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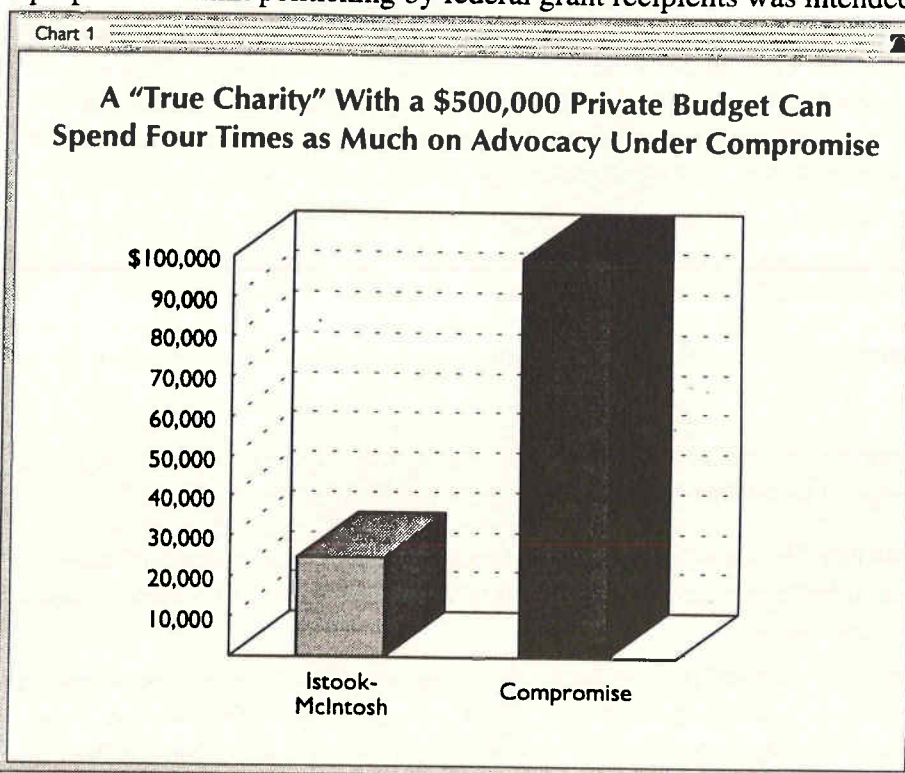
## APPROPRIATIONS CLUB OPTS FOR BUSINESS AS USUAL ON LOBBYING SUBSIDIES

In a startling decision that calls into question whether some congressional appropriators heard the message of the 1994 elections, House and Senate negotiators have scuttled an apparent agreement to curb welfare for lobbyists. The decision to sidetrack action on proposals to limit politicking by federal grant recipients was intended to free the appropriations legislation providing funds for the White House, IRS, and numerous other federal agencies. Instead, it may impede further progress on that bill.

When the conferees on the FY 1996 Treasury-Postal appropriations bill met on October 25, it was widely expected they would adopt compromise grant reform language crafted by Senator Alan Simpson (R-WY) and Representative Ernest Istook (R-OK) with the guidance of House and Senate leadership. The compromise would have liberalized the provisions of an amendment adopted by the House by allowing "true charities" (direct service providers) to spend considerably more money on political advocacy than the original proposal would have permitted.

However, the conferees agreed to issue a conference report that left the issue of welfare for lobbyists unresolved. As a result, the House and Senate must vote separately on the appropriations and grant reform language. Failure to agree on both items would stop final action on the conference report.

**The Message.** With the decision to scuttle the House-Senate agreement on curbing welfare for lobbyists, the appropriations committees decided that funding the White House, IRS, Post Office, and lobbyists was more important than fiscal responsibility. The effect of the conference committee's action was to say to the voters that, simply to appease the White House, Congress will continue to require American taxpayers to subsidize advocacy by special-interest lobbyists.



**The Simpson-Istook Compromise.** The compromise reached by House and Senate negotiators permits “true charities”—direct service providers, particularly those with small budgets that serve people at the local level—to comply with its provisions easily.

For example, a small local charity that raises \$500,000 a year from private sources could spend \$25,000 on political advocacy under the original House proposal offered by Representatives Istook, David McIntosh (R-IN), and Bob Ehrlich (R-MD). The compromise language now permits that same charity to quadruple its advocacy to \$100,000—or one out of every five private dollars—while still remaining eligible for federal grants (see Chart 1).

This dramatic change is accomplished by liberalizing the Istook-McIntosh-Ehrlich formula to one that mirrors the restrictions placed on 501(c)(3) charitable organizations that elect to engage in lobbying (the “501(h) election”). Independent Sector, a leading opponent of the reform efforts, advises its members to use this provision.

The compromise formula is a sliding scale that permits the following to be spent on political advocacy:

- ☛ **20 percent of the first \$500,000 in private funds, plus**
- ☛ **15 percent of the next \$500,000, plus**
- ☛ **10 percent of the next \$500,000, plus**
- ☛ **5 percent of the remainder, up to an overall cap of \$1,000,000 for advocacy.**

The Simpson-Istook compromise also protects small charities by exempting organizations that spend less than \$25,000 a year on political advocacy from its prohibitions. This permits even the smallest organizations to spend a significant amount of money on advocacy without being ensnared by these needed reforms. Small and large organizations alike would be required to disclose basic information about how they spend taxpayer funds and the extent to which they engage in political advocacy.

While loosening restrictions on smaller charities, the compromise recognizes the significant abuse of the current system by larger taxpayer-subsidized lobbying organizations. To address the issue of fungibility of taxpayers’ funds and curb present abuses, the compromise would:

- ✓ **Place** a firm \$1,000,000 cap on political advocacy to compensate for the more liberal formula at lower levels;
- ✓ **Limit** heavily subsidized grantees (those that depend on the taxpayers for more than one-third of their budgets) to no more than \$100,000 in political advocacy; and
- ✓ **Prohibit** 501(c)(4) nonprofits that can engage in unlimited lobbying from receiving federal grants if their annual budget exceeds \$3 million. The Senate originally voted to ban all grants to any 501(c)(4) group, regardless of size.

**A Test of Leadership.** The decision by the congressional appropriations club to sidetrack needed reforms in a rush to keep federal grants flowing to lobbyists represents business as usual in Washington. To allow the insidious practice of taxpayer-subsidized political advocacy to continue would be a victory for special interests over fiscal responsibility and accountability to the taxpayer.

The House and Senate leadership now must decide how to proceed with this vitally important issue. The activities of reformers and the leadership over the next several weeks will determine the outcome of this common-sense reform.

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