundaries between politics and business blur around dinner tables in Georgetown mansions and at horse shows in Middleburg, Va.

Earlier this month, Republican Fred Malek, chairman of a private venture capital company, hosted a dinner celebrating White House chief of staff Andy Card's designation as the Boy Scouts of America citizen of the year. At the head table with Card were Mac McLarty, a chief of staff in Bill Clinton's White House, former Clinton Transportation secretary Rodney Slater and Sen. Olympia Snowe, R-Maine.

No one in the eclectic group talked shop, says Malek, who ran the senior George Bush's 1992 campaign and headed the Office of Management and Budget in Richard Nixon's White House. "There's politics and then there's the other elements of life."

But Donna Shor, a society columnist for *Washington Life* magazine, says business conducted in social settings is just done more subtly. A casual chat over dinner negates the need for a workday phone call to discuss a troubling aspect of a pending bill, she says.

"Washington is a very small community, and we all swim in a small pool," Shor says. "Our kids go to school together, wives serve on the same charities and boards and our executives give to the same charities. When you spend that much time together, business and personal tend to blend together."

Overt examples of the merger of government and business in Washington are plentiful:

* Bush's 14-member Cabinet is one of the most business-flavored ever. Former CEOs are in three posts: Paul O'Neill at Treasury, who headed Alcoa; Donald Rumsfeld at Defense, who chaired Gilead Sciences; Don Evans at Commerce, who was CEO of energy services firm Tom Brown. No president since Dwight Eisenhower has had more than one CEO from a major company in his Cabinet.

Colin Powell has never worked in business but is the first secretary of State with an MBA. Card is a former GM executive who also was the auto industry's chief lobbyist. National security adviser Condoleezza Rice was on boards at Chevron and Charles Schwab. Labor Secretary Elaine Chao was on the boards of Northwest Airlines and Columbia/HCA Healthcare. Army Secretary Thomas White spent 11 years at Enron.

* Two dozen of Bush's ambassadors are former company presidents, CEOs, founders or chairmen who donated money to his 2000 campaign. They come from companies that include B.F. Goodrich, Bristol-Myers Squibb and Pace Communications. Presidents often reward big campaign donors with overseas postings.

* Invitations to state dinners are another perk for big donors. Bush invited several CEOs to the White House this month for a dinner for Polish President Aleksander Kwasniewski. Among them: Kenneth Chenault of American Express, Vance Coffman of Lockheed Martin and Sanford Weill of Citigroup.

* Some corporations with business before Congress pay congressional spouses to sit on their boards. The spouses of Sens. Evan Bayh, D-Ind.; Phil Gramm, R-Texas; Tom Harkin, D-Iowa; and Dianne Feinstein, D-Calif., all serve on corporate boards. Some held board seats before their spouses were elected. Compensation varies widely, though a new report says it averages \$ 152,626 a year.

Susan Bayh is on the boards of E Trade Bank, pharmaceutical company Corvas International and health care and insurance company Anthem. Ruth Harkin is on the board of oil company Conoco. Richard Blum, Feinstein's husband, is on the boards of six companies. Wendy Gramm was on Enron's board until June 6. She also gets director's fees from State Farm.

* Among Washington's 20,000 registered lobbyists are former lawmakers and dozens of relatives of members of Congress. No ethics rules outlaw the practice. The most prominent is Linda Daschle, wife of the Senate majority leader -- and a top lobbyist on aviation issues. She was deputy administrator of the Federal Aviation Administration from 1993 to 1997. Her clients have included American and Northwest airlines.

Sen. Harry Reid, D-Nev., has two relatives on Washington lobbying firms' payrolls: his son, Key, and son-in-law Steven Barringer. Doris Matsui, wife of Rep. Robert Matsui, D-Calif., lobbies Congress on trade and tax issues. Her husband is on the Ways and Means Committee, which writes tax legislation.

At least one administration official has a lobbyist spouse. Diane Allbaugh, wife of Joe Allbaugh, head of the Federal Emergency Management Agency, lobbies for electrical companies. She was a utilities lobbyist in Texas.

Convention cashfest

The Democratic and Republican presidential nominating conventions are unabashed festivals of corporate cash. Seven companies, including GM, Microsoft and AT&T, coughed up \$ 1 million each for the Democrats' 2000 gathering in Los Angeles. One, insurer American International

Group, gave \$ 2 million. Global Crossing, a telecommunications company that filed for bankruptcy protection in January amid probes of its accounting practices, anted up \$ 250,000. Adelphia Communications, which later disclosed that it guaranteed billions of dollars in loans to the company's founders and filed for bankruptcy protection, gave \$ 100,000.

Eight companies, including GM, AT&T and Microsoft, gave \$ 1 million each to the GOP convention in Philadelphia. Global Crossing and Enron each gave \$ 250,000. Tyco, whose CEO resigned June 3 after being indicted for personal tax evasion, gave \$ 100,000 to the Philadelphia host committee.

The influence of business on government is not new. Woodrow Wilson complained that "the government, which was designed for the people, has got into the hands of the bosses and their employers, the special interests. An invisible empire has been set up above the forms of democracy."

Lewis sees this era's business scandals as a chance for reforms that could crack the empire's foundations by limiting business donations to campaigns, for example.

"Is this a summer moment that will pass? Or is this a serious moment that could lead to a re-examination of how we view government accountability?" he asks.

"What's happening here is public blowback that's terrifying everyone in Washington. Maybe the sleeping beast known as public opinion is starting to awaken."

USA TODAY/CNN/Gallup Poll

Does big business have too much influence over decisions made by the Bush administration?

<>YesNo

<>

June 30 63% 32%

Friday-Sunday 69% 24%

Does big business have too much influence over decisions made by Democrats in Congress?
By Republicans in Congress?

DemsGOP

<> Yes No Yes No

<>

June 30 64% 28% 76% 16%

Fri.-Sun. 63% 28% 76% 16%

GRAPHIC: PHOTO, color, Tim Dillon, USA TODAY; PHOTO, b/w, J. Scott Applewhite, AP; "Tame the Party Animal": Detail of a painting by William Woodward that hangs in the Washington restaurant The Caucus Room celebrates dinner among the city's political animals, including bulls and bears. <> At the White House: President Bush signs a law on corporate responsibility on Tuesday. Joining the president, from left, are Rep. Michael Oxley, R-Ohio, Sen. Paul Sarbanes, D-Md., Senate Minority Leader Trent Lott and Senate Majority Leader Tom Daschle.

LOAD-DATE: July 31, 2002

Copyright 2002 Times Publishing Company

St. Petersburg Times

December 8, 2002 Sunday 0 South Pinellas Edition

SECTION: NATIONAL; Pg. 1A

LENGTH: 1516 words

HEADLINE: GOP money men get ready to roll

BYLINE: DAVID KARP; BILL ADAIR

BODY:

Eight months before the 2000 Republican National Convention opened in Philadelphia, fundraisers turned to taxpayers for help.

The Philadelphia host committee had fallen behind the fundraising schedule it promised to meet. They needed a \$3-million interest-free loan from the city to make up the difference.

Philadelphia readily agreed to help. But the experience taught the national party a lesson it will remember this month when it picks the host city for the 2004 Republican National Convention.

Whether Republicans pick Tampa, New York or long-shot New Orleans as the site, the hosts better be able to pay the tab.

That's why Tampa Bay Republicans, who traveled to the White House last week to make a final pitch for the convention, sought to convince party leaders that they can raise \$50-million without a glitch.

"I feel totally confident this is not an issue, and I think they do, too," said Al Austin, the finance chairman of the Florida Republican Party, who is leading the area's host committee.

Raising money is much easier now that Republicans control the presidency, Congress, the Florida Legislature and the governor's office, he said.

"There were times, years ago, when it was tough to raise money," Austin said. "But it isn't near as hard as it used to be."

But even Austin's fundraising skills will be put to a test.

The national party does not doubt New York's ability to raise big bucks. But Tampa and St. Petersburg have never hosted a national political convention. Local fundraisers will need to raise millions for the 2004 convention and millions more for a U.S. Senate race, President Bush's re-election campaign and state legislative races.

To raise money for the convention, the host committee would turn to a core group of money men: Austin, developer Dick Beard, developer Al Hoffman, media executive J. Patrick "Rick" Michaels and Outback Steakhouse co-founder Robert Basham.

Just as fundraisers did in Philadelphia, they will call on corporations, most with headquarters outside the Tampa Bay area, to finance more than half the convention's \$50-million cost.

"The amount that comes out of the local community is pretty small," said Michaels, who raised money for the Philadelphia convention.

But not every city has the people who can coax CEOs, who must answer to shareholders in tough economic times, to open their wallets.

"You have to be able to call them," Michaels said. "Who makes the call is very important."

How it's done

When Republicans began raising money to host the 2000 Republican National Convention, they came up with a pecking order.

For \$50,000, donors would get a limited-edition Philadelphia 2000 lapel pin and six commemorative golf shirts.

For \$100,000, donors could receive a "VIP golf outing," a reservation at a choice hotel, and the right to host a reception for a state delegation, which typically included the state's governor and congressional members.

A \$1-million donation bought exclusive dinners with Washington dignitaries and face time with the presidential nominee.

Many of the companies that donated had scores of business issues before the federal government. The list included Philip Morris, AT&T, Lockheed Martin, Ernst & Young, General Motors, Microsoft, Hewlett-Packard Co. and Enron.

Bell Atlantic contributed about \$3-million to the Philadelphia convention and won the contract to build the convention's \$4.5-million telecommunications network. That contract enabled Bell Atlantic to lay miles of fiber-optic cable across Philadelphia and compete for new business after the convention left.

Comcast Corp. also became a major corporate sponsor. Comcast's president was one of the convention's co-chairs, and 250 Comcast employees volunteered at the convention. The nation's largest cable operator also paid \$250,000 to publish a convention media guide, and hosted a reception for the congressman who championed the 1996 Telecommunications Act.

Corporate money wasn't supposed to be a factor at political conventions.

After the Watergate scandals, Congress provided public financing for conventions so corporations wouldn't use the events to buy influence. But the Federal Election Commission has allowed corporations to give money to local "host committees," which now provide the bulk of the financing for the conventions.

Technically, "host committees" are only supposed to spend money on economic development. But most of the host committee's expenses, including paying for the convention site, benefit the political parties.

At the 2000 Republican convention in Philadelphia, for example, the federal government provided about \$13.5-million in public financing while private donors contributed more than \$25-million.

"Conventions have become free-for-all, soft-money orgies where you have all this corporate money flooding in," said Don Simon, acting president of Common Cause, a watchdog group. "It's this Wild West scene, a free-fire zone for the sale of political access."

Money men

Even with all the corporate backing, cities have fallen short before.

When fundraising slowed for the 2000 Democratic National Convention in Los Angeles, DNC chairman Terry McAuliffe abandoned plans to become ambassador to Britain so he could raise money.

Philadelphia hit a few bumps because its mayor, Edward Rendell, was a Democratic Party leader. The GOP needed to send national fundraisers to help the local committee, Michaels said. Fundraisers also needed an interest-free loan from the city, which also gave about \$7-million in direct cash.

Tampa Mayor Dick Greco and St. Petersburg Mayor Rick Baker haven't been willing to do that. Both pledged in-kind services but won't give direct money.

That's why much of the pressure would fall on Austin.

"I don't have any doubt about his abilities," said Van Poole, former chairman of the Florida Republican Party.

Floridians gave \$5.7-million to the Bush campaign in 2000, more than every state but Texas and California, according to the Center for Responsive Politics. New Yorkers gave \$4.8-million.

The Sunshine State also ranked No. 4 in giving to national and state Republican parties, contributing \$37.3-million in the 2000 elections. New York gave about \$400,000 more than Florida.

"I think we can compete with anybody," Poole said. "We have proven that over the years."

The fundraising team includes Hoffman, a former national finance chairman of the Republican Party, and Michaels, a media executive who was past chairman of the Republican Regents, a group of large donors to the national party. Mel Sembler, a St. Petersburg developer who now is ambassador to Italy, was also a past national finance chairman.

If Tampa wins the bid, the group will "absolutely" need Gov. Jeb Bush to help with fundraising, said Michaels.

Still, Tampa Bay does not have the corporate base that New York enjoys. A glance at the companies listed as "revenue sources" for Tampa Bay's bid shows the disparity.

Florida companies who sent letters of support for Tampa's bid include Outback Steakhouse, Publix, TECO Energy, Lazydays RV Center and Highwood Properties.

New York's host committee includes Jack Hennessy, who served as CEO of Credit Suisse First Boston, and Roland Betts, chairman and founder of Chelsea Piers LP.

Former New York Mayor Rudolph Giuliani, who has wooed GOP site selection committee members with autographed photographs and books, is committee chairman.

Last week, according to the New York Post, Mayor Michael Bloomberg and Gov. George Pataki got another chance to make their case at a New York fundraiser at the Hotel Mark, where Bush's top political adviser, Karl Rove, was to appear.

"I think it's not going to be a slam dunk, but it's certainly a hurdle Florida is capable of overcoming," said U.S. Rep. Mark Foley, a West Palm Beach Republican.

"We are talking about raising money with one of the most popular presidents in modern times and a state where his brother is a very, very popular re-elected governor," Foley said. "We're not trying to start from scratch. We've got a huge base."

- Times news researchers Kitty Bennett and John Martin contributed to this report, which used information from Times wires.

Top Corporate Contributors to 2000 Republican Convention

Name	Amount
Bell Atlantic	\$3,056,000
Comcast Corp	\$1,455,961
Ballard Spahr Andrews & Ingersoll LLP	\$1,451,643
AT&T	\$1,294,400
DaimlerChrysler Corp	\$1,000,000
General Motors	\$1,000,000
Motorola	\$1,000,000
PIDC	\$750,000
Peco Energy Co	\$731,080
Global Crossing Development Corp	\$550,000
American International Group Inc	\$500,000
Anderson Consulting	\$500,000
Microsoft	\$500,000
PepsiCo	\$500,000
Safeguard Scientifics	\$500,000
SAP Public Sector & Education Inc	\$500,000
US Airways	\$500,000

Source: FECInfo.com

GRAPHIC: PHOTO, (2); CHART; Al Austin; UM's Willis McGahee in action; Chart lists the top corporate contributors to the 2000 Republican Convention in Philadelphia.

LOAD-DATE: December 8, 2002

Copyright 2002 Times Publishing Company

St. Petersburg Times

July 31, 2002 Wednesday 0 South Pinellas Edition

SECTION: NATIONAL; Pg. 1A

LENGTH: 1291 words

HEADLINE: Conventions may pay, but not in cash

BYLINE: MARK ALBRIGHT; DAVID KARP

BODY:

Philadelphia was angling for more than a one-time payback of jammed hotels when it hosted the 2000 Republican National Convention.

"We certainly got it," said Karen Buchholz, president of the host committee that staged the event with the help of about \$37-million in public funds. "Our city really shined."

The convention aired nightly in prime time. ABC's Good Morning America broadcast live from Philadelphia the entire week. NBC's Today and CBS's The Early Show gushed daily with light features on what 40,000 conventioners and party hangers-on were doing other than politics.

During a three-week period city officials clipped 19,226 newspaper and magazine articles and counted 5,500 TV and radio stories written about Philadelphia hosting the convention. After the delegates checked out, the American Dental Association and International Council of Chiefs of Police cited the city's handling of the GOP in picking Philadelphia as the spot for their huge gatherings.

"There was some skepticism that Philadelphia was not up to the task," said Frank Keel, spokesman for Mayor John Street. "The convention opened a lot of eyes to see us in a different light. We're still basking in the afterglow."

Tampa Bay area tourism leaders say such exposure justifies local and state government financial backing for their bid to stage the 2004 GOP convention at the Ice Palace in Tampa. But the convention host city experience also comes with big risks and unexpected plot twists. And despite the one-time windfall, officials in Tampa and six cities that staged national political conventions acknowledge the events don't pay for themselves.

"On a dollar-for-dollar basis you'd be better off with a national gastroenterologists convention," said Michael Collins, executive vice president of the Los Angeles Convention and Visitors Bureau, which handled the Democratic National Convention in 2000. "But in return for the enormous investment, your city gets enormous attention as the center of entire political universe worldwide for an entire week. That's priceless."

Said Bill Talbert, president and chief executive of the Greater Miami Convention and Visitors Bureau, "There is no way you can justify the expense without the media exposure." The bureau wants to stage its first national party convention since it hosted both in 1972.

The national political conventions are among the costliest fetes a city can host. The Tampa Bay area staged three Super Bowls and the NCAA Final Four. But each cost a fraction of the \$21.9-million in public money and donated services outlined in a preliminary budget in the bid. Miami hopes to raise \$37-million in public money and free services to win the 2004 Democratic convention. Both are pressing the state to put \$10-million into each effort.

Just how much is Tampa Bay's \$21.9-million public investment? It's about what Busch Gardens spends on marketing for a year. It's a little more than the annual budget of Visit Florida, the state government's tourist marketing arm. It's more than the combined annual marketing budgets of the Tampa Bay Convention and Visitors Bureau in Tampa and the St. Petersburg/Clearwater Area Convention and Visitors Bureau.

The NFL paid a third of the cost of Tampa's 2001 Super Bowl. The political parties rely on government and private donations to underwrite their conventions. "They try to get you to pick up the whole freight," said James Steeg, NFL vice president for special events.

Each party will get an estimated \$14.5-million in federal funds for its convention. But the parties turn to local governments and organizing committees for \$50-million to \$60-million more to stage them.

It's one reason why only five of the 24 cities invited to bid for the GOP convention actually did. Tampa made the short list with New Orleans and New York. But party officials say Miami is not out of the running if they try to stimulate a bidding war before picking the winner this winter.

Orlando, the only other Florida city invited to bid, did not submit one. "We were advised (by tourist industry leaders) that it was very, very costly and didn't think it was the best business decision," said Susan Blehrud, spokeswoman for Mayor Glenda Hood.

Other cities have other reasons for bidding. Usually it's to showcase a city that has gone through a metamorphosis. For others it's a way to prove to the convention industry they can handle any size convention.

That was why Kansas City housed the GOP in 1976.

"It was very helpful for us in booking other conventions for a good 10 years," said Wayne Chappell, president of the Kansas City Convention and Visitors Bureau.

But the city's tourist industry didn't grow as fast as the convention needs. Today Kansas City doesn't have enough hotel rooms to bid.

Bidders, however, say that's life in the big time.

"We sell ourselves as experienced in handling big events which bring in more big events," said Talbert of Miami. "This is what it costs to play at the level of the other big event towns like Los Angeles, New Orleans, San Diego and Chicago."

Promoters point to new money the conventions bring to town. A study in Philadelphia estimated the GOP convention unleashed \$170-million in direct spending there. The 15,000 assembled media took up enough space to fill a 25-story office building.

Economists, however, pooh-poo such economic impact analysis. They rarely reflect business that is displaced by the convention or that would have occurred in any case.

"Many of these folks are not necessarily searching for the truth," said John Compton, distinguished professor of economics at Texas A&M University. "They are searching to justify a position."

Hotels, shuttle bus companies and caterers are among the biggest winners at national political conventions.

In Philadelphia, for instance, hotel occupancy during the week of the convention rose to 89 percent, up from 76 percent during the same week the previous year. Revenue per available hotel room jumped 62 percent as the average daily rate leapt to \$123, up from \$76.23, according to Smith Travel Research.

Restaurants, however, are a mixed bag. Philadelphia's 15 biggest signature restaurants did extremely well, according to the city's study. Many others, however, did not.

"The restaurants near the convention are empty because so many meals are catered events," Collins said. "There are so many parties there's little reason to buy a drink all week."

Dale Hess, executive vice president of the San Francisco Convention and Visitors Bureau, said locals steered clear of downtown the week of his city's convention.

"The local media hyped the convention crowds so much, people were even canceling dental appointments downtown," he said. "It was the easiest commute week I ever had."

Because the conventions need a month to set up, stage and tear down the complex sets and security apparatus, the hall is off limits to events that might bring out-of-town visitors. Inside the podium, which has its own elevator and escape hatch for speakers, is a warren of ready rooms. "It's like building a three-bedroom house," Hess said.

There's no guarantee all the publicity is positive.

Police brutality at Chicago's 1968 Democratic convention gave that city a black eye that took decades to heal. Seattle's handling of riots at a 1999 World Trade Organization meeting triggered the police chief's resignation and cost the mayor re-election.

"And you can bank on demonstrations," said Jack McGrory, who was San Diego city manager when the GOP staged its 1996 convention. "The conventions attract every nut case you can imagine."

- Mark Albright can be reached at albright@sptimes.com or (727) 893-8252.

GRAPHIC: DRAWING; schoolbuses driving on a hilly road

LOAD-DATE: July 31, 2002

Copyright 2002 Globe Newspaper Company

The Boston Globe

December 5, 2002, Thursday ,THIRD EDITION

SECTION: NATIONAL/FOREIGN; Pg. A3

LENGTH: 926 words

HEADLINE: ON CAMPAIGN FINANCE, A DEBATE ABOUT LAW'S REACH CORPORATE PLEDGES FOR DNC CONVENTION PROVOKE AN OUTCRY

BYLINE: By Ross Kerber, Globe Staff

BODY:

Advocates of campaign finance reform are pressing regulators to apply new fund-raising rules to political conventions, which could disqualify millions of dollars worth of corporate pledges that persuaded party leaders to choose Boston as the site for the 2004 Democratic National Convention.

Key to Boston's successful bid was about \$20 million in commitments that Senator Edward M. Kennedy, Boston Mayor Thomas M. Menino, and others raised from private and corporate donors such as Fidelity Investments, FleetBoston Financial Corp., and Gillette. Organizers plan to seek another \$12.5 million in donated goods and services from private sources. Such support has been common at past conventions.

But reform groups, including Common Cause and the Center for Responsive Politics, have asked the Federal Election Commission to treat such contributions largely as soft money donations, which are outlawed under the new Bipartisan Campaign Reform Act of 2002, also known as the McCain-Feingold Act, after its Senate sponsors.

The election commission's chairman, David Mason, yesterday said the commission hasn't determined whether private funding of conventions is specifically allowed under McCain-Feingold. But Mason said he doesn't think such a ruling is necessary because the money goes to nonprofit "host committees," not the national parties.

To limit the influence of money on politics, the McCain-Feingold law prohibits parties from accepting the large unregulated contributions, though it doesn't specify whether the ban applies to political convention organizers. The law went into effect Nov. 6, just before Boston was chosen for the convention.

Even as interest groups were trying to apply McCain-Feingold to the Boston convention, lawyers for more than 80 other groups were challenging the constitutionality of the new law in a Washington courtroom yesterday. The election commission itself will also hold hearings today on how to implement the law.

But as the political battle over the law heats up, the heavy fund-raising that brought the convention to Boston has begun to provoke concerns.

"It's not ideal," said Christopher Shays, the Connecticut Republican who was one of the law's original sponsors in the House. He said soft money limits should be extended to convention organizers of both parties. While some donations are meant for legitimate civic purposes, he said, other corporations "are making contributions as a business decision, that it's a good investment to get on the radar of those who make the laws."

Larry Noble, executive director of the Center for Responsive Politics in Washington, called fund-raising by convention hosts "a major loophole that generates millions given by corporations. It just becomes another avenue for them to curry favor with the parties."

Neither the center nor Common Cause has challenged the fund-raising by Massachusetts Democrats explicitly, though both expect the convention's fund-raising plans would be disrupted if the election commission applies the soft money ban to convention hosts. Officials at both groups say only a fraction of the current corporate contributions to the conventions should be allowed.

Martin Meehan, the Lowell Democrat who was Shays' cosponsor of the legislation, wasn't available for comment yesterday. He released a statement that did not directly address the issue of private convention financing. "I would hope that our party doesn't use the Boston Convention in 2004 to serve as a funnel for soft-money events," Meehan's statement said. "National parties and federal officeholders clearly cannot solicit soft money. I think that our Convention stresses the Democratic Party's reform agenda."

Other Democratic leaders see no problems with the convention's arrangements, noting the \$20 million was technically pledged to the party's host committee. Although the convention serves as a forum to nominate the party's presidential candidate, the host committee's purpose is "the encouragement of commerce in the convention city, as well as the projection of a favorable image of the city to convention attendees," according to existing rules.

Technically the commission hasn't decided whether the new law permits national parties or their agents to raise funds for these committees, and such activities could be restricted if the commission decides the host committees are "established, financed, maintained, or controlled" by the national parties.

That's not the case, Democrats say. "There is no basis, by the furthest stretch of the imagination, that these organizations somehow can be treated as an arm or affiliate of the parties," said Joe Sandler, the Democratic National Committee's general counsel, who said he doesn't expect a ruling about host committees from the commission.

Aides to Kennedy cited a Nov. 27 memo from his lawyers that said the solicitations were proper. "Under current law, this fund-raising is in compliance with McCain-Feingold because the money won't be spent on election purposes, but to subsidize costs to the city of Boston for hosting the convention," said a Kennedy spokeswoman, Stephanie Cutter.

After Watergate, national party committees were granted public funds to pay for their conventions, contributions expected to total around \$13 million in 2004. But without the extra money from donors, said the Democrats' Sandler, both the Republican and Democratic national committees would have to scale back their events dramatically.

Ross Kerber can be reached at kerber@globe.com.

GRAPHIC: PHOTO, THOMAS M. MENINO Helped recruit donors

LOAD-DATE: December 5, 2002