

The Ethics Reporter

OCTOBER 2023

KENTUCKY LEGISLATIVE ETHICS COMMISSION
22 MILL CREEK PARK
FRANKFORT KY 40601 (502) 573-2863
KLEC.KY.GOV

Two-year *mandatory* re-registration for all lobbyists and employers opens December 1, 2023

Did you know?



The next filing date for employers' and legislative agents' spending disclosures is **Tuesday, January 16, 2024.**

The easiest and quickest way to file is to visit the Commission's website klec.ky.gov and click "file forms online."



Must legislative candidates file financial disclosures with KLEC?

Answer on page 4

All employers' and legislative agents' registrations with the Legislative Ethics Commission will *expire*, by operation of statute, on December 31, 2023. Employers and agents wishing to continue legislative lobbying in Kentucky must re-register.

Check the Commission's website <http://klec.ky.gov> for the Initial Registration Statement for the two-year period beginning January 1, 2024 and ending on December 31, 2025.

An email will be sent to all currently registered employers and legislative agents in mid-November with instructions and forms attached. Make sure that we have your correct email!

Beginning December 1, 2023, the Commission will begin accepting completed registrations. These initial registration forms CANNOT be filed online. The Initial Registration Statement may be copied.

A registration fee of \$250 must be paid by the employer of one or more legislative agents. A registration form sent without the fee is not complete.

This fee may be paid via cash, check, Visa, MasterCard, American Express, or Discover. If the registration is mailed or hand delivered with a check, the check should be made payable to the **Kentucky State Treasurer.**

If paid by credit card, the registration may be hand delivered, faxed, or scanned and emailed, along with a completed credit card form which may be found on the Commission's website.

Please remember that the employer must sign a registration form for each legislative agent. If you need assistance, please contact us at (502) 573-2863, or email Donnita.Crittenden@lrc.ky.gov or Lori.Smither@lrc.ky.gov.



Top groups' lobbying spending drops in divided Congress

Roll Call—by Caitlin Reilly— October 23, 2023

Total spending on lobbying by the biggest interest groups fell in the first three quarters of 2023 compared to last year amid partisan gridlock in a divided Congress.

In the first nine months of the year, top influence groups spent \$199.3 million on lobbying efforts, down about 16 percent from the \$238.3 million spent through the end of September last year, according to disclosures filed with the House and Senate last week. The dip came as the steady clip of major laws that moved through the last Congress slowed to a trickle this session with Democrats controlling the Senate and Republicans the House, where GOP leadership has struggled to maintain control of its conference.

“Clearly, there’s less spending out there going on because we don’t have three major bills moving through the process that we did in the last Congress,” said Rich Gold, who heads Holland & Knight’s public policy and regulation group.

Eight of the top 10 spenders so far this year spent less than in the same time period last year, even though some of lobbying firms that spoke to CQ Roll Call said they personally weren’t feeling the revenue squeeze.

One of the outliers, the American Hospital Association, which ranked fourth in overall spending this year, reported \$17.1 million in outlays through the end of September, up from \$15.1 in the first three quarters of last year. And CTIA, which represents the wireless communications industry, made the top 10 this year in ninth place after spending \$11.6 million, up from \$9.4 million for the same period in 2022, when it was not in the top 10.

Last Congress, with Democrats in control of the House, Senate and White House, movement on the

2021 bipartisan infrastructure law and the 2022 semiconductor industry and climate and tax laws drove spending by outside groups. The 118th Congress hasn’t moved legislation of equivalent scope, which was expected given the split control of the House and Senate, Gold said.

Still some firms on K Street saw upticks from their clients. Holland & Knight reported \$12.5 million in lobbying revenue in the third quarter, up from \$12 million the previous quarter and \$11.3 million in the third quarter of last year.

“There are no mega-magnets up on the Hill to draw a lot of spending,” Gold said. “What you’re actually seeing is the reality of divided government, and people both understanding and anticipating that with the House in Republican hands, the ability of Democrats in the Senate and the White House to have their way on issues legislatively is greatly reduced.”

On the spending side, the U.S. Chamber of Commerce led the pack with \$48.6 million reported lobbying expenditures so far this year, compared to \$58.4 million during the first nine months of last year. The National Association of Realtors followed with \$33.5 million through the end of September, down from \$56.2 million in the first three quarters of 2022. Though not required, the association includes campaign spending in its lobbying disclosures during election years, which may account for some of the drop.

Health industry groups, top technology companies and AARP rounded out the rest of the top 10 spenders through the first three

quarters of this year.

Meta Platforms Inc., the parent company of Facebook, spent \$14.6 million, and Amazon, which is facing growing scrutiny from antitrust and labor practices perspectives, spent \$13.4 million. Other notable players in the tech space included ByteDance Inc., the Chinese parent company of the popular video-sharing social networking app TikTok.

Congress eventually will have to pass a handful of spending and reauthorization bills, including for defense programs, the Federal Aviation Administration and agriculture and nutrition programs, even if other major packages have fallen by the wayside.

BGR Group reported \$10.5 million in lobbying revenue in the third quarter, up from the previous quarter and the third quarter last year. Health care issues, including drug prices and legislation to rein in pharmacy benefit managers, have driven client spending, Monroe said, along with foreign policy and defense issues, including the annual National Defense Authorization Act.

Artificial intelligence is an issue drawing client interest from across sectors, Hunter Bates, a partner at Akin Gump Strauss Hauer & Feld, credited AI in part for the firm’s \$14.3 million in lobbying revenue in the third quarter, the highest ever for the firm.

New and terminated lobbying employers

Several organizations recently registered to lobby legislators in Kentucky: **American Assn. for Marriage & Family Therapy; Claris Healthcare; Consumer Safety Technology (CST); Covington Partners Inc.; Edgewater Recovery; Equifax, Inc.; Family Nurturing Center (FNC); Forward Justice Action Network; Gaggle; NaphCare, Inc.; National Community Pharmacists Assn.; Reclaim Recovery LLC; Southbank Partners; and Vision Service Plan.**

Organizations terminating lobbying in Kentucky were: **Crown Castle; KY Municipal Utilities Association; and McDonald’s.**

Hawaii bribery scandal casts a shadow over Lahaina's ruins

New York Times—by Blaze Lovell— October 25, 2023

After a major contracting scandal broke out in Hawaii last year, the mayor of Maui County appeared on television to express outrage and announce a sweeping audit of contracts awarded to a corrupt business owner.

But no one told the county auditor, who said he only heard about the audit on the news. In the end, the audit was never completed, and the county's flawed system for awarding contracts — a system marred by bribery and a lack of competition — remains largely the way it was.

Now, as Maui recovers from the devastating wildfires that swept across parts of the island in August and killed at least 99 people, millions of dollars will be spent on rebuilding critical infrastructure using the same flawed contract-monitoring system.

The bribery case involving the business owner, Milton Choy, prompted some county officials to begin phasing out the use of sole-source contracts — which are awarded without competitive bidding when officials determine that only one vendor is able to supply a particular good or service — but the practice is still in use in the county.

A look at Choy's case reveals pitfalls in a procurement system that could confront the county as it prepares to handle millions of dollars in new spending. That very little has changed since the bribery scandal was revealed could leave the door open for some contractors to take advantage of the disaster or for government money to be wasted.

Maui County has already issued more than \$3 million worth of contracts in the first several weeks after the fires, and millions more are expected.

Most of the money spent so far has gone to firms hired to clear debris from roads and to manage traffic in the burned area. Consultants were also hired to assess damage to Lahaina's water system and to develop temporary holding facilities for toxic debris. And most of the contracts awarded so far went through without competitive bidding.

Abuse of single-source contracts was at

the heart of the scandal involving Choy, and while his company also won government contracts on Kauai and Oahu, Maui County is where he made the most money that way.

The Maui County Board of Ethics, which is responsible for investigating possible wrongdoing by public officials, has neither a dedicated budget nor the staff necessary to conduct investigations — even now, after two county officials and two state lawmakers from Maui who took bribes from Choy have been sent to prison.

Choy was charged with one count of bribery last year and sentenced to more than three years in prison. During his sentencing hearing, he apologized to his competitors, the people of Maui and most of all, he said, to his family for the harm his criminal acts caused them.

Former associates of Choy recalled him as a charming salesperson who could deftly navigate his way to the people who would buy his products and services. Introductions were often made and backroom deals hashed out over dinners, where Choy would occasionally flash a list of his contacts with direct lines to politicians and public officials.

It also helped that he invited Hawaii officials and friends to soirees in Las Vegas, where the guests would be treated to stacks of gambling chips, food and drinks at Choy's private suite in the Mirage hotel and casino.

Choy admitted to prosecutors that he received no-bid contracts in Maui facilitated through bribery payments for at least six years. County governments in Hawaii rely on a finance director as the only review for contracts recommended by department heads, including sole-source purchases. That made it easy for Stewart Stant, the former head of the Maui County Environmental Management Department, to steer nearly \$20 million in no-bid contracts to H2O Process Systems.

Choy bribed Stant — who was sentenced to 10 years in prison — with cash and perks totaling more than \$2 million over six years.

The information justifying the sole-source requests should have been checked by department officials, who are typically required to collect data on what other municipalities have paid for similar items and to rigorously vet any sole-source purchase. That job would have fallen to Wilfredo Savella, a maintenance supervisor who received more than \$40,000 from Choy. He pleaded guilty in December 2022 to taking cash bribes and first-class trips to Las Vegas in exchange for helping direct wastewater contracts to Choy's business. Savella is serving a 16-month prison sentence.

When Stant pleaded guilty last year, he admitted receiving more than \$1.3 million in direct payments from Choy between 2012 and 2018, in addition to hundreds of thousands of dollars worth of goods and services, including Las Vegas gambling chips, according to court records. Stant did not report any of it on annual financial disclosure forms required by the Maui County Board of Ethics.

The bribery scheme involving Choy and Stant did not come to light until 2018, when several county wastewater employees raised concerns over procurement practices involving Stant. They took their concerns to Elle Cochran, who at the time was a Maui council member. Cochran's staff met privately with wastewater employees to collect information about payments to H2O Process Systems and eventually turned what they had gathered over to the FBI.

Their tip eventually led to the arrests of Choy and Stant. Choy agreed to cooperate in an ongoing investigation into public corruption and was not charged in other bribery cases involving two state lawmakers.

His cooperation led the lawmakers — former state Sen. J. Kalani English and former state Rep. Ty Cullen — to plead guilty in February 2022 to bribery-related charges from their time in office. English was sentenced to more than three years in prison and Cullen was sentenced to two years.

Little has changed in Maui County's system of accountability since the scandal broke, and there appears to be little will to change, even as the island's attention focuses on rebuilding in the aftermath of the fires.

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NEXT MEETING OF THE
COMMISSION

The Kentucky Legislative Ethics Commission's next regular meeting is scheduled for Tuesday, December 12, 2023 at 9:30 a.m. Capitol Annex Room 171, Frankfort, Kentucky.

To watch the meeting online, click on:
[KY LRC Meetings - YouTube](#)

Training/Overview of the Code

Our lobbyist training video, which gives an overview of the Code and walks through the registration and online filing process step by step, is available on klec.ky.gov, and also on the LRC Capitol Connection page at <https://www.youtube.com/watch?v=nrqWW7sJDK4>

We also are happy to set up a training on request.

Our PowerPoint overview of the Legislative Ethics Code is available for reference on klec.ky.gov and also on the LRC Capitol Connection page at <https://www.youtube.com/watch?v=I4FjvhrSoao>

Financial Disclosures and Lobbying Spending

Kentucky legislators' required financial disclosures are available on the KLEC website at <https://klec.ky.gov/Reports/Pages/Legislators-and-Candidates.aspx> Legislators must file their financial disclosures by February 15th, for the previous calendar year. We are pleased to report that all legislators filed timely.

Candidates for the General Assembly are also required to file a financial disclosure, and these are also at the same link.

Lobbying spending disclosures may be found on KLEC's website at klec.ky.gov/Reports/Pages/Employers-and-Legislative-Agents.aspx along with a list of bills lobbied by each employer. A searchable database of all lobbyists and employers, and their spending, is available at apps.klec.ky.gov/searchregister.asp

To register as a lobbyist or employer, please email the scanned paperwork to Donnita Crittenden or Lori Smither or fax to (502) 573-2929. Blank forms may be found here:

<https://klec.ky.gov/Forms/Pages/Get-Blank-Forms.aspx>

Please contact us with any questions or concerns!

Laura Hendrix
Executive Director
Laura.Hendrix@lrc.ky.gov
(502) 573-2910

Donnita Crittenden
Executive Assistant
Donnita.Crittenden@lrc.ky.gov
(502) 573-2863

Emily Dennis
Counsel
Emily.Dennis@lrc.ky.gov
(502) 573-2911

Lori Smither
Staff Assistant
Lori.Smither@lrc.ky.gov
(502) 564-9076

KENTUCKY LEGISLATIVE ETHICS COMMISSION

22 Mill Creek Park
Frankfort, Kentucky 40601

Phone: 502-573-2863

Fax: 502-573-2929

Website: klec.ky.gov

Trivia Answer

Yes, candidates and nominees for election to the General Assembly must file a statement of financial interests within 21 days after the filing deadline for office, or within 10 days of the deadline in a special election.