

# Democracy North Carolina

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## LOBBY GROUPS SPEND \$22 MILLION – AND OFTEN LOSE

### New Law Details Lobbyists' Pay and Grassroots Lobbying

Nearly 900 businesses, trade associations, and non-profit groups spent a record \$22 million lobbying state officials in 2007, the year of the last General Assembly “long session,” according to an analysis by the non-partisan election reform and watchdog group Democracy North Carolina.

That amounts to nearly \$25,000 per lobby group or \$125,000 for each of the 170 legislators.

Most of the money – \$19.5 million – paid for salaried or contract lobbyists. “That’s a \$5 million jump over the \$14.5 million paid in compensation in 2005, just two years earlier,” said Bob Hall, Democracy NC’s executive director. “That big a jump is largely due to the state’s new ethics law that requires more groups to file more complete reports about more activities.”

The new law, passed during the scandal surrounding House Speaker Jim Black, restricts “wining and dining” of public officials, Hall said, and requires more disclosure of spending that is allowed.

During 2007, the first year under the new law, reports detail \$455,000 spent for meals, events, gifts and entertainment. There’s a reception for legislators hosted by NC Association of Electric Cooperatives (price tag: \$29,905); a meal, meeting and tour of a nuclear power plant for members of the Economic Development Board by Duke Energy (\$1,751); and a party for various officials before the Coca-Cola 600 race, by Coca-Cola Bottling Co. Consolidated in Charlotte (\$7,617).

The NC Association of Realtors led the list of big spenders during 2007, with a total outlay of \$972,384 – more than twice any other group. The list, based on a compilation of disclosure reports filed with the NC Secretary of State, is available on the Democracy NC website. The list includes the NC Hospital Association (\$239,426), First Citizens (\$176,280), NC Press Association (\$99,555), Blue Cross (\$80,791), NC PTA (\$34,000) and NC Child Care Coalition (\$33,458).

“Lobbyists provide policymakers with valuable information from an amazing array of often competing interests,” said Hall. “Lobbying is a public process, not a private transaction, so the public should know who’s spending what to promote an agenda.”

Hall noted that interest groups spend more on lobbying in North Carolina than their PACs spend on campaign contributions to legislators. “It’s a huge enterprise – there were 888 lobbyists for 887 clients in 2007. The mix of conflicting interests can produce laws with useful compromises, but it can sometimes steer the debate away from the public good. Ultimately, the elected leaders make the decisions, so who gets elected is still the most crucial factor in policy debates.”

Contrary to the stereotype of powerful special interests always winning, Hall pointed out that the top-spending lobby group in 2007 suffered a defeat when a bill passed to let a county’s voters levy a new fee on property sales. Development interests led by the NC Association of Realtors and NC Home Builders Association spent more than \$1.2 million in direct and grassroots lobbying, but

lost the fight over the transfer tax in the legislature. However, they defeated all the ballot measures to add the fee in 16 counties later that year – after spending \$500,000 on “vote no” campaigns.

In another case, waste management companies and associations spent more than \$350,000 but failed to bury the Solid Waste Management Act of 2007 that toughens regulation of landfills and expands recycling. Key bill supporters – the Sierra Club, Conservation Council, Environmental Defense, NC Conservation Network, and Environmental NC – spent one third that amount.

The tobacco industry (five companies and associations, \$364,000) lost more public buildings and adjoining property to “no smoking” zones in 2007, but working in tandem with the NC Merchants Association (\$218,170), NC Restaurant & Lodging Association (\$58,250) and others, Big Tobacco defeated a bill that would have banned smoking in restaurants.

As part of its campaign, Reynolds America and Lorillard Tobacco invested \$150,487 in “soliciting others to lobby” – a new area of disclosure that reveals spending to generate constituent contacts to legislators. It’s a type of grassroots lobbying that is increasingly used, Hall said.

He noted that the NC Automobile Association reported spending \$244,326 on polling, publicity, mailings and other activities for its grassroots lobbying campaign in 2007. The group successfully killed a bill to raise the sales tax on car purchases, with the proceeds going to the Highway Fund.

For the first time, disclosure reports filed with the Secretary of State also list the compensation paid by a client to each lobbyist, not just a total for all payments. As a result, Democracy NC could assemble the first list of the highest paid lobbyists in North Carolina. However, the payments are not exactly comparable because of variations in how they are calculated: They range from an estimate based on an employee’s time devoted to lobbying, to the total value of the client’s contract with a lobbyist’s firm that may include services performed by a non-lobbying associate.

Former state senator Steve Metcalf leads the “compensation” list, receiving \$485,362 from 14 clients for his firm, The Policy Group. “He deserves an A-plus for reporting the full value of the contracts,” Hall said. “That’s the easiest and most transparent practice for contract lobbyists to use.”

The top 25 on the compensation chart are all contract lobbyists, with an average of 17 clients. After Metcalf, the next five are former NC Attorney General and Secretary of State Rufus Edmisten (22 clients, \$396,764 compensation); Alexander “Sandy” Sands (33 clients, \$325,055); John McMillan (26 - \$294,888); John T. Bode (15 - \$280,201); and Mark C. Beason (16 - \$279,423).

Don Beason, Mark’s father and the lobbyist rated as “most effective” by capital insiders for 2003-2006, quit the lobbying business in mid-2007, after court testimony revealed he had given a \$500,000 loan to Speaker Jim Black. The list shows Beason got \$145,521 in 2007 from 16 clients.

In other findings, Democracy NC noted:

- The top 50 lobbyists received \$9.1 million or 47% of the total compensation paid in 2007.
- 164 of the 888 registered lobbyists received no compensation for lobbying, and 94 of the 887 registered clients or “principals” reported paying no compensation to a lobbyist.
- 657 or 74% of the 887 principals reported no other spending in 2007, beyond compensation. In 2005, 562 or 78% of the 721 principals reported no other spending.
- The principals in 2007 reported spending \$345,619 for food, \$96,721 for events, \$10,163 for entertainment, and \$3,041 for gifts.