

# LOBBY WATCH



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## Cornyn's Federal, State PACs Choreograph Expenditures

Since U.S. Senate candidate John Cornyn first filed federal campaign disclosures last September, his federal campaign and his state Attorney General campaign fund have made at least 16 same-day political expenditures benefiting common recipients.

Such closely coordinated political expenditures propel Cornyn's senate campaign into troubled waters. Federal elections law prohibits direct transfers of state campaign funds to federal campaigns (though the law permits transfers of state campaign funds to party PACs that benefit federal candidates).<sup>1</sup> The Cornyn campaign told the *Austin American-Statesman* last month that \$3.3 million remains in his state attorney general fund.<sup>2</sup>

While federal law permits federal and state campaigns to jointly use common facilities and personnel, this requires complex accounting to assure that state campaign expenditures do not illegally benefit a federal campaign.<sup>3</sup> (As a practical rather than a legal matter, virtually any Cornyn promotion benefits both the state and federal personas of this politician.)

Cornyn's most recent state attorney general campaign report covers the second half of 2001. Comparing that disclosure with the reports that Cornyn's U.S. Senate campaign filed with federal regulators reveals that six individuals or entities received 16 same-day payments from both campaigns.

These dual payments—totaling \$125,368—occurred from September 2001 through the end of the year. Dual payment recipients include the U.S. Postal Service, Cornyn's senate campaign staff and his accounting and political consulting firms.

**Cornyn's Same-Day Campaign Expenditures**

Date	Check Recipient	State PAC Spending	Federal PAC Spending	Total Spending
12/21/01	Lockart Atchley & Assoc.	\$3,596	\$7,628	\$11,224
12/20/01	Jennifer Lustina	\$1,563	\$3,837	\$5,400
12/12/01	Olsen-Delisi	\$16,405	\$1,065	\$17,470
12/12/01	Hill Research Assoc.	\$1,078	\$7,492	\$8,570
12/10/01	Karen Nicholson	\$794	\$2,147	\$2,941
11/28/01	Jennifer Lustina	\$1,563	\$3,837	\$5,400
11/28/01	Karen Nicholson	\$794	\$2,147	\$2,941
11/20/01	US Postal Service	\$10,924	\$3,400	\$14,324
11/20/01	Lockart Atchley & Assoc.	\$3,345	\$6,172	\$9,517
11/01/01	Lockart Atchley & Assoc.	\$3,550	\$5,339	\$8,889
10/29/01	Jennifer Lustina	\$1,313	\$4,337	\$5,650
10/29/01	Karen Nicholson	\$693	\$1,857	\$2,550
10/12/01	Olsen-Delisi	\$599	\$22,671	\$23,270
10/04/01	Lockart Atchley & Assoc.	\$4,373	\$1,138	\$5,511
9/28/01	Jennifer Lustina	\$287	\$902	\$1,189
9/28/01	Karen Nicholson	\$187	\$336	\$523
<b>Totals:</b>		<b>\$51,063</b>	<b>\$74,305</b>	<b>\$125,368</b>

Overall, Cornyn's federal senate campaign paid for 59 percent of the \$125,368 in common expenditures. The joint payments that Cornyn campaign manager Jennifer Lustina received on four occasions totaled \$17,639, with the federal campaign paying 73 percent. In contrast, the state campaign covered 76 percent of the \$14,324 in postal payments that the two campaigns made on November 20, 2001.

Cornyn's accountants themselves, Lockart Atchley & Associates, billed the federal campaign for 58 percent of their simultaneous payments, deriving the remaining 42 percent from accounting work ostensibly done for the state campaign.

The single biggest beneficiary of these coordinated political expenditures is the political consulting firm Olsen & Delisi, formerly owned by Bush strategist Karl Rove. In two same-day payments, Olsen-Delisi received a total of \$40,740 from Cornyn's federal and state PACs. During the same period, it received \$11,038 on October 22, 2001

from the Republican National State Elections Committee.

This firm has close ties to Cornyn. For months after he bought Rove's firm, Ted Delisi (son of state Rep. Dianne White Delisi) simultaneously ran the firm and collected a state paycheck as the attorney general's chief spokesperson.<sup>4</sup> The Attorney General's Office also employed Cornyn campaign manager Jennifer Lustina briefly as "Director of Strategic Planning."

Since mounting his Senate campaign, Cornyn's state campaign fund has paid \$51,063 to people and businesses that also work for his Senate bid. The law makes clear that those state expenditures may not be used to promote Cornyn's senate bid. Nonetheless, legal loopholes would allow Cornyn to transfer some or all of the \$3.3 million that remain in his state campaign fund to a Republican committee that could turn around and spend that money on ads or other expenditures that benefit his U.S. Senate race. •

### Cornyn's Coordinated Expenditure Totals

Recipient	Total	Federal Share
Olsen-Delisi (campaign consultants)	\$40,740	58%
Lockart Atchley & Assoc. (CPAs)	\$35,141	58%
Jennifer Lustina (campaign manager)	\$17,639	73%
US Postal Service	\$14,324	24%
Karen Nicholson	\$8,955	72%
Hill Research Assoc.	\$8,569	87%
<b>Totals:</b>	<b>\$125,368</b>	<b>59%</b>

<sup>1</sup> Federal Elections Campaign Act, 11 CFR 110.3(d).

<sup>2</sup> "Cornyn's Campaign Lost Funds in Market," *Austin American-Statesman*, April 12, 2002.

<sup>3</sup> See, for example, "Federal Election Commission Advisory Opinion No. 1994-37,"

<http://herndon3.sdrdc.com/ao/ao/940037.html>

<sup>4</sup> One time Cornyn Deputy Press Secretary Andrea Horton also did a stint at Delisi's firm before moving on to the National Republican Congressional Committee.