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CONGRESS SHOULD END GOVERNMENT CONTRACTS WITH LOBBYISTS AND POLITICAL CONSULTANTS

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SUMMARY

During the past several years, the U.S. Department of Labor and other federal agencies have awarded millions of dollars in contracts to public relations, lobbying, and political consulting firms. Several of these contracts were awarded specifically to organizations that worked for Clinton/Gore '92, Clinton/Gore '96, or various Democratic Party campaign committees. The question is whether any of these contracts (1) violated long-established prohibitions on the use of federal funds for lobbying or "publicity or propaganda purposes"; (2) involved transgressions of federal ethics statutes aimed at preventing departing officials from doing business with the agencies they served; or (3) created conflict-of-interest situations for federal contractors representing clients before the very agencies with which they had contracts.

Public relations and consulting contracts identified by the Government Reform Project include:²

- \$10.2 million awarded by the Department of Labor's Office of Public Affairs to five lobbying firms;
- \$1.7 million awarded by the Federal Emergency Management Agency; and
- \$252,000 awarded by the Department of Transportation.

1. The author wishes to thank former GRP Deputy Director August Stofferahn, former Heritage intern Meg Mehan, and Heritage Senior Fellow Dave Mason for their assistance in preparing this study.
2. The firms receiving these and similar contract awards are identified later in the Appendix.

The breadth and lack of specificity of the major Labor Department contract awarded to five firms for “public relations support services” appears to be unprecedented. Statements by public relations officials from previous administrations indicate that contracting for PR purposes under those administrations was both extremely rare and limited to specific projects for which public education efforts were authorized.

Given the serious questions raised by these contracts, several specific actions are indicated:

- **Executive branch officials** should place an immediate moratorium on expenditures related to these contracts and on the issuance of new federal contracts to public relations and lobbying firms;
- **Congress and agency inspectors general** should investigate the granting and execution of these contracts to determine whether such contracts were authorized and whether they involved violations of conflict-of-interest rules or appropriations limitations;
- **Congress** should prevent for-profit lobbyists from receiving federal contracts and otherwise strengthen the prohibitions against using taxpayer funds for lobbying and public relations work; and
- **Congress** should require federal contractors to disclose campaign employment and contracting.

THE CLINTON ADMINISTRATION'S UNPRECEDENTED PR CONTRACTING

Privatizing public services has proven to be an effective way to save tax dollars while improving government performance. But awarding government contracts requires thorough oversight to assure that public funds are used only for authorized and necessary services and are not distributed in ways that create conflicts of interest or the appearance of political favoritism.

The Government Reform Project has uncovered numerous federal contracts for public relations and consulting services awarded by the Clinton Administration to lobbyists, political consultants, and public relations firms.³ The frequency with which these contracts were awarded marks a clear break with precedent: Several former executive branch public affairs officials have indicated that, during the administrations of Ronald Reagan and George Bush, contracts for PR purposes were awarded only rarely and were limited to specific public education projects authorized by Congress.

PR contracts and federal law. In October 1994, the Department of Labor's Office of Public Affairs awarded a five-year contract worth \$10.2 million for public relations services.⁴ Under this deal, five Washington, D.C.-based public relations firms received contracts worth between \$1.7 million and \$2.7 million per firm. The Department of Labor's Request for Proposals (RFP) solicitation advertised that “these services shall be used in the development of public information and education programs for such initiatives as

3. GRP researchers also searched for public relations contracts awarded by the federal government to firms with similarly close ties to conservative advocacy groups or the Republican Party in 1995 and 1996, but found no such examples.

4. This amount represents the total budget for this five-year project, although the Department of Labor is not obligated to spend the entire sum.

the School-to-Work Act, the Reemployment Act, the Women's Bureau's Working Women Count campaign and other major DOL initiatives."⁵ In addition, during the past two fiscal years, the Federal Emergency Management Agency (FEMA) awarded at least \$1.7 million to a lobbying firm for the production of public service materials, while the Department of Transportation (DOT) disbursed more than \$250,000 for vaguely specified "public relations services," including \$52,000 awarded to a political consultant.⁶

The annual appropriation for the DOL Office of Public Affairs does not include any expenditures earmarked specifically for outsourced public relations work. Moreover, the appropriations bill that funds the Labor Department specifies (1) that "[n]o part of any appropriation contained in this Act shall be used, other than for normal and recognized executive-legislative relationships, for publicity or propaganda purposes"⁷ and (2) that "no part of any appropriation contained in this Act shall be used to pay the salary or expenses of any grant or contract recipient, or agent acting for such recipient, related to any activity designed to influence legislation or appropriations pending before the Congress."⁸ Despite these restrictions, however, the Department of Labor issued a contract for external public relations services. The appropriations bills for the Department of Transportation, which also issued public relations contracts, contain similar restrictions that appear to prohibit precisely the sort of general public relations spending represented by contracts with public relations firms.

The revolving door. The ethics rules covering service in the executive branch prohibit any political appointee (above a certain salary level or civil service grade) from doing business with the agency in which he or she was employed for a period of one year after leaving that agency.⁹ Moreover, federal regulations specifically prohibit individuals from working on any government contracts that, as government employees, they were involved in developing.¹⁰ Yet several firms receiving contracts from federal departments hired individuals formerly employed by those very agencies. One month before receiving a \$337,000 contract from the Department of Education, for example, the Widmeyer Group hired a former special assistant to the Secretary of Education.¹¹ Similarly, Ogilvy, Adams & Rinehart received a \$200,000 contract from the Department of Transportation one year after the department's director of public affairs joined the firm.¹²

Potential conflicts of interest. Wholly aside from any questions of waste or possible illegality, some of these public relations contracts may pose serious conflict-of-interest

5. "U.S. Government Procurements," *Commerce Business Daily*, July 6, 1994.

6. General Services Administration, "1995 Federal Procurement Data System" and "1996 FPDS."

7. 1995 Labor, HHS, and Education Appropriations Act, Section 504. Although similar language has appeared in federal appropriations bills for many years, the 1995 Act is cited because the Department of Labor awarded its public relations contracts that year.

8. *Ibid.*, Section 504(a).

9. See United States Code, Title 18, Section 207, and regulations interpreting this provision of law in the Code of Federal Regulations, 5 CFR Parts 2634, 2635, and 2641, available at the Office of Government Ethics World Wide Web site: <http://www.usoge.gov/usoge006.html>.

10. See Code of Federal Regulations, Part 2637.201(b)(7)(c)(3). The Federal Acquisition Regulations, at Subchapter A, Part 3.104, provide additional details on the criteria for determining whether a former government employee is covered by these prohibitions, the procedures for recusal from specified contracts, and the procedures for certification of recusal.

11. A Department of Education spokesman claimed that the former special assistant to Education Secretary Richard Riley recused herself from working on this contract for the Widmeyer Group.

12. Ogilvy, Adams & Rinehart claims that the former director of public affairs recused himself from work on the Department of Transportation contract.

questions. The most serious surrounds a \$1.9 million Department of Labor contract awarded to the Kamber Group, a public relations firm with extensive ties to organized labor, the Democratic Party, and the Clinton Administration. The Kamber Group housed the Back to Business organization, an ad hoc committee created to defend the President and First Lady in the media against congressional investigations of the Whitewater affair.¹³ The White House recently admitted that its staff employees encouraged supporters of the President and First Lady to fund Back to Business.¹⁴ The White House made this admission following the revelation that Democratic Party donor Johnny Chung gave \$25,000 to Back to Business and in turn received help from Kamber Senior Vice President Lynn Cutler in setting up meetings at the Commerce Department and with U.S. Ambassador to China James Sasser.¹⁵ Congress should investigate to determine whether the Kamber Group's Department of Labor contract served, in effect, to subsidize Back to Business.

In addition, several contractors working for the Departments of Education, Labor, and Transportation represent clients with business pending before those departments. For example, the Kamber Group held its Labor Department contract while representing a number of unions with business before the department, and the Widmeyer Group received a contract from the Department of Education while representing at least four organizations that receive grants from programs administered by that department.

If these interlocking relationships had produced an organizational conflict of interest, an unfair competitive advantage, or an inability to render impartial advice to the government, the contractor would have been required to file a certification letter with the contracting office, thereby allowing the agency to investigate the matter fully.¹⁶ Numerous attempts by The Heritage Foundation to contact relevant executive branch offices to determine whether such letters were filed went unanswered. Even if such letters were filed, federal officials still would need to explain why such possible conflicts of interest apparently were judged irrelevant in awarding millions of dollars in contracts.

Appearance of impropriety. Some contractors who performed work for the federal government also did political work for Clinton/Gore '92, Clinton/Gore '96, or Democratic Party campaign committees.¹⁷ The Kamber Group worked for the Democratic Senatorial Campaign Committee, ran the Back to Business campaign, and received a Department of Labor contract. Rabinowitz Media Strategies did work for the Democratic National Committee and received a Department of Transportation contract. Uniworld Group and A. Gutierrez & Associates received public relations contracts from federal agencies and worked for Clinton/Gore '96. At best, offering such contracts to electoral and ideological supporters creates the appearance of improper patronage. At worst, awarding lucrative contracts to such organizations even partly because of their

13. Tucker Carlson, "Hillary's Defenders," *The Weekly Standard*, January 29, 1996, p. 18.

14. William C. Rempel and Alan C. Miller, "Donor Speaks Out on Clinton Group's Fundraising: Private Committee Did Favors, had White House ties, Chung's Lawyer Says," *Los Angeles Times*, August 9, 1997, p. A1; Associated Press, "First Lady's Friend Arranged Meeting with Sasser in China after Chung Made Donation," August 10, 1997.

15. Rempel and Miller, "Donor Speaks Out;" Associated Press, "First Lady's Friend."

16. For additional details, see Federal Acquisition Regulations, Subchapter H, Parts 52.209-7 and 52.209-8. These regulations are available from GovCon, Inc., through its World Wide Web site: <http://www.govcon.com/>.

17. For other examples not included in this report, see Kenneth R. Weinstein and August Stofferahn, "Federal Pork and White House Coffees," Heritage Foundation *Government Integrity Project Report* No. 14, July 14, 1997.

political connections could be a violation of federal law: Under Section 600 of the U.S. Code, it is illegal to offer “special consideration to anyone seeking a federal benefit in exchange for political activities.”¹⁸

Unnecessary spending. Outsourcing non-essential work such as public relations seems especially questionable when one remembers that federal agencies already spend tens of millions of dollars on their own public affairs staffs. The Labor Department awarded \$10.2 million for public relations services over five years even though its Office of Public Affairs already has 18 full-time employees in Washington and 26 more in 10 regional offices to publicize DOL programs and accomplishments. The annual budget for the Office of Public Affairs alone is \$2.49 million.¹⁹ In effect, these outside contracts—which averaged more than \$2 million annually—almost doubled the department’s public relations budget.

NEEDED: INCREASED CONGRESSIONAL OVERSIGHT

To help avoid conflicts of interest, improper patronage, and violations of the federal ban on spending for lobbying and propaganda, no lobbying organization should be allowed to receive federal contracts. The 104th Congress took a step toward ending “welfare for lobbyists” by enacting the Simpson–Craig amendment, which prevents nonprofit 501(c)(4) lobbying organizations from receiving federal grants.²⁰ But Simpson–Craig did not apply any such restriction to for-profit lobbying organizations. Accordingly, while nonprofit lobbying groups may no longer receive federal grants, tax dollars continue to flow to for-profit lobbying firms. Congress should extend the Simpson–Craig ban to for-profit lobbyists and make it a ban on both grants and contracts.

In addition, Congress should investigate the awarding of public relations contracts by the Department of Labor, the Department of Transportation, and the Federal Emergency Management Agency, as well as the awarding of contracts by the Departments of Agriculture, Treasury, and Transportation to political consultants. Congress immediately should:

- Require that contract specialists at the Departments of Education, Labor, and Transportation testify about the process by which these contracts were awarded, including how the need for these contracts was justified and who authorized the PR programs in the first place.
- Order investigations by the General Accounting Office (GAO) and agency inspectors general into how these public relations/advertising contracts were implemented. Such investigations should examine the final products of these contracts as well as whether there was any political misuse of federal funds. Congress should encourage agency heads to withhold further spending on these contracts pending these reviews, and agency inspectors general should investigate whether any of these contracts violated “revolving door” or conflict-of-interest prohibitions.

18. Claude R. Marx, “More Than Latte and Scones: White House Coffee Guests Got Contracts, Loans,” *Investor’s Business Daily*, August 13, 1997, pp. 1–2.

19. Data provided by the Department of Labor’s Budget Office.

20. Several such 501(c)(4) organizations, including the American Association of Retired Persons and the National Council of Senior Citizens, quickly formed 501(c)(3) affiliates which would be eligible for federal grants.

- Extend the Simpson–Craig prohibitions on grants to nonprofit lobbying firms to prohibit registered lobbyists from receiving federal contracts or grants.
- Require all federal contractors to disclose any campaign employment or contracting for the fiscal year in which they hold a federal contract, as well as for the three previous fiscal years.
- Renew efforts to restrict lobbying by federal grantees and enforce the current prohibitions that appear each year in agency appropriations bills.

CONCLUSION

The Government Reform Project has uncovered numerous public relations contracts that have been awarded by the Clinton Administration to lobbyists, political consultants, and public relations firms. This practice raises serious legal and ethical questions: Long-standing appropriations language bans any disbursement of federal funds for lobbying, publicity, or propaganda purposes; the issuance of these contracts may have created conflicts of interest; and such contracts create at least the appearance of patronage, as many of the contractors also engaged in partisan campaign work. The GAO and agency inspectors general should investigate how these contracts were awarded and executed, and Congress should stop the flow of tax dollars to for-profit lobbyists and political consultants.

APPENDIX

SELECTED ORGANIZATIONS RECEIVING FEDERAL CONTRACTS

- **The Kamber Group.** The Kamber Group is a prominent Washington, D.C., consulting and public relations firm that has represented the AFL-CIO and such individual unions as the International Brotherhood of Teamsters, United Mine Workers, National Education Association, United Food and Commercial Workers, United Steelworkers of America, Air Line Pilots Association, Brotherhood of Locomotive Engineers, Communications Workers of America, Hotel Employees and Restaurant Employees International Union, Laborers International Union of North America, and Service Employees International Union Local 144. The Kamber Group also has represented such liberal advocacy groups as Defenders of Wildlife, Hand Gun Control, Inc., and Parents and Friends of Lesbians and Gays.

In 1994, Kamber worked for the Democratic Senatorial Campaign Committee.²¹ Back to Business, an ad hoc committee created to defend the President and First Lady in the media against Whitewater charges, was run out of Kamber Group offices in 1994–1996 by Kamber Senior Vice President Lynn Cutler, a former vice chairman of the Democratic National Committee.²² Back to Business recently was in the press following revelations by Democratic Party donor Johnny Chung that he gave \$25,000 to the group and in turn received Cutler's assistance in setting up meetings at the Commerce Department and with U.S. Ambassador to China James Sasser.²³ The White House also admitted that its staff employees were instrumental in encouraging political allies of the President and First Lady to support Back to Business.²⁴ In October 1994, as White House staff scurried to drum up support for Back to Business, the U.S. Department of Labor's Office of Public Affairs awarded the Kamber Group a five-year, \$1.9 million contract for public relations work as part of a \$10.2 million contract awarded to five different firms.²⁵ By the end of FY 1996, the Kamber Group had received \$255,000 of its \$1.9 million share of this contract.²⁶

- **PR Solutions.** Lisa Lederer, a former press secretary for the National Organization of Women, is the president of this six-person public relations firm, which has a roster of liberal clients that includes the Campus Diversity Initiative, the Radcliffe Public Policy Institute, the Religious Coalition for Reproductive Choice, People for the American Way, and the Women's Legal Defense Fund. Awarded a \$1.7 million share in the Department of Labor's public relations contract,²⁷ PR Solutions took a nationwide poll of working women to survey their opinion on a variety of economic and policy issues. So far, its fees for this service have mounted to \$91,000.²⁸

21. 1994 *O'Dwyer Directory of PR Firms* (New York: J.R. O'Dwyer Co., Inc., 1994); see also <http://www.prcentral.com/p0000938.htm>.

22. Carlson, "Hillary's Defenders," *op. cit.*

23. Associated Press, "First Lady's Friend Arranged Meeting."

24. *Ibid.*

25. "Contract Awards," *Commerce Business Daily*, October 25, 1994.

26. GSA, "1995 FPDS" and "1996 FPDS."

27. "Contract Awards," *Commerce Business Daily*, October 25, 1994.

28. GSA, "1995 FPDS" and "1996 FPDS."

- **Fenton Communications.** Perhaps no other American firm has devised more campaigns on behalf of pseudo-science than Fenton Communications. David Fenton was the driving force behind the Alar scare, for example, as well as the unfounded claim that synthetic chemicals are inhibiting endocrine production.²⁹ This Washington, D.C., lobbying firm has represented numerous environmental and other activist left organizations, including Greenpeace, Citizen Action, the Environmental Working Group, *Mother Jones*, and the National Center for Tobacco Free Kids. Lorrie McHugh, former White House deputy press secretary for media affairs and operations, recently became the company's chief operating officer.³⁰ The Department of Labor has budgeted for \$2 million to be spent on its public relations contract with Fenton Communications; by the end of FY 1996, Fenton had received \$25,000.³¹
- **The Widmeyer Group.** Scott Widmeyer, a former deputy press secretary for the campaign of Walter Mondale, is president of this consulting and public relations firm. The Widmeyer Group (now Widmeyer-Baker Group) received the lion's share of the Department of Labor's public relations contract: \$2.7 million out of the \$10.2 million budgeted for the project.³² By the end of FY 1996, the Department had paid Widmeyer at least \$225,000.³³ In September 1996, the Widmeyer Group also received \$337,000 from the Department of Education for "ongoing audit operations support."³⁴ Under this contract, Widmeyer reviewed special education materials produced by the department. The month before the contract was awarded, Kerri Morgan, special assistant for public affairs to Education Secretary Richard Riley, was named assistant vice president of the Widmeyer Group.³⁵ Not only did the Widmeyer Group hold a federal contract with the Department of Education, but its clients have included the American Federation of Teachers, the National Education Goals Panel, the National PTA, and the National Board for Professional Teaching Standards, all of which receive federal education grants and have an obvious and ongoing interest in the Department of Education's activities.³⁶
- **Ogilvy, Adams & Rinehart.** The Washington, D.C., office of this public relations firm received several government contracts during the past two fiscal years; it also is registered to lobby under the Lobbying Disclosure Act of 1995. Ogilvy, Adams & Rinehart was the fifth public relations firm working for the Department of Labor's Office of Public Affairs and by the end of FY 1996 had received \$740,000 of its \$1.9 million share of that contract.³⁷ During the same period, Ogilvy received \$1,711,000 to produce public service materials under a consulting contract with the Federal Emergency Management Agency.³⁸ In September 1996—a year after then-Transportation Secretary Federico Peña's director of public affairs, Richard Mintz, had left to rejoin the firm—Ogilvy received a \$200,000 contract from the Department of Transportation for "advertising/management services."³⁹ Mintz, who heads Ogilvy's

29. Matt Labash, "Scaremonger," *The Weekly Standard*, April 29, 1996, p. 24.

30. Jodie Morse, "Washington's Movers and Shakers," *National Journal*, August 9, 1997, p. 1618.

31. "Contract Awards," *Commerce Business Daily*, October 25, 1994; GSA, "1995 FPDS."

32. "Contract Awards," October 25, 1994.

33. GSA, "1995 FPDS" and "1996 FPDS."

34. *Ibid.*

35. Louis Jacobson, "People," *National Journal*, September 7, 1996, p. 1917.

36. Department of Commerce, Bureau of the Census, "1995 Federal Assistance Award Data System."

37. "Contract Awards," October 25, 1994; GSA, "1995 FPDS" and "1996 FPDS."

38. GSA, "1995 FPDS" and "1996 FPDS."

transportation division, also represents three of the firm's other clients: the Regional Airline Alliance, US Airways, and the Public Broadcasting Service.⁴⁰ During 1993–1994, Ogilvy, Adams & Rinehart also performed public relations work for the Corporation for National Service.⁴¹

In addition to the firms which benefited from this Department of Labor contract, other politically active groups received similar contracts:

- **Rabinowitz Media Strategies.** Steve Rabinowitz, a Washington, D.C., political consultant, worked for Clinton/Gore '92, buying satellite time and arranging live interviews on local news broadcasts.⁴² After the 1992 election, Rabinowitz served for a year as director of production at the White House before returning to the private sector. His public relations firm, Rabinowitz Media Strategies, represents the Democratic National Committee and such liberal organizations as Americans for Peace Now and the Religious Action Center of Reform Judaism. In May 1995, then-Transportation Secretary Federico Peña undertook a 12-city tour to protest efforts by congressional Republicans to streamline ineffective and counterproductive federal transportation programs and subsidies;⁴³ at the same time, the Office of the Secretary at the Department of Transportation awarded what appears to have been a no-bid \$52,000 contract to Rabinowitz for "public relations services."⁴⁴ In 1996, Rabinowitz played a prominent role in the Clinton/Gore re-election campaign as co-owner of QRS NewMedia, which used satellite technology to make campaign and Cabinet officials available for interviews in targeted local television markets.⁴⁵
- **The Arnold Agency.** In November 1995, the Treasury Department's Bureau of the Public Debt awarded \$10,000 to the Arnold Agency for "market research and public opinion surveys."⁴⁶ The Arnold Agency is a prominent West Virginia public relations firm that has worked on behalf of Democratic candidates.
- **Uniworld Group.** In November 1995, the Bureau of the Public Debt also awarded \$150,000 to the Uniworld Group for "film/video tape production."⁴⁷ The Uniworld Group produced television advertisements for Clinton/Gore '92 and '96, earning at least \$300,000 from Clinton/Gore '96 at the same time it was doing work for the Bureau of the Public Debt.⁴⁸

39. See *ibid.* and Eliza Newlin Carney, "Washington's Movers and Shakers," *National Journal*, March 4, 1995, p. 568.

40. *Washington Representatives 1997*, 21st edition, ed. J. Valerie Steele (Washington, D.C.: Columbia Books, 1997), p. 476.

41. John Walters, "AmeriCorps' Failed View of Service," *The Washington Times*, September 13, 1994, p. A17.

42. Ira Teinowitz, "From Politics to Marketing; QRS NewMedia Offers Expertise in Securing Local TV Exposure," *Advertising Age*, November 18, 1996, p. 24.

43. Richard Perez-Peña, "Transportation Chief Warns Against Transit Subsidy Cuts," *The New York Times*, May 18, 1995, p. B11.

44. GSA, "1995 FPDS." In an interview, Rabinowitz claimed that the department did open this contract to competition, but data supplied by the department to the GSA indicate otherwise.

45. Teinowitz, "From Politics to Marketing," p. 24.

46. *Ibid.*

47. *Ibid.*

48. Federal Election Commission, Public Records, Clinton/Gore '96 Expenditure Disclosure Forms, September/October 1996.

- **A. Gutierrez & Associates.** In April 1995, the Department of Agriculture awarded \$50,000 to A. Gutierrez & Associates for training lectures.⁴⁹ The firm later worked for Clinton/Gore '96, earning at least \$214,000 producing commercials for the President's re-election campaign that were targeted specifically to Hispanic audiences.⁵⁰

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49. GSA, "1995 FPDS."

50. FEC, Public Records, Clinton/Gore '96 Expenditure Disclosure Forms, September/October 1996.