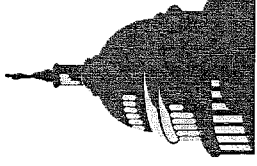


# Kentucky Legislative Ethics Commission



Kentucky Legislative Ethics  
Commission Members  
George Troutman, Chair  
Pat Freibert, Vice Chair

Bob Fulkerson  
Ann Henn\*  
Ray B. White  
David Barber

Paul Gudgel  
Norma Scott  
Deborah Jo Durr

\*Term expired April 2012

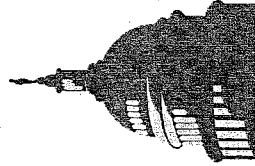
Commission Staff

Anthony Wilhoit, Executive Director

John Schaaf, Assistant Director  
Donnita Crittenden, Principal Assistant  
Connie Evans, Staff Assistant  
Michael Malone, Enforcement Counsel

22 Mill Creek Park  
Frankfort, Kentucky 40601  
Telephone: (502) 573-2863  
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Web Address: <http://klec.ky.gov>

## ANNUAL REPORT



FY 2011-2012

## Legislative Ethics Commission Member Profile

**George C. Troutman** - Mr. Troutman is the Chairman of the Commission. The Speaker of the House appointed him to the Commission in 1994. Mr. Troutman graduated from St. Xavier High School and Bellarmine University where he majored in accounting. He is currently self-employed as a Certified Public Accountant, a member of the American and Kentucky Society of CPAs and the American Board of Forensic Accounting. Mr. Troutman served on the Registry of Election Finance from 1992 to April of 1994. He and his wife, Mary, reside in Louisville.

**Pat Freibert** - Mrs. Freibert was appointed to the Commission by President of the Senate in November 2008, and she serves as Vice-Chair. Mrs. Freibert also served on the Ethics Commission from 2000-2004. She is a former member of the House of Representatives. Mrs. Freibert has a long record of involvement in political, civic, educational, and charitable affairs for which she has received local, state and national recognition. She is also a free-lance writer for several publications. In 2004, Mrs. Freibert was appointed by Gov. Ernie Fletcher to the Kentucky Commission on Women, and served as Chair of that Commission. She and her husband, David, reside in Lexington, Kentucky.

\***Ann B. Henn** - Mrs. Henn was appointed to the Commission by the President of the Senate in 1997, and in 2009, she accepted the Legislative Research Commission's appointment to the Commission. Mrs. Henn was an attorney for the Court of Appeals for nine years. She received a B.S. from Northern Kentucky University and graduated from the University of Kentucky College of Law. She is licensed to practice law in Kentucky and Ohio and is a member of the state and local bar associations. She and her husband, Bob, reside in Edgewood. \*Her term expired April 2012.

**Judge Paul D. Gudgel** - Judge Gudgel was appointed by the Speaker of the House in 2002. Judge Gudgel received his BA and LLB degrees from the University of Kentucky. After practicing law in Lexington, he entered judicial service in 1970, serving as a trial commissioner in the municipal and quarterly courts, and as Chief District Judge. In 1979, he was appointed to the Court of Appeals and served on that court until 2002, including five years as Chief Judge. He retired from the Court in November 2002. Judge Gudgel earned a Master of Laws degree from the University of Virginia, and served as a member of the Judicial Conduct Commission for 22 years. He and his wife, Katherine, reside in Lexington.

**Bob Fulkerson** - Mr. Fulkerson was appointed to the Commission by the President of the Senate in 2004. He is a graduate of Owensboro Senior High School and attended Southwestern College in Dallas, Texas. He is a retired manager of General Electric Appliance Park in Louisville. Currently, he devotes his time to community service and religious activities. In the past, he was an active participant in politics, both as a candidate for elected office and party official. He and his wife, Edna, reside in Louisville.

**Norma Scott** - Mrs. Scott was appointed to the Commission by the President of the Senate in 2005. She graduated from Earlington High School and Western Kentucky University, where she received a B.A. in Elementary Education. Mrs. Scott is a retired school teacher, and she and her husband, Gerald, reside in Madisonville.

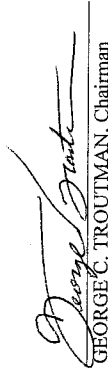
## FOREWORD

I am pleased to submit the 19th Annual Report of the Kentucky Legislative Ethics Commission to the members of the Legislative Research Commission.

The past year has been a busy one for the Commission and its staff. The number of requests for informal opinions from all of those covered by the Legislative Ethics Code reflects their willingness to abide by it.

The continued support we have received from the members of the General Assembly and its leadership has been gratifying.

We respectfully submit this report of activities of the Legislative Ethics Commission as required by KRS 6.666(16).



GEORGE C. TROUTMAN, Chairman

**Deborah Jo Durr** - Ms. Durr was appointed to the Commission by the Speaker of the House in July, 2009. She is President of Richwood Manor, a horse farm in northern Kentucky. Ms. Durr has an extensive record of civic and educational service, including serving on the Gateway Community & Technical College Board of Directors, Boone County Education Foundation, Kentucky Commission on Volunteerism, and as President of the Northern Kentucky District of the Parent/Teacher Association. She earned a Master's degree in Career Counseling from Morehead State University, and a B.S. in Biology from Northern Kentucky University. She resides in Richwood, Kentucky.

**Ray B. White** - Mr. White was appointed to the Commission by President of the Senate in July, 2009. Mr. White served four years in the State Senate, and was Minority Whip in 1972. He was a candidate in the 1979 Republican gubernatorial primary. Mr. White is an attorney and a lifetime member of the Western Kentucky University Alumni Association. He lives in Bowling Green, Kentucky.

**Judge David A. Barber** - Judge Barber was appointed to the Commission by the Speaker of the House in April, 2011. As a practicing lawyer in Floyd County, Judge Barber served as attorney for the Floyd County Board of Education, Martin City Attorney, Floyd County Attorney, and Administrative Law Judge for the Kentucky Department of Workers' Claims. From 1999 to 2007, he served as a Judge on the Kentucky Court of Appeals. Judge Barber earned his B.A. from Transylvania University and his J.D. from the University of Louisville. He has served as Adjunct Professor of History at Prestonsburg Community College. He and his wife Paula Richardson live in Owingsville, where they are partners in the law firm of Richardson, Barber & Williamson.

## Legislative Ethics Commission Staff Profile

**Anthony M. Wilhoit** - Executive Director. Judge Wilhoit joined the Legislative Ethics Commission on November 17, 1997. In 1976, he joined the Kentucky Court of Appeals, and he was appointed Chief Judge in 1996. His other employment experience includes police judge, city attorney, county attorney, state public defender, and deputy justice secretary. He received an AB from Thomas More College, a law degree from the University of Kentucky, and an LL.M. from the University of Virginia.

**John Schaaf** - Assistant Director. Mr. Schaaf joined the Commission in June 2004. Prior to that, he was the General Counsel and staff attorney for the Legislative Research Commission for 16 years. His other employment experience includes practicing law in Louisville, and working as editor of a weekly newspaper. He received a journalism degree from the University of Kentucky and a J.D. from the University of Louisville Brandeis School of Law.

**Donnita B. Crittenden** - Mrs. Crittenden is the Principal Assistant in the Commission office. She is a graduate of Franklin County High School, and has a BA in Public Administration from Kentucky State University. Mrs. Crittenden joined the Commission in August 1993. Her previous experience includes a three-year internship with the Kentucky Department of Education, specifically assigned to the State Board of Education.

**Connie Y. Evans** - Mrs. Evans is the Staff Assistant in the Commission office. She is a graduate of Lebanon High School, Lebanon, Kentucky. Her previous experience includes legal secretary for 15 years, elementary school secretary for 11 years, and judicial secretary for 3 1/2 years in the Court of Appeals. She joined the Commission in January 1998.

**P. Michael Malone** - Mr. Malone is the Enforcement Counsel for the Commission. He was an Assistant Commonwealth's Attorney in Fayette County from 1978 until his retirement in 2006. He was the first Assistant Commonwealth's Attorney beginning in 1987. In addition to trying over 350 felony cases, including approximately 60 murder trials, he worked closely with homicide detectives investigating major crimes. Mr. Malone served in the United States Coast Guard before entering the University of Kentucky where he majored in Political Science, and the University of Kentucky School of Law, from which he received a J.D.

**Education and Training  
FY 2011-2012**

July, 2011 Anthony Wilhoit, presentation to South African Delegation

October, 2011 Anthony Wilhoit, Donnita Crittenden and John Schaaf, Presentation Lobbyist Retreat at Boone Tavern, Berea, KY

December, 2011 Donnita Crittenden and John Schaaf, attended and presented at the Council on Governmental Ethics Laws (COGEL) Conference in Nashville, TN

January, 2012 Current Issues Seminar for Members of the General Assembly conducted by LEC Staff, Speaker Jack Abramoff, Former Lobbyist; and Paul Prather, Preacher and Author, contributing columnist at the *Lexington Herald Leader*.

January, 2012 Donnita Crittenden and John Schaaf Employer and Legislative Agent Training Session

June, 2012 John Schaaf, Ethics Presentation at the Legislative Research Commission's Continuing Legal Education Seminar

During the fiscal year, we provided:

- Various in-house training sessions, as requested
- Reviewed, approved and posted (on website) over 200 Financial Disclosure forms for legislators and candidates
- Issued 27 written informal advisory opinions
- Gave approximately 300 verbal and e-mailed informal advisory opinions
- Answered numerous filing and procedural questions
- E-mailed monthly Ethics Reporters to all General Assembly members, news media, legislative agents and employers
- E-mailed filing notifications monthly to all employers and legislative agents; and
- E-mailed and mailed updated employers and lobbyists lists monthly to all General Assembly members and LRC staff.

**Legislative Ethics Commission  
Registration of Lobbyists and Employers**

**FY 2011-2012**

Number of Employers: 632

Number of Legislative Agents: 595

In January 2012, all employers and legislative agents were required to re-register with the Kentucky Legislative Ethics Commission. Approximately 2300 forms were received.

Reports were filed on September 15, 2011, January 15, 2012, February 15, 2012, March 15, 2012, April 15, 2012, and May 15, 2012.

The Kentucky Legislative Ethics Commission (KLEC) has continued to enhance its database and web site, making more information available to the public regarding legislative agents (lobbyists) and their employers.

By accessing KLEC's web site, citizens can review a variety of reports, including legislator and candidate financial disclosure forms, a list of legislative agents and their employers, legislative agent compensation, employer expenses sorted by the employer's name, and employer expenses sorted by industries, such as "gaming" or "health care."

**MONEY SPENT ON LEGISLATIVE ACTIVITY SINCE THE ENACTMENT OF  
THE LEGISLATIVE ETHICS CODE - January 1994**

**Complaints and Administrative Actions  
FY July 1, 2011 - June 30, 2012**

**Complaints:**

Three complaints were filed. Two against members of the General Assembly and one against a registered legislative agent. The complaints against the members were dismissed for lack of probable cause. The complaint against the legislative agent resulted in a fine of \$500.

**Administrative Fines Levied by the Commission:**

Legislative Agents           \$2,000.00  
Employers                       \$5,500.00  
**Total Fines Assessed       \$7,500.00**

These fines were assessed due to failure to file updated registration statements by the designated filing deadlines. Filers are cautioned that chronic late filing of forms may result in additional penalties and possible action by the Commission.

Legislative Year	Money for food and beverages for legislators and their families.	Money for food and beverages at recognized events.	Total expenses/ expenditures for lobbying. (Includes legislative agent salary.)
1994	\$1,202	\$36,422	\$6,466,058
1995	\$284	\$16,226	\$2,732,827
1996	\$890	\$44,761	\$7,305,064
1997	\$14	\$26,091	\$3,583,809
1998	\$30	\$87,241	\$8,112,968
1999	\$248	\$31,644	\$4,433,490
2000	\$95	\$149,456	\$9,302,624
2001*	\$233	\$141,020	\$6,882,993
2002	\$282	\$196,694	\$10,294,339
2003	\$542	\$198,302	\$9,188,587
2004	\$711	\$214,704	\$11,871,973
2005	\$688	\$239,060	\$11,663,760
2006	\$580	\$245,725	\$14,411,884
2007	\$160	\$160,087	\$12,658,586
2008	\$434	\$248,463	16,902,528
2009	\$236	\$135,943	15,262,677
2010	\$530	\$189,059	16,692,839
2011	\$244	\$177,926	15,090,667
2012**	\$324	\$134,765	13,220,395

\*2001 Reflects totals from the first annual session in an odd-numbered year.

\*\*2012 figures include totals through August 31, 2012.

From 1994 to 2012, \$199,283,468 was reported.

Of that figure, \$173,692,436 was attributed to salaries of legislative agents and \$25,591,032 was for other lobbying expenses.

**LOBBYING EXPENSES AS REPORTED 1994 - 2012**

YEAR	EMP. FB	EMP. RME	EMP. EXP	LA FB	LA RME	LA EXP	LA COMP	TOTAL
2012**	\$324	\$134,765	\$789,591	\$0	\$13,486	\$652,724	\$11,629,505	\$13,220,395
2011	\$228	\$160,435	\$393,916	\$16	\$17,491	\$905,572	\$13,613,009	\$15,090,667
2010	\$530	\$189,059	\$904,378	\$0	\$28,206	\$1,188,642	\$14,382,024	\$16,692,839
2009	\$236	\$135,943	\$462,256	\$0	\$19,126	\$985,833	\$13,659,283	\$15,262,677
2008	\$434	\$248,463	\$691,801	\$82	\$35,100	\$1,196,922	\$14,729,726	\$16,902,528
2007	\$160	\$160,087	\$530,195	\$0	\$18,175	\$1,025,796	\$11,951,309	\$13,685,722
2006	\$423	\$227,190	\$803,103	\$157	\$19,631	\$1,061,624	\$13,362,476	\$15,474,604
2005	\$420	\$214,397	\$615,303	\$268	\$24,663	\$902,410	\$10,808,709	\$12,566,170
2004	\$561	\$204,701	\$819,692	\$150	\$10,003	\$213,134	\$10,836,866	\$12,085,107
2003	\$542	\$193,663	\$848,670	\$0	\$4,639	\$0*	\$8,141,073	\$9,188,587
2002	\$262	\$188,446	\$1,008,768	\$20	\$8,248	\$0*	\$9,088,595	\$10,294,339
2001	\$160	\$136,819	\$608,853	\$73	\$4,201	\$0*	\$6,132,887	\$6,882,993
2000	\$95	\$136,032	\$857,075	\$0	\$13,424	\$0*	\$8,295,998	\$9,302,624
1999	\$248	\$30,082	\$411,981	\$0	\$1,562	\$0*	\$3,989,617	\$4,433,490
1998	\$20	\$82,741	\$939,643	\$10	\$4,500	\$0*	\$7,086,054	\$8,112,968
1997	\$14	\$22,072	\$420,529	\$0	\$4,019	\$0*	\$3,137,175	\$3,583,809
1996	\$589	\$40,822	\$880,518	\$301	\$3,939	\$341,893	\$6,037,002	\$7,305,064
1995	\$177	\$15,692	\$318,105	\$107	\$534	\$144,098	\$2,254,114	\$2,732,827
1994	\$852	\$34,117	\$1,356,719	\$350	\$2,305	\$514,701	\$4,557,014	\$6,466,058
Totals	\$6,275	\$2,555,526	\$13,661,096	\$1,534	\$233,252	\$9,133,349	\$173,692,436	\$199,283,468

*Guide to Abbreviations:*  
 EMP. FB (Emp. Food and Beverage)  
 EMP. RME (Emp. Reception, Meals, & Events)  
 EMP. EXP (Emp. Expenses)  
 LA. FB (Legislative Agent Food and Beverage)  
 LA. RME (Legislative Agent Reception, Meals & Events)  
 LA. COMP (Legislative Agent Compensation)

\* Employer forms were amended to delete section dealing with reimbursed expenses to legislative agents for expenses and legislative agents were reporting these figures during the same period.

\*\*2012 figures include totals through August 31, 2012.  
 NOTE: Numbers have been rounded up to next dollar for convenience.

Thank you for visiting the Kentucky Legislative Ethics Commission (KLEC) Web site. We hope the information you find here will be helpful.

KLEC has jurisdiction over:

- Legislative agents (lobbyists).
- Employers (individuals or entities who engage legislative agents), and
- Members of the General Assembly.

The legislative ethics law covers four broad subject matters:

- Registration of legislative agents and employers;
- Statements by legislative agents and employers of:
  - lobbying expenditures and expenses, and financial transactions;
- Conduct of members of the General Assembly; and
- Financial disclosure statements of the General Assembly, legislative candidates, and key legislative staff.

**FILE FORMS ONLINE**

(The next report covers 9/1/2012 to 12/31/2012 and is due on Tuesday, 1/15/2013)

**Lobbyist & Employer Lists**

**Employers of Legislative Agents (Lobbyists)**

pdf format  
word format

**Legislative Agents (Lobbyists)**

pdf format  
word format

**SEARCHABLE REGISTER**

You may now search our entire database including expense records for employers and their legislative agents. Records are updated as they are entered into the database. All viewable reports are updated at 5:00 p.m. daily.

<http://klec.ky.gov>

**Most recent newsletter: October 2012**

**The next meeting of the Kentucky Legislative Ethics Commission is scheduled for Tuesday, December 11, 2012.**

**KET Video of Former Lobbyist Jack Abramoff Speaking To Kentucky Legislators**

**2012 Recommended Changes to the Code of Legislative Ethics**

**Ethics News Stories From Across America (Click Here)**

**Kentucky tops national ethics study. View a copy of Honest Enforcement: What Congress Can Learn From Independent State Ethics Commissions**

See Also...  
 Ky. Executive Branch Ethics Commission  
 The Executive Branch Code of Ethics establishes the ethical standards that govern the conduct of all executive branch employees.  
 Ky. Legislative Research Commission  
 A fact finding and service body for the legislature consisting of

## Searchable Register

If you have questions regarding our searchable register, please contact Donnita Crittenden.

### CONTACT US

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22 Mill Creek Park  
Frankfort, Kentucky 40601

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For directions, see the "About Us" section of this site.

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Staff Assistant: connie.evans@lrc.ky.gov

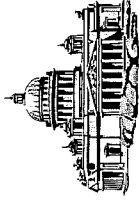
a 16 member panel of Democrats and Republican leaders from the General Assembly.

Ky. Registry of Election Finance  
The Kentucky Registry of Election Finance administers and enforces the laws regulating the financing of state and local elections in Kentucky.

#### Link Disclaimer

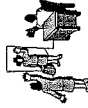
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External links are identified with the following icon: 



## ETHICS REPORTER July, 2011

Kentucky Legislative Ethics Commission  
22 Mill Creek Park, Frankfort, Kentucky 40601-9230  
Phone: (502) 573-2863  
<http://klec.ky.gov>



### New Employers Registered to Lobby, Others Quit

Several businesses or organizations have recently registered to lobby the General Assembly on legislative issues or business relationships with state government, or both. The new registrants are:

**American Automotive Leasing Association** -- a national industry association composed of commercial automotive fleet leasing and management companies.

**Certified Languages International** -- an Arizona-based provider of language interpretation and translation services, including telephone and on-site interpreter services. The company also registered with the Executive Branch Ethics Commission (EBEC) as an employer of lobbyists.

**Kronos Inc.** -- a Massachusetts-based company which provides workforce management services such as hiring, time and attendance, and payroll. Kronos contracts with state government and with the University of Kentucky, and is "pursuing public sector business in relation to procurement and technology matters related to governments." Kronos also registered with the EBEC.

**Mary Byron Project** -- a Louisville-based organization which develops and supports efforts to end domestic violence.

**National Safety Repair Association** -- a group of independent auto glass repair businesses interested in insurance-related issues.

**Westfield Group** -- an Ohio-based group of insurance, banking, and related financial services companies, which will begin lobbying on Aug. 1.

Three employers have terminated their registrations and will do no more lobbying this year: All **Things Good**, a Louisville chiropractor's lobbying entity which spent \$65,000 on lobbying in January and February; **Brooklawn Child & Family Services**, a psychiatric treatment center for adolescents and children; and **Saint Joseph Hospital - London**, part of **Catholic Health Initiatives (CHI)**, a Denver-based system of 72 hospitals and 40 long-term care facilities. CHI remains registered to lobby in Kentucky, where it operates 11 hospitals, including **Jewish Hospital & St. Mary's HealthCare**, which is also registered to lobby. CHI is proposing to merge University of Louisville Hospital and the James Graham Brown Cancer Center into the CHI system.

Last Updated 11/16/2012

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## Opinions of the Legislative Ethics Commission

In response to a request for a formal opinion, at its meeting on July 12, 2011, the Legislative Ethics Commission issued OLEC 11-01. The conclusion of the opinion states as follows:

The Code of Legislative Ethics does not forbid a corporation owned by a legislator from contracting with a local entity, which is a corporate body and political subdivision, to furnish professional services to that entity under a contract let after public notice and competitive bidding.

The staff of the Legislative Ethics Commission issued the following *informal opinions*:

The Code of Legislative Ethics prohibits a lawyer/legislator from representing a client in an action for damages against the Commonwealth "in which the Commonwealth is the principal defendant or against a state agency in which the agency is the principal defendant." However, the Code does not prohibit representation in an action against a county government or county officials. See *KRS 6.744(7)*.

A legislator may use legislative letterhead for a letter to a federal agency in support of agency action, unless the legislator, a family member, or business associate would benefit from the agency's action in a manner different from others who are similarly situated.



### Government Contracts for Employers Reviewed by Legislators

At its July meeting, the Legislature's Government Contract Review Committee reviewed without objection several contracts and amended contracts between public agencies and employers of legislative agents. The employers of lobbyists are listed in bold:

Among the amended contracts, the Cabinet for Economic Development added \$500,000 to its contract with **Kentucky Science and Technology Corp. (KSTC)** of Lexington to administer the Kentucky Small Business Innovation Research/Small Business Technology Transfer matching funds program. This is a two-year (2010-2012) contract between the Cabinet and **KSTC**, and totals more than \$11.8 million.

The Department for Community Based Services (DCBS) in the Cabinet for Health and Family Services increased three contracts to provide services to families. A contract with **Seven Counties Services** of Louisville was increased by one year and \$1,486,341 to a total of \$2,972,682. Under the contract, **Seven Counties** provides family preservation program services.

DCBS also extended two contracts with **KVC Behavioral Healthcare Kentucky**, a Kansas-based company with four Kentucky locations. Under one contract, which was extended by one year and increased by \$700,000 to \$1.4 million, **KVC** will provide clinical assessments and in-home services to families in which a child or children are committed to DCBS as a result of maltreatment, and to families in which a child is at imminent risk of commitment and placement in out-of-home care. Under the second **KVC** contract, which was also extended by one year and increased by \$489,361 to \$978,722, **KVC** will provide family preservation services in the Fivco Area Development District's service area in northeastern Kentucky.

The state's Department for Public Health (DPH) added Fiscal Year 2012 funding to two contracts with **Volunteers of America of Kentucky, Inc.**, a Louisville-based organization which provides HIV/AIDS services. One contract was increased by \$1.1 million to \$2.4 million and the other added \$355,713 in federal funds for a total contract amount of \$711,425 for HIV prevention services in the north central region of Kentucky.

**St. Elizabeth Healthcare**, the Edgewood-based medical provider, will get increased contract amounts from DPH and from the Justice Cabinet. DPH added \$84,240 to **St. Elizabeth's** contract to provide services to eligible children from birth through three years of age, bringing the total two-year contract to \$1,164,240. Justice added \$179,632 to **St. Elizabeth's** contract to provide autopsy services, making the total contract amount \$354,032.

**Florence & Hutcheson**, the Paducah-based engineering firm, has two new contracts with the Transportation Cabinet for roadway design work. The two contracts, one for \$1,773,924 and one for \$253,766, are 80 percent federally funded. A third contract with **Florence & Hutcheson** was increased by \$171,482 to a total of \$1,086,840 for highway design work to correct problems on U.S. 60 in Livingston County.

**Underwriters Safety & Claims**, a Louisville insurance and risk management company, is contracting with the University of Kentucky to provide workers' compensation third party administrator services for UK, and will receive up to \$251,401 this fiscal year for providing those services.

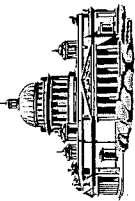
**Underwriters Safety & Claims** is also contracting with **Kentucky Employers Mutual Insurance (KEMI)**, a public agency which also employs lobbyists. Under the contract, **KEMI** will pay up to \$1.35 million of its policyholders' funds to **Underwriters**, which will provide **KEMI** with access to a managed care network and other services as required by state law and the Department of Workers' Claims.

**KEMI** is also contracting to pay \$31,500 to the Frankfort lobbying firm of **Ridenour & Associates** to represent **KEMI's** interests with regard to the executive and legislative branches of Kentucky state government, including legislation or other activities which may impact **KEMI**, its business interests and workers' compensation matters in general.

Another Frankfort lobbying firm, **MML&K Government Solutions**, has contracted with **Kentucky State University (KSU)** to identify projects and priorities that will enable **KSU** "to maximize the potential for seeking grant funds from federal agencies and to secure specific congressional appropriations." Under the contract, **KSU** will pay **MML&K** up to \$60,000 this fiscal year.

Other employers of lobbyists who are contracting with public agencies include: **Access To Justice Foundation**, \$750,000 contract with the Justice Cabinet to provide civil legal aid and pro-bono services for low income Kentuckians; **Patient Services Inc.**, \$261,600 contract with the Commission for Children With Special Health Care Needs to coordinate a statewide health insurance case management program for all individuals who have been accepted into the Commission's hemophilia and cystic fibrosis programs; **Wendell Foster's Campus for Developmental Disabilities**, \$209,918 contract with the Department for Public Health to provide training and technical assistance statewide to First Steps Service Coordinators, child evaluation specialists, and other early intervention providers regarding assistive technology services and devices; and **Kentucky Rural Water Associates**, \$150,000 contract with the Kentucky Infrastructure Authority to provide technical assistance services to water utilities serving less than 10,000 individuals.





## ETHICS REPORTER August/September, 2011

Kentucky Legislative Ethics Commission  
22 Mill Creek Park, Frankfort, Kentucky 40601-9230  
Phone: (502) 573-2863  
<http://klec.kv.gov>



### Commission Recommends Changes to Ethics Law

The Legislative Ethics Commission has recommended 16 changes to the statutes which comprise the Code of Legislative Ethics. The recommendations are similar to those made last year by the Commission, and relate to legislators, legislative candidates, lobbyists, and employers of lobbyists.

One recommendation is for repeal of the provision allowing each lobbyist and employer to spend a total of \$100 annually on food and beverages for each legislator and his or her immediate family. If the \$100 provision is repealed, Kentucky would join other states which have adopted the "no cup of coffee" rule, prohibiting lobbyists and their employers from furnishing food and beverages for individual members of the General Assembly.

Another recommendation would prohibit lobbyists and their employers from paying for out-of-state travel, food, or lodging expenses for members of the General Assembly or legislative candidates.

Legislative candidates would be treated in the same manner as legislators under another Commission recommendation. Currently, lobbyists and employers are not prohibited from giving "anything of value" to a candidate, or from spending more than \$100 during a calendar year on food and beverages for a candidate, but they are prohibited from giving "anything of value" or spending more than \$100 per year on members of the General Assembly. The recommended change would apply the same limits to legislators and candidates.

The Commission also recommends that the ethics law prohibit employers of lobbyists and political action committees (PACs) from making a campaign contribution to a legislative candidate or a legislator during a regular session of the General Assembly. More than 80 employers of lobbyists maintain PACs to collect and distribute campaign contributions.

The recommended prohibition on in-session contributions from employers and PACs would not be as extensive as the year-round prohibition on contributions which applies to lobbyists.

Also in the area of campaign finance, the Commission recommends that the law prohibit lobbyists from directly soliciting contributions for an election campaign of a legislator or legislative candidate.

The Commission also recommends a prohibition on mass mailings by a legislator at public expense for 60 days prior to an election. Publicly-funded mass mailings close to an election are discouraged by the Commission's guidelines for use of official legislative stationery, but the law does not prohibit such mailings.

Another recommendation would authorize the Commission to dismiss a complaint without prejudice if the complaint or preliminary inquiry is publicly disclosed by the complainant, or the complainant comments publicly about the complaint. This change would not prohibit the filing of a complaint close to an election, but if the complaint is publicized during the confidential initial proceedings, it could be dismissed.

The Commission's recommendations have been submitted to the Legislative Research Commission. A complete list of the recommendations can be found at the KLEC's website: <http://klec.kv.gov>



### New Employers Register to Lobby

The following organizations have registered (or re-registered) to lobby the General Assembly:

**Community Ventures Corporation**, which has seven regional offices in Kentucky, and states it serves home buyers and business owners as "the nation's largest SBA micro-enterprise business lender, a pioneer in online homebuyer education, and a reliable partner to Kentucky's banking institutions and dozens of local, state and federal agencies."

**Environmental Resources Management Consulting Co.**, a Lexington-based engineering firm that provides services for the coal industry, including mine permitting and design and mineral property evaluation. The company states it will be lobbying on policies related to Kentucky's natural resource industries. It also uses the names **Environmental Risk Management Consulting Co.** and **ERMICZ**.

**Expedia**, based in Bellevue, Washington, states it is "the largest online travel company in the world", and will be lobbying to raise "legal concerns about possible litigation-based debt collection efforts." **Expedia** was last registered to lobby in Kentucky in 2009.

**Kentucky Pharmacists Association (KPA)**, a Frankfort-based organization, has re-registered after terminating its lobbying activity in February, 2011. **KPA** will lobby on issues affecting the practice of pharmacists and the profession of pharmacy.

**Maryhurst**, a Louisville non-profit which serves at-risk children and teens with its residential treatment program for teenage girls, group home settings, and other programs.

**Professional Case Management**, a Denver-based company with an office in Paducah, which states it is the nation's largest provider of in-home skilled nursing services for former uranium and nuclear weapons-complex workers - patients suffering disabling illnesses caused by exposure to radiation and toxic substances found in uranium mining and the nuclear weapons industry.

**Software Information Systems**, a Lexington technology consulting company with offices in five states.

One organization has terminated its registration -- **Associated Builders and Contractors Kentucky**, a construction trade association representing over 450 companies throughout the state of Kentucky and southern Indiana is no longer registered to lobby.



### **Lobbying Spending Reports Due September 15**

Reports detailing spending and other activities undertaken by lobbyists and their employers are due by the close of business on Thursday, September 15. The reports will cover the period beginning on May 1 and running through August 31. File forms online at <http://klec.ky.gov/>

Among the information which must be reported is any spending on a "Kentucky Night" at any of the three legislative conferences held this summer. Those nights were July 18 at the Southern Legislative Conference in Memphis, August 5 at the American Legislative Exchange Council in New Orleans, and August 10 at the National Conference of State Legislatures in San Antonio.



### **Government Contracts for Employers Reviewed by Legislators**

At the most recent meeting of the Legislature's Government Contract Review Committee, the Committee reviewed without objection several contracts and amended contracts involving public agencies, lobbyists, and employers of lobbyists. The employers of lobbyists are listed in bold:

The Department for Medicaid Services' contract with **University Health Care, Inc./dba Passport** will run from July 1, 2011 to June 30, 2012. The contract calls for **Passport** to receive up to \$800 million for providing Medicaid services to recipients in the following counties: Breckinridge, Bullitt, Carroll, Grayson, Hardin, Henry, Jefferson, Larue, Marion, Meade, Nelson, Oldham, Spencer, Shelby, Trimble and Washington. About 71 percent of the funding for the contract will come from the U.S. government.

**Morehead State University** is contracting with the lobbying firm of MML&K Government Solutions for the period of July 1, 2011 to June 30, 2012. Under the contract, **Morehead State** will pay MML&K up to \$59,640 to provide assistance with state and federal government relations.

Among the amended contracts, the Department for Public Health has added \$2,324,784 in federal funds to its contract with **Kentucky Hospital Research & Education Foundation (Kentucky Hospital Association)**. The contract runs from July 1, 2010 to June 30, 2012 and totals \$6,302,420. It is designed to upgrade the preparedness of hospitals and collaborating entities to respond to bioterrorism or other public health emergencies.

The Department for Public Health also added \$134,568 in federal funds to a contract with **Volunteers of America of Kentucky**, which is providing outreach syphilis screenings in Louisville and Lexington, and hiring two full-time employees in Louisville and one in Lexington to work collaboratively with the Kentucky Sexually Transmitted Disease Program in Frankfort. The two-year contract totals \$226,550.



### **News You Can Use from State & Federal Communications**

#### **House Freshmen Push Bills That Benefit Big Donors** National - *USA Today* - Published 8/31/2011

Several House freshmen who swept into power vowing to change Washington's ways are pushing legislation that could benefit some of their most generous campaign contributors, a *USA Today* review of legislative and campaign records shows.

Five months after taking office, Rep. Stephen Fincher, a cotton farmer from a mostly rural swath of Tennessee, introduced a bill to mandate swift federal approval of genetically modified crops for commercial sale. Fincher has received more campaign money from agribusiness than any other industry.

Two months after he filed the bill, the political action committee of the Minnesota-based agricultural giant Land O'Lakes staged a \$500-a-head fundraiser to benefit Fincher's re-election campaign. The company spent more than \$740,000 on lobbying last year on a range of issues, including federal regulation of its genetically modified alfalfa seeds.

Other freshmen who have crafted legislation backed by the industries helping to underwrite their campaigns include Rep. Sean Duffy, Wis., and Rep. Paul Gosar, Ariz. Duffy, who gets a significant portion of his campaign funds from financial services companies, is the lead sponsor of a measure that would dilute the powers of a new Consumer Financial Protection Bureau. Gosar would end health insurance companies' protection from anti-trust provisions, a step applauded by doctors, dentists and health professionals who have donated nearly \$74,000 to his campaign in the first six months of this year.

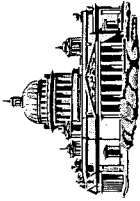
Craig Holman of the watchdog group Public Citizen said the proposed legislation is a sign that "the incoming freshmen have learned business-as-usual on Capitol Hill. They are very quickly moving into the ranks of normal incumbents."

They also are setting fundraising records. House freshmen collected \$37.2 million during the first six months of the year, a 34.3% jump over the campaign money raised by new House lawmakers at the same point in the 2010 election cycle, according to Federal Election Commission data.

Fincher has received more than \$87,700 from agribusiness interests between Jan. 1 and June 30, according to data compiled by the non-partisan Center for Responsive Politics. Fincher's proposed legislation would require automatic approval for genetically engineered crops if the U.S. Department of Agriculture failed to act on an application within 240 days.

## ETHICS REPORTER October, 2011

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### Lobbying Spending in Non-Session Months

Although the General Assembly was not in session, legislative agents and their employers spent close to \$3.8 million on lobbying in the most recent reporting period. Almost all (\$3.65 million) of the total was spent on lobbyist compensation, since most employers pay lobbyists throughout the year in monthly installments.

The leading spenders for the May 1 to August 31 period were Altria Client Services, which spent \$92,173; Kentucky Chamber of Commerce (\$87,317); National Popular Vote Initiative (\$60,000); CSX Corp. (\$48,038); Houchens Industries (\$44,000); Kentucky Medical Association (\$36,864); Swedish Match North America (\$34,650); AmeriGroup Corp. (\$34,046); Kentucky Justice Association (\$31,630); Churchill Downs (\$30,381); National Tobacco Co. (\$30,236); SAS Institute (\$27,333); Jefferson County Public Schools (\$26,437); Necco (\$26,017); and Microsoft Corp. (\$26,000).

Employers and lobbyists joined to spend over \$26,000 on "Kentucky Night" receptions and dinners, and other events for Kentucky legislators and LRC staff attending the three major legislative conferences held this summer. At the Southern Legislative Conference (SLC) in Memphis, Tennessee, about \$5,100 was spent on an event at the Cadre, the historic landmark building located near the Peabody Hotel, where SLC was held. At the American Legislative Exchange Council (ALEC) in New Orleans, lobbyists and employers spent about \$7,100 on an event at the Audubon Nature Institute; and at the National Conference of State Legislatures (NCSL) Legislative Summit in San Antonio, Texas, Kentucky lobbyists and employers spent about \$8,400 on an event at the Iron Cactus restaurant on the Riverwalk.

In addition to the "Kentucky Night" events at the conferences, the Kentucky Credit Union League spent about \$2,700 on a breakfast for Kentuckians at NCSL in San Antonio; and Cash America International and Kentucky Deferred Deposit Association joined together at ALEC to spend \$2,337 on Kentuckians at Antoine's, a restaurant in the French Quarter of New Orleans. At SLC in Memphis, RAI Services (Reynolds American) spent \$800 on Kentuckians participating in a golf tournament.

Employers sponsored other summer events during which money was spent on legislators, family members and staff, including the "Downs After Dark" event on which Churchill Downs spent \$5,101; a golf outing and dinner on which Cincinnati Children's Hospital Medical Center spent \$970; "Kentucky Night" at the National Conference of Insurance Legislators meeting in Newport, Rhode Island, on which the Insurance Institute of Kentucky and State Auto Insurance spent \$362; the "Business and Economic

Summit" in Louisville, on which the Kentucky Chamber of Commerce spent \$2,420; the "Kentucky Country Ham Breakfast and Picnic" in Louisville, on which the Kentucky Farm Bureau Federation spent \$4,340; a lunch for the Committee on Licensing and Occupations at the Chas. Seligman Distributing Co. in Walton, Ky., on which the Kentucky Malt Beverage Council spent about \$600; a Belle of Cincinnati riverboat cruise on which the Northern Kentucky Chamber of Commerce spent \$1,575, and which was part of Northern Kentucky's two-day legislative event, co-sponsored by AT&T, Citi, Duke Energy, Fidelity Investments, St. Elizabeth Healthcare and Northern Kentucky Convention Center.



### Altria Leads in Annual Spending

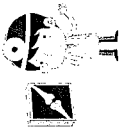
In addition to topping the employer list for the past few months, Altria is the leading spender on lobbying for the entire year. Since the beginning of 2011, Altria has spent \$215,973 on lobbying, and the Kentucky Chamber of Commerce has spent \$186,796. Other top spenders for the year to date include: Kentucky Medical Assn. (\$108,279); National Popular Vote Initiative (\$97,500); Houchens Industries (\$88,000); Kentucky Optometric Assn. (\$83,468); Consumer Healthcare Products (\$83,333); Kentucky Bankers Assn. (\$76,972); Kentucky Hospital Assn. (\$76,783); Swedish Match North America (\$69,300); Kentucky Justice Assn. (\$69,106); AmeriGroup Corp. (\$66,046); AT&T (\$65,751); All Things Good (\$65,000) and Kentucky Assn. of Manufacturers (\$64,389).



### Newly-Registered Employers and Terminations

Several employers have recently registered to lobby in Kentucky. Those include: Daymar Colleges Group, an Owensboro-based for-profit college, which has 11 locations in Kentucky, and which is being sued by current and former students, and by the Attorney General for using deceptive practices in violation of the state's consumer protection law; Fidelity Express, a Texas-based company that processes money orders and walk-in bill payment transactions, primarily for consumers without bank accounts; WellCare of Kentucky, a subsidiary of Florida-based WellCare, one of four companies selected to operate managed care plans for the state's Medicaid program. Of the other three companies, University Health Care, which does business as Passport, employs lobbyists, but Delaware-based CoventryCares of Kentucky, and St. Louis-based Centene Corp. do not employ lobbyists. Also newly-registered is Wipro Infocrossing, which states it supports more than 40,000 databases in the U.S., Europe, and Japan.

Seven employers have terminated lobbying registration, and will not be lobbying in Kentucky. Those include: Big Blue Reporters, a Lexington court-reporting service; Chicago & Midwest Regional Joint Board, a labor organization; Hosparus, a non-profit hospice organization; Infinite Campus, a company that provides information systems for school districts and state governments; Kentucky Kingdom Redevelopment Co., which unsuccessfully sought state funding to open an amusement park at the State Fairgrounds; Oak Grove Village, which lobbied for tax increment financing for a proposed shopping complex at Ft. Campbell; and R.A.M.M. Technologies, a Lexington company which developed the "PillGuard" device, a pill dispenser that limits how frequently a patient can take prescription drugs.



### Group Works to Enroll Americans in Health Coverage

The *Washington Post* reports a new health industry coalition launched recently, and includes groups that had opposing positions on the health care legislation enacted by Congress last year. Called *Enroll America*, the 42-member coalition includes several health-related organizations with affiliates or lobbyists in Kentucky.

*Enroll America* is a nonpartisan 501(c)(3) organization that, according to its website, is "working with partners that span the gamut of health coverage stakeholders - health insurers, hospitals, doctors, pharmaceutical companies, employers, consumer groups, faith-based organizations, civic organizations, and philanthropies - to engage many different voices in support of an easy, accessible, and widely available enrollment process." Some of the participating organizations with ties to lobbying in Kentucky include: *American Association of Retired Persons (AARP)*, *Aetna, Inc.*, *American Cancer Society Cancer Action Network*; *American Diabetes Association*; *American Heart Association/American Stroke Association*; *American Hospital Association*; *American Nurses Association*; *Catholic Charities USA*; *Express Scripts*; *National Association of Health Underwriters*; and *United Way Worldwide*.

The *Post* states the coalition members have a common interest: getting uninsured Americans covered. Insurers want more customers. Hospitals are sick of providing uncompensated care. Health brokers make commissions off enrollment. "Even though various groups involved in health care have different perspectives on the directions we should head in health policy, we all have a real joint, undivided interest in making sure everyone becomes enrolled," said *Enroll America's* Ron Pollack.

According to the *Post*, if the group succeeds, the health law could end up covering more of the uninsured than the 32 million people estimated by the Congressional Budget Office when the legislation was enacted.

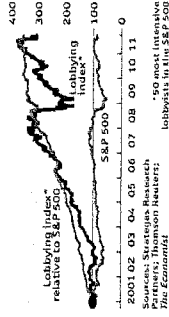


### Four Employers Will Pay Fines for Late Filing

Four employers have not filed the spending reports due by September 15, and will be required to pay fines for late filing. Those are: *Kentucky Tax Bill Servicing, Inc.*; *Kentucky Tax Lien Purchasers Association*; *Learning Ally*; and *Red Bull North America, Inc.*

### Beat You in the Lobby

Share prices, January 1st 2001=100



### Ask What Your Country Can Do for You

#### *The Economist* – Oct. 1, 2011

Much as some businesses whine about government intrusion, others do pretty well out of it. An index based on the amount of lobbying that American firms do has outperformed the broader market since its creation in 2008; data going back to 1998 show that it has done better over the longer term, too.

The index is produced by Strategas, an investment-research firm. A first effort, to rank firms on the amount they spend on lobbying, was no use -- it just corresponded with the largest firms. Strategas now looks at the intensity of lobbying—expenditure as a percentage of assets—to create an index of 50 firms that is revised quarterly.

In aggregate, the results have been stunning, comparable to the returns of the most blistering hedge fund. The index has outperformed the S&P500 by 11% a year since 2002 (see chart). There have been bumps along the way: the index fell sharply in 2008 and again this summer, when debt-ceiling brinkmanship raised the prospect of government austerity. But at other times, it seems remarkable that companies would do anything but lobby.

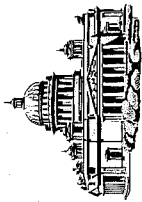
A particularly vivid example was in 2004, when an aggressive corporate campaign prompted Congress to grant a one-off tax holiday for American companies to repatriate foreign earnings. The outright return on lobbying costs, according to one of the various studies that served as inspiration for the Strategas index, was \$220 for each \$1 spent.

Firms that qualify for the index tend to be under the government's cosh (a weighted weapon similar to a blackjack). Tobacco companies are routinely threatened with every tax and sales restriction going, and are perennial fixtures on the list. So too are defence contractors. This year witnessed the entry into the index of several private-education providers, an area that has been under scrutiny by the administration of Barack Obama, as well as medical firms worried about the myriad loose ends to be tied up in Mr. Obama's health-care plan.

Banks do not make the list because their balance-sheets are so leveraged that lobbying expenditures are small as a percentage of assets. That omission probably flatters the index in recent years but harms it in earlier ones.

(Note: Businesses which employ lobbyists in Kentucky and have been part of the Strategas lobbying index in recent years include: *Altria*, *Amgen*, *Brown-Forman*, *DaVita*, *Eli Lilly & Co.*, *MasterCard*, *Norfolk Southern*, *Peabody Energy*, and *Tyson Foods*.)

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### Lobbyists' Employers Have PACs

After a recent reporting deadline, the Kentucky Registry of Election Finance released updated information on Political Action Committees (PACs) which are raising and spending money for state and local campaigns in Kentucky. Election finance law defines a PAC as a "permanent organization having as a primary purpose expressly advocating the election or defeat of one or more clearly identified candidates, slates of candidates or political parties, which functions on a regular basis throughout the year . . ."

Of the 148 active PACs in Kentucky, 98 are affiliated with organizations or businesses that employ legislative agents who lobby the General Assembly, or have recently employed lobbyists. The Legislative Ethics Commission has recommended that PACs and lobbyists' employers be prohibited from contributing to legislative candidates during regular sessions of the General Assembly.

The 98 PACs affiliated with lobbyists' employers include most of the PACs which were the leading PAC spenders in the 2010 campaigns, including *Better Schools Kentucky PAC*, which is funded by members of the *Jefferson County Teachers Association*. The PAC spent \$419,965 on campaign-related expenditures last year, \$422,312 in 2008, and \$109,981 so far this year.

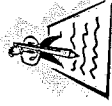
The PAC which spent the second most in 2010 is funded by members of the *Ky. Education Association*. The *Kentucky Educators PAC* spent \$248,713 last year, \$667,376 so far this year, and reports a balance of \$168,638 in its most recent filing with the Registry. The next biggest spending PAC in 2010 was the *Kentucky Realtors PAC*, funded by members of the *Ky. Association of Realtors*, which spent \$170,776 last year, \$162,546 in 2008, and has a balance of \$150,094.

*Optometric PAC*, funded by members of the *Ky. Optometric Association*, spent \$140,910 last year, \$65,128 in 2008, and has a balance of \$39,000. *Plumbers and Pipefitters Local 502* terminated its lobbying registration at the end of 2009, but its PAC spent \$88,832 in 2010 and \$117,935 in 2008. *Kentucky Hospitalists' Circle of Friends*, funded by *Ky. Hospital Association* members, spent \$82,652 on last year's campaigns, \$84,919 in 2008, and has a balance of \$71,354.

*Ky. Attorneys Political Action Trust*, operated by the *Ky. Justice Association*, spent \$66,150 last year; *Ky. United Automobile, Aerospace and Agricultural Implement Workers of America*, which lobbies as *International Union, UAW*, spent \$65,472 on last year's campaigns, \$342,724 in 2008, and has a balance of \$242,126; and *Home Builders Association of Louisville* terminated its lobbying registration in 2007, but its PAC contributed \$61,875 to 2010 campaigns and the PAC has a balance of \$121,241.

*Coca-Cola Refreshments USA* registered a new PAC last month, raised \$170,000 and has a balance of \$109,460. *Ky. Physicians PAC*, which is affiliated with the *Ky. Medical Association*, spent \$55,050 on 2010 campaigns. PACs affiliated with the *Ky. Bankers Association* and the *Ky. Automobile Dealers Association* each spent more than \$48,000 on 2010 campaigns, while the *AT&T PAC* spent \$38,750; *Ky. Society of Certified Public Accountants* spent \$34,773; and the *Ky. Association of Highway Contractors* spent \$34,010.

Employers of lobbyists with PACs that have significant balances in the recent campaign finance reports include: *Communication Workers of America/Ky.* (\$342,906); *Ky. Association of Health Care Facilities* (\$102,647); *Ky. Association of Electric Cooperatives* (\$81,316); *Indiana/Ky. Regional Council of Carpenters* (\$67,760); *Home Builders Association of Ky.* (\$38,184); *Ky. Automobile Dealers Association* (\$37,912); *Louisville Gas & Electric/Ky. Utilities* (\$33,680); *Independent Insurance Agents of Ky.* (\$33,369); *Ky. Bankers Association* (\$33,340); *Ky. Association of Highway Contractors* (\$32,263); and *Greater Louisville Association of Realtors* has a balance of \$31,555 after spending \$42,000 in 2010 and \$54,000 in 2008.



### All Employers and Lobbyists Register for 2012-2013

All lobbyist and employer registrations will expire on December 31, 2011. On Thursday, December 1, the Legislative Ethics Commission will begin accepting registrations for the two-year period running from January 1, 2012 to December 31, 2013.

The fee for each employer registration is \$250 for the two-year registration, and the fee has not changed since it was set by the General Assembly in 1993. This fee may be paid by cash, check, Visa, MasterCard, American Express, or Discover.

If a registration form is mailed with a check, the check should be made payable to the Kentucky State Treasurer. If paying by credit card, the registration form may be e-mailed to the Commission's office: [Donnita.Crittenden@LRC.ky.gov](mailto:Donnita.Crittenden@LRC.ky.gov) or faxed to 502-573-2929.

There is no fee for a lobbyist's registration, and each employer may register any number of lobbyists without any additional fee.

A signed paper registration form is required, and the form may be delivered to the Commission by U.S. Mail, package delivery service, scanned in an e-mail, faxed, or hand-delivered. Commission staff will be e-mailing the registration form in mid-November, or a copy may be downloaded from the Commission website at <http://klec.ky.gov/forms/employers.htm>.

## Newly-Registered Employers

Three businesses have recently registered to lobby the General Assembly. One new registrant is Key Bank, part of Cleveland-based Key Corp., a bank-based financial services company that provides investment management, retail and commercial banking, consumer finance, and investment banking. The company has assets of approximately \$89 billion and four branches in Northern Kentucky. Also registering is Endo Pharmaceuticals, a Pennsylvania-based company which markets pain management products such as Percocet and Percodan, which contain oxycodone.

The other new registrant is **Ersbig Properties**, a Henderson-based commercial real estate development and management company that manages shopping centers in seven states.

Kentucky Technology Service has terminated its lobbying registration.

## News You Can Use from State & Federal Communications

**New Alabama Ethics Law Sweeps in Culture Shift for Capital Lobbyists**  
*Alabama - Birmingham News - Published 10/31/2011*

Located two miles from the Alabama Capitol, The Chop House Vintage Year has a reputation for serving some of the best steaks and seafood in Montgomery. But business is down considerably since state legislators passed a new law capping how much a lobbyist can spend on a public official's meal to \$25 at a time and a total of \$150 in a year. Other restaurants report their business also is down. "I don't think there is any doubt that the changes have turned the lobbying culture in Montgomery on its head," said Sen. Bryan Taylor, who sponsored the legislation.

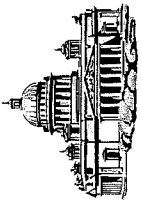
Ten months after the Alabama Legislature approved the new ethics law capping lobbyists' spending, the culture is different in Montgomery, said several lawmakers. There are no more free tickets, golf outings, social trips, or nightly one-on-one dinners with lobbyists. But that is not to say all entertaining has been eliminated. Large associations still pay for lawmakers to attend their conferences at the coast, and lobbyists still pick up meals at caucus meetings, receptions, and work sessions of legislative committees.

So how much have things changed? Many legislators say changes have been sweeping, while others say not so much. "I think it's been a dramatic change, said Senate President Pro Tempore Del Marsh. "You only had to be there two years ago, and you go into a restaurant on any given evening and there would be lobbyists and legislators." Asked what the biggest difference is in the culture of the statehouse, lawmakers gave answers ranging from no more free football tickets to the end of one-on-one dinners with lobbyists.

"The lobbyists can no longer function like they did," said Senate Majority Leader Jabo Waggoner. "There are no more golf outings. You don't go out for meals with them anymore. There's no free anything ... and that's OK. I'm not saying it never happened. But contrary to popular belief, I don't think a golf outing or a meal by a lobbyist ever bought a vote."

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## Ethics Sessions Scheduled at Capitol

The ethics education sessions for members of the General Assembly are scheduled for the first week of the 2012 General Assembly. The sessions will be on Wednesday, January 4, and Thursday, January 5, from 9 a.m. to 10:30 a.m. in Room 154 of the Capitol Annex.

The Wednesday session will include remarks from Jack Abramoff, the author of the new book *Capital Punishment: The Hard Truth About Washington Corruption From America's Most Notorious Lobbyist*. In a recent CBS News interview on "60 Minutes", Abramoff was referred to as "the notorious former lobbyist at the center of Washington's biggest corruption scandal in decades (who) spent more than three years in prison for his crimes."

On "60 Minutes", Abramoff said: "I did things and I was involved in the system I should not have been in. I'm ashamed of the fact I was there, and that's the very reason why now I'm speaking about it. I'm trying to do something, in recompense (because) it was wrong of me to do it." The transcript of the "60 Minutes" interview is available at: [http://www.cbsnews.com/2/102-18560\\_162-57319075.html?tag=contentMain;contentBody](http://www.cbsnews.com/2/102-18560_162-57319075.html?tag=contentMain;contentBody)

The Thursday ethics session will feature Paul Prather, pastor of Bethesda Church in Montgomery County, and a contributing columnist at the *Lexington Herald-Leader* since 2002. Prather is the author of four books, and has won many awards for his writing. From 1988 to 1997, he was a *Herald-Leader* staff writer who covered religion, and says he "met everyone from Billy Graham to the Dalai Lama to Naomi Judd."



## New Employers Registered to Lobby

Registration forms for all employers and legislative agents (lobbyists) are being accepted for the 2012-2013 registration period. Initial registration forms should be signed by the employer's representative and by the lobbyist, and there is a \$250 fee for each employer's two-year registration, regardless of the number of lobbyists employed.

The following organizations which have not previously lobbied in Kentucky are now registered as employers of lobbyists in Kentucky: **Christian Care Ministries**, a Florida non-profit that operates a healthcare sharing program in which members share financial resources to pay each other's medical expenses, and will be lobbying on health care and insurance issues; **Louisville Free Public Library Foundation**; **Pew Charitable Trusts**, which is lobbying on appropriations related to evidence-based criminal justice programs; **Premiertox**, a Russell Springs company that provides laboratory services, including drug testing; **Ther-Rx Corp.**, a subsidiary of St. Louis-based K-V Pharmaceutical, a company with a primary focus in the area of women's health care; and **Worldwide Equipment**, a Prestonsburg heavy duty truck dealer.



### Corporate Taxes Vary Widely

A recent study reported in the *Lexington Herald-Leader* shows that Fortune 500 businesses employing lobbyists in Kentucky pay a wide range of state corporate income taxes around the nation.

The study by the Institute on Taxation and Economic Policy (ITEP) showed that, when profitable, businesses paid between 10.3% and -13.2% of their taxable income to states in which they did business. A negative rate means a company received tax rebates.

Most states levy standard corporate income taxes. Corporate income is generally defined as profit (gross receipts minus expenses). The national average for state corporate tax rates is 6.2 percent, according to the ITEP report. The 265 companies studied in the report had profits in three consecutive years, and the average state corporate income tax rate paid during the three-year period was three percent per year.

Looking at the three-year period from 2008 to 2010, the study showed that several businesses employing lobbyists in Kentucky paid state corporate taxes at a rate higher than the 6.2 percent national average for those taxes. For example, **J.P. Morgan Chase** paid an average of 9.1% in state income taxes each year, while **Apollo Group, Inc.**, which operates the University of Phoenix and other proprietary schools, paid 8.2%, and **Apple**, the computer giant, paid 8%.

Other companies which paid more than or close to the national average corporate tax rate include **Reynolds American** (6.5%); **CVS Caremark** (6.4%); and **Oracle** (5.8%).

At the other end of the spectrum were the companies that earned profits in each of the three years, but received tax rebates from the states. Those include **Chesapeake Energy**, which paid state taxes at a rate of -2.1%; **Peabody Energy** (-0.6%); Kentucky-based **Yum Brands** (-0.4%); and **El Paso Corp.** (-0.2%). The report also showed that other Fortune 500 companies which are based in Kentucky and employ lobbyists in the state paid three-year state income tax rates as follows: **Ashland** (1%); **Humana** (3.4%); and **Kindred Healthcare** (3.6%).

Twenty other Fortune 500 companies with Kentucky lobbyists and profits in all three years paid an average of less than 3% in corporate income taxes during the three-year period. Those include **Merck**, **Eli Lilly**, **General Electric**, **American Express**, **Duke Energy**, **Express Scripts**, **Coca-Cola**, **AT&T**, **Norfolk Southern**, **CSX**, **IBM**, **Atmos Energy**, **UPS**, and **Verizon Communications**.

Corporate income in Kentucky is taxed at the following rates: 4% of the first \$50,000 of taxable income; 5% of the next \$50,000 of taxable income; and 6% of the taxable income over \$100,000.

According to the Tax Foundation, a non-partisan tax research group, the states surrounding Kentucky which have a corporate income tax assess that tax at the following rates: Illinois: 9.5% on income over 0; Indiana: 8.5% on income over 0; Virginia: 6% on income over 0; West Virginia: 8.5% on income over 0; Tennessee: 6.5% on income over 0; and Missouri: 6.25% on income over 0. The Tax Foundation says Ohio doesn't have a corporate income tax, but levies a gross receipts tax with rates not strictly comparable to corporate income tax rates.

ITEP is a non-partisan research organization that focuses on federal and state tax policy. The organization's report on corporate income taxes is available at: <http://www.itepnet.org/>



### Informal Opinions from Ethics Commission Staff

--- There is no conflict of interest or violation of the Code of Legislative Ethics if a legislator is employed by a proprietary school. The school would be considered a "business associate" of the legislator, and if the school employs a lobbyist or if legislation is introduced which may affect the school, the legislator should be guided by the language of Ky. Const., Sec. 57, and by KRS 6.761. See *OLEC 96-7*, which provides guidance for legislators who have an employment or contractual relationship with a business or organization which may have a legislative interest.

--- The Code of Legislative Ethics prohibits registered legislative agents from making a campaign contribution to a legislator, a candidate for the General Assembly, or a caucus campaign committee, and a legislator may not solicit a campaign contribution from a lobbyist. The law does not prohibit legislative agents from contributing to or otherwise supporting a political group, a political party, or a political action committee, as long as the legislative agent is not directing the recipient organization to contribute his or her money to a legislator, a candidate, or a caucus committee.

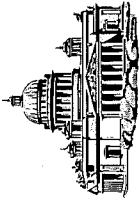
--- Since the Code of Legislative Ethics (at KRS 6.811) prohibits a lobbyist from making a campaign contribution to "a legislator, a candidate, or his campaign committee", the Commission said a lobbyist should not serve as an officer of a PAC, because that puts the lobbyist in the position of making or directing a PAC contribution to a legislative candidate.

--- The intent of the Code of Legislative Ethics is to create a bright line between lobbyists and the financing of legislative campaigns. While a lobbyist can be involved with discussing legislators, candidates, and issues with a PAC, the lobbyist should avoid having a formal decision-making role with a PAC or delivering PAC contributions to legislators or legislative candidates. See *OLEC 93-44*.

--- The Code of Legislative Ethics specifies that a legislator may not accept any compensation for an appearance or speech related to their position as a legislator, but he or she may accept a plaque or other commemorative token from a group which invites the legislator to speak or attend a meeting. Also, a legislator "should not attempt to exercise any control over a proposed honorarium by directing it to another individual or organization." See KRS 6.747(1); *OLEC 93-21*; and *OLEC 93-26*

## ETHICS REPORTER January, 2012

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### About \$15 Million Spent on Lobbying in 2011

Final spending reports from 2011 show that \$14.9 million was spent on lobbying the General Assembly during the 12 months ending December 31. The year included a 30-day regular session and a 10-day special session on Medicaid funding.

Spending on 2011 lobbying was more than twice as much as the \$6.9 million spent on lobbying 10 years ago in 2001, when the newly-amended state Constitution provided for the first 30-day regular session in an odd-numbered year. Prior to that, regular sessions were held only in even-numbered years.

The 2011 spending is less than the \$16.65 million spent in 2010, but that year included a 60-day regular legislative session, and a six-day special session. About \$15.3 million was spent on lobbying during 2009, the last year with a short regular session and an eight-day special session.

As in 2010, the top spending employer in 2011 was Altria, the parent company of Philip Morris USA and U.S. Smokeless Tobacco. Altria spent \$304,257 in 2011, compared with \$357,433 in 2010, and about \$248,000 in 2009, the last short session year. The Kentucky Chamber of Commerce was the second-leading spender in 2011, spending \$266,900. The other top spenders in 2011 are: Kentucky Medical Assn. (\$165,705); CSX Corp. (\$151,215); Houchens Industries (\$132,000); Kentucky Hospital Assn. (\$116,374); Kentucky Optometric Assn. (\$102,776); Kentucky Justice Assn. (\$101,300); Consumer Healthcare Products Assn. (\$99,333); and Support Popular Vote (\$97,500).

Other spenders exceeding \$80,000 for the year include: Kentucky Retail Federation (\$91,050); National Tobacco Co. (\$90,236); Swedish Match North America (\$86,625); AmeriGroup Corp. (\$86,046); Norton Healthcare (\$83,616); Dismas Charities (\$82,213); Kentucky Farm Bureau Federation (\$81,753); Kentucky Bankers Assn. (\$81,334); Kentucky Assn. of Manufacturers (\$80,775); and Keeneland (\$80,201).

### Jack Abramoff Ethics Talk on KET



The website of Kentucky Educational Television (<http://www.ket.org/>) provides a videotape of the 2012 ethics session featuring former lobbyist Jack Abramoff speaking to the members of the General Assembly: [http://www.ket.org/cgi-bin/Cheetha/Watch\\_video.pl?nola=WGAOS+013003&altDir=&template](http://www.ket.org/cgi-bin/Cheetha/Watch_video.pl?nola=WGAOS+013003&altDir=&template)

KET provides an edited version of Abramoff's remarks on **Legislative Update**:

[http://www.ket.org/cgi-bin/Cheetha/Watch\\_video.pl?nola=KGAOS+002404&altDir=&template=](http://www.ket.org/cgi-bin/Cheetha/Watch_video.pl?nola=KGAOS+002404&altDir=&template=)

### Local Website Fails on Ethics



A website called **Page One** recently published false statements about the members of the Legislative Ethics Commission. In the first false statement, a website poster claimed: "All but one member of the (Legislative Ethics) Commission have contacted me over the past several months to express outrage...."

In the second false statement, the poster claimed: "Now they're freaking out via email because they're experiencing tons of legislative pressure for daring express their thoughts privately."

Contacted for this newsletter, eight members of the Commission said they've never had contact with the website poster, there's been no "legislative pressure" on any issue, and they are unfamiliar with the website.



### New Employers Registered for 2012-2013

The following employers registered to lobby during 2012-2013, after not lobbying for the previous two-year period: **Advance America Cash Advance Centers**; **American Institute of Professional Education**; **American Land Title Assn**; **Centene Corp.**, which last year received a contract from the state of Kentucky to provide healthcare services to Medicaid beneficiaries; **Central Ky. Wellness Center**; **City of Pikeville**; **Davies County Fiscal Court**; **PMI Global Services Inc. (Philip Morris International)**, an international tobacco company which spun off from Altria in 2008; **Eckman Freeman & Associates**, a Lexington company providing medical consulting and disability management; **Fayette Co. Education Assn.**; **Financial Industry Regulatory Authority (FINRA)**, a private corporation that regulates securities firms; **Gannett Satellite Information Network**, which is lobbying on legislation related to distribution of unsolicited advertising on private property; **Greater Cincinnati Northern Ky. Apartment Assn.**; **HealthPort**, which processes medical record requests; **KY Academy of Anesthesiologists Assistants**; **KY Assn. of Adult Day Centers**; **KY Assn. of Food Banks**; **KY Chapter of the Community Assn. Institute**; **KY Coalition for Education Reform**; **KY Independent Pharmacy Alliance**; **KY River Resources**; **Lake Cumberland Mental Health/Mental Retardation Board**; **Midtown Commons**, which operates 17 malls and shopping centers in nine Kentucky cities; **National Alliance for Public Charter Schools**; **Penn National Gaming**; **Prolacta BioScience**, which creates human milk formula for low birth weight babies; **Skybar Lexington**, a restaurant and bar in downtown Lexington; and **Town Branch FOP Lodge #83**.

### Gallup Poll Rates Nurses First, Congress & Lobbyists Last



A recent Gallup poll finds Americans rating the honesty and ethical standards of three medical professions -- nurses, pharmacists, and doctors -- the highest of the 21 professions tested. At the other end of the spectrum, Americans give the least positive honesty and ethics ratings to members of Congress, lobbyists, car salespeople, and telemarketers.



Here's how Gallup asked the question, and how the public responded:

*Please tell me how you would rate the honesty and ethical standards of people in these different fields -- very high, high, average, low, or very low? How about -- [RANDOM ORDER]?*

	% Very high/ High	% Average	% Very low/ Low
Nurses	84	15	1
Pharmacists	73	23	4
Medical doctors	70	23	6
High school teachers	62	29	8
Police officers	54	35	11
Clergy	52	36	9
Funeral directors	44	43	9
Accountants	43	49	7
Building contractors	26	58	15
Journalists	26	46	27
Bankers	25	48	26
Real estate agents	20	57	22
Lawyers	19	43	37
Business executives	18	48	32
Labor union leaders	18	37	41
Stockbrokers	12	46	40
Advertising practitioners	11	52	34
Telemarketers	8	38	53
Car salespeople	7	44	47
Lobbyists	7	27	62
Members of Congress	7	27	64

The 64 percent of Americans who rate the honesty and ethical standards of members of Congress as "low" or "very low," ties the record "low"/"very low" rating Gallup has measured for any profession historically. Gallup has asked Americans to rate the honesty and ethics of numerous professions since 1976, including annually since 1990. Lobbyists also received a 64% low honesty and ethics rating in 2008.

*Worst Honesty and Ethics Ratings in Gallup History, Based on "Very Low" or "Low" Ratings*

Profession	Year	% Very low/Low
Members of Congress	2011	64
Lobbyists	2008	64
Telemarketers	2002	63
Car salespeople	1988	63
Lobbyists	2011	62
Lobbyists	2010	61
Car salespeople	1995	61
Car salespeople	1994	61



**Informal Opinions from the Legislative Ethics Commission**

- One of the primary purposes of the Code of Legislative Ethics is providing the public with information about organizations and businesses which are spending money to advocate with legislators on issues of public concern. Therefore, the law requires that any organization or business which employs a person to lobby shall be registered with the Legislative Ethics Commission as an employer of a lobbyist.
- Whether the individual lobbyist is spending any money is not a factor in determining whether registration is required. The key is whether the organization is compensating an employee or outside individual to lobby.
- A legislator is required to report inheritance from an estate on the legislator's annual financial disclosure form. The source of the inheritance should be reported under the section titled "Sources and form of gross income of the filer".
- The intent of the Legislative Ethics Commission's opinions on lobbyist involvement with PACs is to interpret KRS 6.811 and other provisions of the Code of Legislative Ethics to make clear that lobbyists cannot direct campaign contributions to legislators or legislative candidates.



**News You Can Use from State & Federal Communications**

**Abramoff as Ethics Guru Latest Chapter in Political Second Acts National - Bloomberg Businessweek - Published: 1/3/2012**

Mandatory ethics training this year for the 138 members of the Kentucky Legislature features a lecture by Jack Abramoff, a convicted felon at the center of Washington, D.C.'s biggest lobbying corruption scandal. Seasoned by a December appearance at Harvard Law School and about 200 interviews on radio and television, including "60 Minutes" and "The Colbert Report," Abramoff was paid \$5,000 plus travel expenses for an hour of his thoughts in Frankfort. He said his fees largely go toward \$44 million in restitution to the Indian tribes and others he pleaded guilty to defrauding.

"Americans love a second act and are quick to accept somebody apologizing and saying they've changed," said Citizens for Responsibility and Ethics in Washington Executive Director Melanie Sloan. "The jury's still out on Abramoff, but he's making a compelling pitch."

Some say they are livid about Abramoff's return to the spotlight, saying he only further impugns the reputation of a profession that rates lower in Gallup public opinion surveys than car sales and telemarketing. "He's making us all look like crooks; he needs to stop talking and go away," said former lawmaker-turned lobbyist Robert Livingston.

"... I'm not trying to resurrect myself," said Abramoff. "Let's not kid ourselves. I'm not going to be resurrected. What I'm trying to do is make something right. That's it."

Abramoff was a top lobbyist with ties to President George W. Bush's administration, then-House Majority Leader Tom Delay's office, and dozens of other federal elected officials. He pleaded guilty in January 2006 to felony counts related to his illegal lobbying practices and in a separate federal case involving his purchase of casino boats. More than a dozen others connected to Abramoff, including U.S. Rep. Robert Ney and aides to Delay and Bush, also were convicted. Abramoff was released in December 2010 and is on supervised probation.

This April, Abramoff wrote his autobiography. "*Capitol Punishment: The Hard Truth About Washington Corruption From America's Most Notorious Lobbyist*" offers his view on what is wrong with Washington and how to fix it. It is his message, Abramoff said, that angers some of the Washington lobbyists and their trade groups.

"They say, 'You can't trust him because he's a criminal,'" said Abramoff. "Does it matter if you trust me? Do you think I'm exaggerating what goes on in Washington?"

Severing the link between K Street and Capitol Hill is the most important way to reform lobbying, Abramoff argues in his book and in columns he has written. He recommends all former federal lawmakers and their staff members be banned from lobbying. Abramoff said he has been overwhelmed by the response to his book and ideas: "I never would have expected to have people listen to me, period, let alone to like what I have to say."

On December 6, Abramoff traveled to Cambridge, Massachusetts, to be the first guest in a new lecture series at Harvard's Edmond J. Safra Center for Ethics. "Our aim is to have a conversation with a wider range of souls than is typically on this stage," Lawrence Lessig, the center's director, said at the start of the 90-minute conversation, which was later broadcast on C-SPAN.

Abramoff said he is fielding speaking offers from universities across the country. A representative from a national group of state Legislatures was present in Kentucky to assess whether his message should be spread further, said Abramoff. Craig Holman, who pushes for lobbying overhaul as a lobbyist for Public Citizen in Washington, said he, too, has asked Abramoff to speak at a lunch, though he would not pay him.

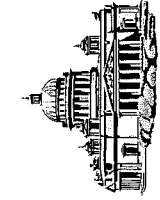
"I have no doubt Jack is the same Jack as he has always been; I do not believe he has seen the light," said Holman. "Nevertheless, there is much to be learned from him."

Neil Volz, Ney's chief of staff and later Abramoff's lobbying associate, pleaded guilty to conspiracy to commit wire fraud. He is working as a janitor and homeless advocate in Fort Myers, Florida. He has a self-published book on the Abramoff scandal called "*Into the Sun*".

Asked whether he believes Abramoff's reinvention is sincere, Volz said, "I've always said Jack Abramoff is a Rorschach test - people see what they want to see. If Jack is more interested in being a celebrity than making meaningful change, we'll see that over time."

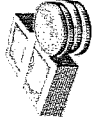
**Ethics Study: More employees report seeing illegal donations National - Roll Call - Published: 1/12/2012**

The number of employees of major companies who claim to have witnessed illegal contributions to public officials is four times higher than it was two years ago, according to a new study from a business ethics watchdog group. Four percent of 4,600 private-sector employees surveyed this fall by the Ethics Resource Center said they witnessed improper contributions to campaigns and parties. By comparison, only one percent of respondents reported these transgressions in the group's previous study, completed in 2009.



## ETHICS REPORTER February, 2012

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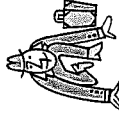


### Leading Spenders in the First Month of Session

More than \$2.2 million was spent on lobbying during the first month of the 2012 General Assembly. About \$1.8 million of that total was spent by employers compensating their lobbyists. Of the remainder, \$182,474 was spent by Consumer Healthcare Products Association (CHPA) on consulting fees, phone banking, and on a website which allows citizens to contact legislators. CHPA represents manufacturers and distributors of over-the-counter medicines, and is lobbying on issues relating to the methamphetamine problem, including Senate Bills 50 and 79, and House Bills 79 and 80.

For the first month, the top 10 spenders on lobbying were: CHPA (\$194,958); Kentucky Hospital Association (\$36,120); Kentucky Chamber of Commerce (\$33,347); Kentucky Retail Federation (\$24,262); Kentucky Education Association (\$23,620); AT&T (\$23,233); Altria Client Services (\$22,306); Kentucky Medical Association (\$20,773); Kentucky Justice Association (\$18,119); and Kentucky Bankers Association (\$18,080).

The next 10 top spenders were: Swedish Match North America (\$17,771); Kentucky Optometric Association (\$17,250); Kentucky Association of Electric Cooperatives (\$16,499); Kentuckians for the Commonwealth (\$15,871); CSX Corporation (\$15,337); Kentucky Association of Manufacturers (\$15,096); Hewlett-Packard Company (\$15,000); Kentucky Bluegrass Association of Club Executives (\$15,000); Wine Institute (\$15,000); and Kentucky Association of Health Care Facilities (\$14,124).



### New Employers Register to Lobby

There are 630 employers registered for the two-year period which began on January 1, and 621 legislative agents (lobbyists).

Twenty-two employers recently registered to lobby in Kentucky. Those include: American Cleaning Institute, representing producers of cleaning products and chemical distributors to the cleaning product industry; American Society for the Prevention of Cruelty to Animals (ASPCA), which works to rescue animals from abuse and pass humane laws; AMEX Assurance Company, a New York-based company that is part of the U.S. Travel Insurance Association; ADP - Automatic Data Processing, a New Jersey-based company which provides human resources, payroll, tax and benefits administration services; and Children Inc., a Covington-based non-profit provider of child care centers, preschools and early childhood learning programs.

Other newly registered employers include: **Creative Lodging Solutions**, a Lexington-based corporate lodging service company; **Day Spring**, a Louisville-based provider of residential housing and support services for adults with intellectual disabilities; **FedEx**, the Memphis-based package delivery company; **International Dairy Foods Association**, representing dairy foods processors, manufacturers and marketers; **Kentucky Medical Equipment Suppliers Association**, representing home medical equipment dealers; **Kentucky Paint Council**, representing the paint and coatings industry; **Kentucky School Boards Insurance Trust**, the self-insurance pool of coverage owned by school districts.

Other new registrants are: **Louisville Galleria**, a downtown Louisville commercial real estate development; **Louisville & Jefferson County Metropolitan Sewer District**; **McDowell Stromatt & Associates**, a law firm lobbying on disability legislation and Medicaid; **Thomas P. Miller & Associates**, which is promoting its consulting services; **National Football League**, lobbying on House Bill 281, which would require interscholastic coaches to complete training on recognizing and treating concussions and head injuries; **Newport on the Levee**, the northern Kentucky riverfront development; **Outdoor Life Coalition of Kentucky**, lobbying on House Bill 273, which enhances penalties for animal cruelty; **Pain Treatment Center of the Bluegrass**; **Recreation Vehicle Industry Association**, a Virginia-based organization for RV manufacturers and suppliers; **RYO Machines**, an Ohio-based machinery company; and **Phyllis Sparks**, a northern Kentuckian whose lobbyists are working on issues regarding school services for children with dyslexia.

### Employers Who Have Not Filed Jan. Reports

The following employers have not filed the January, 2012 spending report which was due by February 15: **American Automotive Leasing Association**, **Brotherhood of Maintenance Way Employees**, **Kentucky Credit Union League**, and **Kentucky Home Care Association**.



### Receptions and Events

Employers spent \$30,000 on receptions and events in the first month of the General Assembly. The railroad companies **CSX**, **Paducah and Louisville Railway**, and **Norfolk Southern** spent \$10,161 on a reception on rail cars parked in downtown Frankfort. Last year, the three companies spent \$17,208 on a similar reception, and over \$15,000 on a reception in the 2010 session.

**Kentucky Association of Manufacturers**, **Kentucky Beverage Association**, and **Kentucky Retail Federation** spent \$7,700 on a reception at the Capital Plaza Hotel; **Kentucky Rural Water Association** spent \$4,803 on a legislative breakfast at Capital Plaza Hotel; **Kentucky Chamber of Commerce** joined with **Baptist Healthcare System**, **Kentucky Medical Association**, and **Louisville Chemistry Partnership**, an association of chemical companies, to spend \$3,700 on Chamber Day at the Lexington Center.



### News You Can Use from State & Federal Communications

**Jack Abramoff Has Unlikely Second Act as Watchdog Federal** - *Chicago Tribune* - Published: 2/3/2012

The latest muckraker digging into the outsized influence of money in politics is well-versed in the darkest corners of K Street – former lobbyist and convicted felon Jack Abramoff, who served three- and-a-half years in prison for corruption of public officials, tax evasions, and fraud. He emerged last fall as an unlikely advocate for curbing the influence of special interests in Washington, D.C., first in the form of a tell-all memoir and a subsequent media tour pressing for ethics reform. Now, the latest manifestation of Abramoff's ethics push was his recent debut on **Republic Report**, a newly-launched blog dedicated to exposing corruption in politics.

Abramoff said he anticipates contributing analysis and breaking news. The job pairs the former lobbyist with a team of investigative reporters, like those who dogged Abramoff during his K Street scandals. "The people who were attacking me while I was a lobbyist, I don't hold that against them in any way," said Abramoff. "Frankly, I agree with them at this point. It is I who had a journey, not them."

One of Abramoff's former adversaries in the press is now his de facto boss: Nick Penniman, the president of United Republic, the non-profit that runs the **Republic Report** blog. He covered Abramoff's exploits as a reporter, and was surprised to learn of his change of heart when they met a few months ago. "His name is toxic, right?" said Penniman. "He automatically elicits that kind of reaction. But you sit down and meet him, you realize he's really different."

Penniman likened the hire to the CIA drafting hackers to boost the agency's understanding of cyber-security. "Who better to talk about this world?" asked Penniman.

The power of money in Washington is the big story of our era, Penniman said, and it is the focus not just of the **Republic Report** blog, but of the entire non-profit United Republic group as a whole. As for his most high-profile contributor, Penniman said he finds Abramoff's conversion sincere. "People are calling this a redemption tour," said Penniman. "But [Abramoff] not just trying to redeem himself. He's genuinely on a reform mission."

"I'm not certain I'm here to convince [skeptics.] I'm here to talk about what's going on," said Abramoff. "Either you think I'm saying things that are true and believable, or you don't. I'll let my actions speak for that."

**Ex-South Florida Politician to Plead Guilty to Tax Charges in Federal Corruption Probe Florida** - *Miami Herald* - Published: 2/7/2012

Former Florida lawmaker Mandy Dawson, the only elected official charged in a federal public corruption probe of Tallahassee's "pay-to-play" politics, has decided to plead guilty to tax-evasion offenses. Dawson, who served in the Legislature for 16 years, signaled her intention to change her plea in court papers. Dawson, who had a March trial date, faces up to five years in prison on each of the two tax-evasion counts and one year on each of the three charges of failing to file a tax return.

# ETHICS REPORTER

March, 2012

Final Four Edition

Kentucky Legislative Ethics Commission

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## Top Lobbying Spenders Again Led by CHPA

After two months of the 2012 legislative session, spending on lobbying totaled about \$4.68 million. As it was in the first month of the session, the top spender for the second month was **Consumer Healthcare Products Association (CHPA)**, which represents manufacturers and distributors of over-the-counter medicines, and lobbies on issues relating to the methamphetamine problem. CHPA spent \$192,985 on lobbying in February, and a total of \$388,000 for the first two months of the session.

The rest of February's top 10 spenders include: **Kentucky Hospital Association** (\$38,422, for a two-month total of \$74,543); **Kentucky Chamber of Commerce** (\$30,056, two-month total of \$63,404); **Altria Client Services** (\$28,129, two-month total of \$50,434); **Kentucky Farm Bureau Federation** (\$24,805, two-month total of \$38,655); **AT&T** (\$24,199, two-month total of \$47,432); **Kentucky Medical Association** (\$21,958, two-month total of \$42,731); **Kentucky Education Association** (\$21,629, two-month total of \$45,249); **Kentucky Retail Federation** (\$21,191, two-month total of \$45,452); and **Kentuckians for the Commonwealth** (\$18,317, two-month total of \$34,188).

Other top spenders in February were: **Kentucky Optometric Association** (\$18,227); **Kentucky Bankers Association** (\$18,080); **Kentucky Association of Health Care Facilities** (\$16,813); **Kentucky Association of Electric Cooperatives** (\$16,262); **Kentucky Association of School Administrators** (\$15,000); **Kentucky Justice Association** (\$14,396); **Coal Operators & Associates** (\$13,620); **Humana** (\$13,093); and **Baptist Healthcare System** (\$12,658).



## Kentucky Lobbying Law Gets High Praise

The state's Final Four teams are not the only winners in Kentucky. In the nationwide and recently completed **State Integrity Investigation**, Kentucky earned one of the highest scores in the United States in the area of "Lobbyist Disclosure". Kentucky's requirements for lobbyist registration and reporting were given a B+, 87% rating, the sixth best score in the nation.

Kentucky scored particularly well on questions relating to the quality of lobbyist and employer spending reports, which were judged to be "comprehensive and of high quality" and on citizen access to lobbying disclosure documents. The Legislative Ethics Commission makes this information available online at no cost at <http://klec.ky.gov/reports/employersagents.htm>.

In addition to being one of the nation's top scorers, Kentucky's B+, 87% rating for lobbyist disclosure was significantly higher than any of the seven surrounding states, whose scores include **Virginia** (F, 41%); **West Virginia** (F, 53%); **Ohio** (F, 57%); **Missouri** (D-, 60%); **Tennessee** (C-, 71%); **Illinois** (C-, 72%); and **Indiana** (B-, 82%).

Of the eight states in the region, Kentucky and West Virginia tied for second highest score in another important category, "Legislative Accountability". However, comparing those two states in that category demonstrates the difficulty of making state-by-state comparisons, if the raw information comes from widely-varying sources with different perspectives.

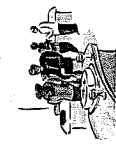
For example, one question asked about "revolving door" laws which prohibit legislators from leaving office and immediately working as lobbyists. Here's how the survey question was asked:

**Question 97: In practice, the regulations restricting post-government private sector employment for state legislators are effective.**

West Virginia was given a score of 75 on that question, based on a West Virginia legislator's comment that the state recently adopted a one-year "cooling off" period before former legislators can become lobbyists. However, although Kentucky's had a two-year "cooling off" period since 1993, Kentucky received a 0 on the question, with Kentucky's score based on a newspaper story and an editorial which included a comment from the state chairman of Common Cause.

The reason given for Kentucky receiving the lowest score of 0 was the state's part-time legislature, with most members having private-sector jobs, even though that issue doesn't relate to post-government employment, or "cooling off" periods. Ironically, West Virginia's legislature meets for a shorter period of time each year and has part-time legislators, but those facts were not an issue in awarding the score of 75 to the Mountain State on the post-government employment question.

The investigation is a collaboration of the **Center for Public Integrity, Global Integrity**, and **Public Radio International**, and is described as "a first-of-its-kind, data-driven assessment of transparency, accountability and anti-corruption mechanisms in all 50 states." The entire study can be accessed by copying this link into a browser: <http://www.stateintegrity.org/>



## Session-Related Receptions and Events

Lobbyists and their employers reported spending about \$67,000 in February on receptions, meals and events to which legislators were invited. The most expensive event was the **\$18,150 Energy Reception** on February 16 at the Buffalo Trace Clubhouse in Frankfort. That event was co-sponsored by **Chesapeake Appalachia, Coal Operators & Associates, Kentucky Coal Association, Kentucky Oil & Gas Association, Norfolk Southern Corp.**, and **Western Kentucky Coal Association**.

Other events held during the month include the following: On February 1, the lobbyist for Sullivan University System, along with Kentucky Association of Career Colleges and Schools spent \$2,539 on Career Day at the Capitol Annex; and Kentucky Farm Bureau Federation and Farm Bureau Mutual Insurance Co. spent \$3,127 on a reception at the Capital Plaza Hotel.

Also on February 1, Kentucky League of Cities hosted City Night at the Frankfort Convention Center and spent \$1,934. The next day, Kentucky Optometric Association sponsored a luncheon at the Capitol Annex, and spent \$969, and Kentucky Society of Certified Public Accountants spent \$5,984 on a reception at the Governor's Mansion. On February 6, 20 insurance businesses, organizations, and lobbyists invited the members of the Banking and Insurance Committee to a reception and dinner at Berry Hill Mansion in Frankfort, and spent about \$2,500. On February 8, Kentucky Association of Realtors hosted a \$4,906 reception at the Capital Plaza Hotel; and Kentucky Association of Counties and seven groups of county officials spent \$1,225 on a reception at the Frankfort Civic Center.

On February 13, Kentuckians for the Commonwealth spent \$1,921 on a Sustainable Energy Alliance reception at the Capital Plaza Hotel; and on February 15, a reception was coordinated by Louisville Metro Government, and sponsored by Angen, AT&T, Baptist Healthcare, Churchill Downs, General Electric, Greater Louisville, Humana, LG&E and KU Energy, Louisville & Jefferson County Metro Sewer District, Louisville Regional Airport Authority, and Metro United Way. The businesses and organizations reported spending \$4,615 on the reception at the Kentucky History Center.

On February 16, AT&T, Humana, and St. Elizabeth Healthcare joined with Northern Kentucky Chamber of Commerce to spend \$1,916 on Northern Kentucky Night at the Frankfort Convention Center; and Necco spent \$2,456 on receptions in Frankfort. On February 21, U.S. Precedent spent \$1,500 on a reception at Four Roses Distillery in Frankfort; on February 22, Kentucky Professional Firefighters spent \$1,284 on a chill reception at the Frankfort Plant Board; and Kentucky School Boards Association spent \$1,045 on the Kids 1<sup>st</sup> in Frankfort reception at the Capital Plaza Hotel.

On February 23, Touchstone Energy Cooperatives, which does not employ a legislative agent, joined with Duke Energy, Kentucky Association of Electric Cooperatives, Kentucky Power Co., and LG&E and KU Energy to spend \$2,886 on a reception at the Capital Plaza Hotel. On February 28, American Council of Engineering Companies of Kentucky joined with Kentucky Association of Highway Contractors and Kentucky Society of Professional Engineers to spend \$2,261 on a reception at the Capital Plaza Hotel.



### Newly-Registered Employers of Lobbyists

There are 646 employers and 628 lobbyists registered to lobby the General Assembly. In the past month, the following businesses and organizations have registered to lobby:

Alltech, Inc., Lexington-based animal health and nutrition company, focused on natural scientific solutions to agriculture and food industry challenges; Beechwood Independent School District, a one-building, K-12 public school system in northern Kentucky; Catalyst Health Solutions, Inc., a pharmacy benefit manager whose clients are self-insured employers including state and local governments,

managed care organizations, unions, hospices, and third-party administrators; Cisco Systems, a California-based company that manufactures and sells networking solutions related to the information and communications technology industry; Competitive Carriers of the South, an industry association representing communications service providers doing business in the Southeast; Hennessy Industries, a Tennessee-based company that does business as AMMCO Tools, an aftermarket manufacturer of wheel-service equipment; Home Builders Association of Northern Kentucky, representing over 1,000 builders and remodelers and associated trades companies in 12 counties; and JGWPT LLC, a Pennsylvania and Florida-based company that buys deferred payments from structured settlements and fixed annuities in exchange for a lump sum of cash.

Other newly-registered employers include: Kentucky Creditors Rights Bar Association, a group of Kentucky attorneys; Mallinckrodt LLC, the pharmaceuticals business of Covidien, a global healthcare products company, which states it is "the world's largest supplier of controlled substance pain medication and acetaminophen"; MCNA (Managed Care of North America) Dental Plans, a dental benefit management company that works with Passport and Kentucky Spirit Health Plans; Mylan, Inc., which says it is the third largest generics and specialty pharmaceutical company in the world; and Ohio Kentucky Indiana Regional Council of Governments, a 117-member council of local governments, business organizations and community groups working primarily on interstate transportation projects.

Other new employers are: Patriot Bioenergy, an alternative energy company that says it's developing facilities to produce transportation fuel and electricity by using biomass and natural gas; Region 8, United Auto Workers, a 60,000 member union in 13 states and the District of Columbia; Shell Oil Co., a global group of energy and petrochemical companies headquartered in the Netherlands; Signature Healthcare, a Louisville company operating nursing homes in seven states; and Waterfront Associates, a restaurant business directed by Jeff Ruby, who has made a joint proposal with Corporex Realty & Investment to open two restaurants, a marina, and a wharf on the Ohio River at Covington.



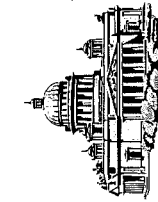
### News You Can Use from State & Federal Communications

Alabama Public Corruption Trials Focus on Bribes vs. Donations  
Alabama - Birmingham News - Published: 3/11/2012

Campaign contributions are the lifeblood of politics. But when exactly does a campaign contribution become a bribe? That has been a central question in Alabama's last two major public corruption trials as prosecutors accused public officials of swapping donations for official actions.

Defense lawyers say the line is fuzzy between what is legal and what is not, and say they hope the U.S. Supreme Court will review the bribery conviction of former Gov. Don Siegelman and offer up some clarity. But others say if the line is drawn too tightly, then it would be nearly impossible to prosecute politicians for trading official actions for donations.

"There does need to be some clarification, I think," said David McKnight, a lawyer for lobbyist Tom Coker, who was acquitted in the Capitol corruption trial involving votes on a bingo bill.



## ETHICS REPORTER

April, 2012

Kentucky Legislative Ethics Commission

22 Mill Creek Park, Frankfort, Kentucky 40601-9230

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### Candidates' Financial Disclosures Available

The Code of Legislative Ethics requires candidates for the General Assembly to file the same financial disclosure statement that legislators are required to file. The statement requires a listing of the occupation of the candidate and spouse, business and investment interests, sources of income, real property owned by the candidate, and other information.

The candidates' statements are due at the Legislative Ethics Commission three weeks after the January 31<sup>st</sup> filing deadline. The Commission has received disclosure statements from all of the 29 Senate candidates, and from 93 of the 97 candidates for the House of Representatives.

The candidates' financial disclosure statements are available by contacting the Legislative Ethics Commission, and after the May 22 primary, the candidates' statements will be posted on the Commission's website, along with the statements of members of the General Assembly. <http://klec.ky.gov/reports/legislators.htm>



### New Employers Registered to Lobby

The following businesses or organizations registered to lobby during the final weeks of the 2012 General Assembly: **Davis Drugs**, owner of four Western Kentucky pharmacies which specialize in diabetes care; **Gohmann Asphalt and Construction**, a road and bridge construction company that works mostly in Kentucky and Southern Indiana, and owns five asphalt plants in Indiana and Kentucky, four concrete plants, and two limestone quarries in Southern Indiana; and **Kentucky Cattlemen's Association**, representing people and groups involved in the beef industry.



### Employers Who Have Not Filed Spending Report

The following employers of lobbyists have not filed the spending report which was due by April 16: **Advanced Care Center**; **Executive Transportation Systems**; **Kentucky Center for African American Heritage**; **Kentucky Dietetic Association**; **Kentucky Tax Bill Servicing**; and **Phyllis Sparks**.



### Top Spenders in First Three Months of Session

Employers of lobbyists spent \$6.7 million on lobbying during the first three months of the 2012 General Assembly, and lobbyists spent \$409,000, for a total of \$7.1 million in lobbying spending. This year's spending is on track to break the previous record for lobbying spending during a legislative session. In the four months of the 2010 General Assembly, lobbyists and their employers spent \$8.4 million communicating on legislation with legislators, executive branch officials, and staff.

The top spenders for the first three months of the 2012 session are **Consumer Healthcare Products Association (CHPA)** at \$457,053 (\$69,110 last month); **Kentucky Hospital Association** at \$118,695 (\$44,153); **Kentucky Chamber of Commerce** at \$93,519 (\$30,116); **Altria Client Services** at \$81,456 (\$31,022); **Kentucky Retail Federation** at \$71,590 (\$26,138); **Kentucky Education Association** at \$70,554 (\$25,306); **AT&T** at \$69,566 (\$22,134); **Kentucky Medical Association** at \$67,161 (\$24,430); **Kentucky Farm Bureau Federation** at \$55,419 (\$16,764); **Kentucky Bankers Association** at \$54,240 (\$18,080); **Kentucky Optometric Association** at \$52,915 (\$17,438); **Kentucky Association of Electric Cooperatives** at \$51,058 (\$18,297); **Kentucky Justice Association** at \$48,601 (\$16,086); **Kentuckians for the Commonweath** at \$46,634 (\$12,446); and **Kentucky Association of Manufacturers** at \$45,563 (\$18,620).

The \$457,053 spent on lobbying by CHPA, is by far the most ever spent by a lobbying organization during a session of the Kentucky General Assembly. CHPA represents businesses which manufacture or market non-prescription, over-the-counter medicines, and lobbied legislation which limits the sale of methamphetamine precursors such as ephedrine and pseudoephedrine.

In the 2012 session, as in 2010 when CHPA spent over \$307,000 on lobbying in the last month of the session, CHPA employed a multi-media advertising campaign and extensive phone banking in conjunction with the association's in-person lobbying. Although it's related to lobbying, advertising directed at the general public is not required to be reported as a lobbying expense. In addition to its own lobbying, CHPA represents several companies which employ lobbyists in Kentucky, including **GlaxoSmithKline**, **Johnson & Johnson**, **Novartis**, **Pfizer**, and **Purdue Pharma**.



### Receptions Sponsored by Employers

In the last full month of the General Assembly session, there were fewer receptions and events than in the previous months. Bird Consulting, a lobbying group, spent \$2,000 on a luncheon in the Capitol Annex; Bluegrass New Directions, Kentucky Association of Regional Mental Health-Mental Retardation Programs, and Seven Counties Services spent \$1,960 on a reception at Buffalo Trace Distillery; McCarthy Strategic Solutions, a lobbying group, and eight employers, including Air Evac Lifeteam, Enterprise Holdings, KentuckyOne Health, Kentucky American Water, Kentucky Coalition of Nurse Practitioners, Kentucky Employers Mutual Insurance, Pfizer, and Plantmix Asphalt Industry of Kentucky, spent \$1,418 on a St. Patrick's Day reception at the McCarthy Strategic Solutions office in Frankfort; and Kentucky Association of Nurse Anesthetists spent \$1,021 on a luncheon in the Capitol Annex.

During the first three months of the General Assembly, the top spenders on receptions and events were: Kentucky Society of Certified Public Accountants (\$5,984); Kentucky Association of Realtors (\$4,906); Kentucky Rural Water Association (\$4,803); Coal Operators & Associates (\$3,620); Kentucky Coal Association (\$3,620); Western Kentucky Coal Association (\$3,620); CSX Corp. (\$3,387); Norfolk Southern Corp. (\$3,387); Paducah & Louisville Railway (\$3,387); Kentucky Chamber of Commerce (\$3,134); Kentucky Beverage Association (\$3,000); Kentucky Association of Manufacturers (\$3,000); and Necco (\$2,456).

**Correction:** The March newsletter incorrectly reported the amount spent on a reception sponsored by the American Council of Engineering Companies of Kentucky, Kentucky Association of Highway Contractors and Kentucky Society of Professional Engineers. The correct amount is \$2,261.

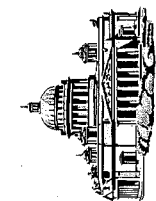


### News You Can Use from State & Federal Communications

**Nonprofit Acts as a Stealth Business Lobbyist**  
National - *New York Times* - Published: 4/21/2012

Desperate for new revenue, Ohio lawmakers introduced legislation last year that would make it easier to recover money from businesses that defraud the state. It was quickly flagged at the Washington, D.C. headquarters of the American Legislative Exchange Council (ALEC), a business-backed group that views such "false claims" laws as encouraging frivolous lawsuits.

ALEC's membership includes not only corporations, but nearly 2,000 state lawmakers across the country, including dozens who would vote on the Ohio bill. One of them, Bill Seitz, a prominent state senator, wrote to a fellow senior lawmaker to relay ALEC's concerns about "the recent upsurge" in false-claims legislation nationwide.



## ETHICS REPORTER

May, 2012

Kentucky Legislative Ethics Commission  
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### CHPA Leads As Lobbying Spending Records Set

Lobbyists and their employers spent more money lobbying in the 2012 General Assembly than in any session in Kentucky history. Total spending of \$8.8 million surpassed the previous record of \$8.4 million, which was set in the 2010 legislative session.

Lobbying spending continues its upward trend, as spending in the first four months of this year nearly matches amounts spent for the entire year in 2000. During this year's session, over \$7.5 million was spent on compensation paid to lobbyists by the businesses and organizations which employ them. There were 651 employers registered during the 2012 legislative session, and 635 lobbyists.

This year's historic level of spending is led by Consumer Healthcare Products Association (CHPA), which spent \$486,053, a record amount for a single employer during a legislative session. CHPA's 2012 spending eclipsed the former record, which was the \$311,000 spent by CHPA in the last two months of the 2010 session.

As in 2010, and in contrast to most employers, the majority of CHPA's spending was on expenses (\$442,000), rather than lobbyist compensation. CHPA's expenses included phone banking and website advertising which allows citizens to contact legislators directly.

In addition, CHPA undertook an extensive public advertising campaign, which is not reportable as lobbying. CHPA represents over-the-counter medicine manufacturers and distributors, including Bayer Healthcare, GlaxoSmithKline, Johnson & Johnson, Merck, Novartis, Pfizer, and Purdue Pharma. As in 2010 and 2011, CHPA lobbied to change or defeat legislation which would require a prescription to purchase products containing ephedrine and pseudoephedrine, which are used to make methamphetamine.

In this year's session, legislation requiring a doctor's prescription for meth precursors gave way to Senate Bill 3, which was enacted into law. SB 3 will decrease the monthly over-the-counter purchase limit of ephedrine and pseudoephedrine in pill or tablet forms from 9 grams to 7.2 grams, and impose a 24 gram yearly limit on those purchases.

CHPA's spending far outpaced the second-highest spending employer, Kentucky Hospital Association, which spent \$134,473 during the 2012 session. The rest of the top spenders were: Kentucky Chamber of Commerce (\$121,525); Altria Client Services (\$104,729); AT&T (\$87,441); Kentucky Medical Association (\$84,880); Kentucky Retail Federation (\$78,060); Kentucky Education Association (\$74,543); Kentucky Association of Healthcare Facilities (\$73,337); Kentucky Bankers Association (\$72,320); Kentucky Optometric Association (\$70,169); Kentucky Farm Bureau Federation (\$64,401); Kentucky Association of Manufacturers (\$57,409); Kentucky Justice Association (\$56,875); CSX Corporation (\$51,569); and Kentucky Association of Electric Cooperatives (\$51,058).



### New Employers Register

Organizations which have registered to lobby since the end of the 2012 General Assembly include: **Fortress Capital Formation LLC**, a New York-based investment manager which states it is lobbying on issues relating to Kentucky's public employee retirement systems, including KERS, CERS, State Police Retirement System, and Teachers' Retirement System; **Janus Capital Management**, a Denver-based investment firm, which states it is also lobbying on state pension investments; **Federation of Appalachian Housing Enterprises**, a Berea-based organization lobbying on affordable housing issues; and **Molina Healthcare**, a Long Beach, California company which states it provides Medicaid-related solutions for low-income families and individuals, and assists state agencies in administration of the Medicaid program.



### Late Filers

The following employers have not filed spending reports which are overdue at the Legislative Ethics Commission: **American Federation of State/Municipal Employees, Council 62**; **American Pharmacy Cooperative**; **American Society for Prevention of Cruelty to Animals**; **Executive Transportation Systems LLC**; **Kentucky Blood Center**; **Kentucky Tax Bill Servicing, Inc.**; and **Legal Aid of the Bluegrass**.



### Lobbyist Supplied Free Tickets to Reds Game

By Andrew J. Tobias, *Dayton Daily News*  
May 26, 2012

A **Time Warner** lobbyist affiliated with a corporate-backed group helped provide free tickets to a Cincinnati Reds game that 22 Ohio lawmakers accepted but did not disclose to the public.

The legislators and their staff accepted 47 tickets to watch an April 29, 2011, game from Great American Ball Park's "party deck." The tickets were worth \$75 each, and **Time Warner** lobbyist Ed Kozelek helped distribute the tickets and decided who got how many, according to public records published recently by the Center for Media and Democracy.

But the legislators didn't break ethics rules under an exemption that critics say is a loophole to get around laws designed to help the public monitor corporate efforts to wine and dine politicians. This newspaper reviewed hundreds of public records and talked to lawmakers and legal experts about the relationship between money and politics.

"It's just a back-door way for corporations to have more influence over the legislature without oversight," Brian Rothenberg, executive director of ProgressOhio, said.

Describing the exemption that allowed the legislators to accept the tickets, Rothenberg continued: "And for the average consumer what that means is . . . your politicians are circumventing ethics rules in a system written by legislators to allow (corporations) to have more influence than you as a citizen would be allowed to have."

House ethics rules forbid lawmakers from taking gifts worth more than \$75 from a lobbyist, and require them to report any gifts worth more than \$25. But because the baseball game was scheduled entertainment during a two-day conference for the American Legislative Exchange Council, the tickets fell under a gray area.

ALEC is a 501(3)(c) nonprofit public policy organization that brings together corporations and legislators to write "model legislation" to promote limited government and free markets, according to the group's website.

Because the Ohio General Assembly pays annual membership dues to ALEC, the Reds tickets fell under an exemption in gift disclosure laws for entertainment that is part of a conference. So lawmakers who belong to ALEC attend the conferences for free, while corporations that donate to belong to ALEC pick up the bill.

Since the tickets were handed out at ALEC's registration desk, lawmakers didn't "knowingly" accept them from a lobbyist, and thus were exempted from lobbying limits, said Ohio Legislative Inspector General Tony Bledsoe. "And I can understand an argument about that," he said. "Absolutely, if this game was held apart from ALEC and not part of the conference, then that has to be disclosed."

Bledsoe said that since learning of the ALEC event, he has decided to issue a clarification on disclosure rules in the coming weeks that would apply to all conferences attended by legislators. "This office has always promoted public disclosure," Bledsoe said when asked if lawmakers should have disclosed the tickets from the lobbyist.

State Rep. John Adams, ALEC's public sector chairman in Ohio, said the disclosure exemption for the ALEC-related expenses makes it easier to attend conferences without worrying about disclosure rules. He said he views the conferences as an educational opportunity, not a lobbying event. "That's what I like about ALEC — you do not have to disclose for the simple fact that it is educational," he said.

ALEC holds three conferences a year where lawmakers and corporate representatives draw up model legislation, or share laws from other states. ALEC bills have been passed into law across the U.S., including in Ohio, where bills to toughen voter ID laws, privatize prisons and reduce collective bargaining rights for public employees all have ALEC origins.

ALEC's critics contend the group conducts widespread political lobbying and uses its charitable designation to avoid lobbying restrictions.



One ALEC conference last year was held in New Orleans, for which most Ohio lawmakers who attended were reimbursed by ALEC for expenses between \$1,500 and \$2,000. Sessions were punctuated each night by dinners at pricey restaurants and events such as cigar receptions, paid for by corporate sponsors, records show. In the months leading up to ALEC's 2011 conference in Cincinnati, records show Kara Joseph, a senior legislative aide to Adams, worked with Kozelek, the Time Warner lobbyist and ALEC's private sector chairman, to distribute Reds tickets to legislators.

In one e-mail, Joseph fielded a request from Andy Thompson, a state representative from Marietta, who asked if he should buy three extra tickets so his children could attend. She forwarded the request to Kozelek.

"We'll make sure they are taken care of. Just keep track of the ticket distribution and let's not advertise what we're doing for him," responded Kozelek, who referred a reporter's phone message to Time Warner spokeswoman, who didn't respond to questions.

Fifteen legislators accepted two or more tickets, according to a distribution list. Bledsoe, the legislative inspector general, declined to comment on Joseph's actions, but speaking generally, said legislative staffers aren't allowed under House ethics rules to accept gifts from lobbyists with the purpose of redistributing to others in their office to get around rules that prohibit lawmakers from accepting more than \$75 in gifts from a lobbyist. "We don't want someone playing the game where they act as a conduit," he said.

Joseph was recently transferred to an administrative position for the Ohio State Highway Patrol starting April 23, 2012, according to state records. She had worked in the legislature since 1998. Adams said her transfer was not connected to questions about ALEC.

Legislators who attended the Reds game last year enjoyed the view from a "party deck" that included unlimited food, drinks and private bathrooms. State Sen. Bill Coley said he received one ticket to the game and that it was part of ALEC's conference. He said he was not aware tickets were from Time Warner, despite an ALEC flier that showed the event was sponsored by the telecommunications company. A Time Warner logo was printed on the invitation. "It was not a reportable event," Coley said. "All the rules were complied with."

He said Time Warner officials mingled with lawmakers who attended the game, but they didn't pitch anything. "It's a chance to interact on a less formal basis," Coley said of ALEC conferences. "It's a place where legislators exchange ideas about what's working and what's not working in different states."

Other area lawmakers who received tickets for the baseball game include state Rep. Jim Butler of Oakwood, state Rep. Tim Derickson of Oxford, former state representative Jarrod Martin of Beavercreek and Ohio Senate President Tom Niehaus of Cincinnati.



### News You Can Use from State & Federal Communications

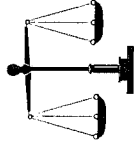
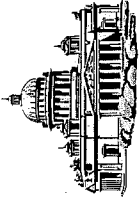
**State Legislator Arrested in FBI Sting**  
Arizona - Arizona Republic - May 16, 2012

Arizona Rep. Ben Arredondo, the former Tempe City member caught up in last year's Fiesta Bowl ticket scandal, has been charged with bribery, mail fraud, extortion, and lying in an unrelated FBI tickets-for-favors sting.

## ETHICS REPORTER

June, 2012

Kentucky Legislative Ethics Commission  
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<http://klec.ky.gov>



### Commission Recommends Changes in Ethics Law

The Legislative Ethics Commission is recommending several changes in Kentucky's Code of Legislative Ethics, and has submitted its recommendations to the Legislative Research Commission.

The Ethics Commission recommends requiring employers of lobbyists to report certain advertising expenditures during legislative sessions; curtailing politically-motivated ethics complaints against legislators; prohibiting campaign contributions during regular legislative sessions from employers of lobbyists and political action committees; prohibiting lobbyists from soliciting contributions for legislative campaigns; adopting a "no cup of coffee" rule; prohibiting lobbyists and employers from paying for legislators' or candidates' travel expenses; and treating candidates the same as legislators in all aspects of the ethics law.

Here are the recommendations, and in italics, information relating to several of the proposals:

**Recommendation:** Require employers of lobbyists to report the cost of advertising which appears during a session of the General Assembly, and which supports or opposes legislation, if the cost is paid by an employer of lobbyists, or a person affiliated with an employer.

**Recommendation:** Authorize the Legislative Ethics Commission to dismiss a complaint without prejudice if the complaint or preliminary inquiry is publicly disclosed by the complainant, or the complainant comments publicly about the complaint.

*(This change would address the problem of a complaint being filed in an election campaign, where a complainant may be attempting to use the complaint process for political purposes.)*

**Recommendation:** Prohibit employers of lobbyists and political action committees from making campaign contributions to legislative candidates or legislators during a regular session of the General Assembly, and allow a candidate or legislator to return such a contribution within 30 days after the contribution is required to be reported to the Registry of Election Finance. Prohibit lobbyists from directly soliciting contributions for an election campaign of a legislator or legislative candidate.

**Recommendation:** Repeal the provision allowing each lobbyist and employer to spend up to \$100 annually on food and beverages for each legislator and his or her immediate family, and prohibit lobbyists and their employers from paying for out-of-state travel, food, or lodging expenses for legislators or candidates.

*(Lobbyists and employers of lobbyists could continue to sponsor events to which groups of legislators are invited, but could not purchase meals or beverages for individual legislators or members of a legislator's immediate family. Also, under current law, with the approval of the Senate President or House Speaker, a legislator may accept transportation, food, beverages, and lodging for an out-of-state event, and those expenses may be paid for by a lobbyist or employer of lobbyists.)*

**Recommendation:** Treat candidates in the same manner as legislators by limiting the interaction between lobbyists and candidates who have filed to run for election to the Kentucky General Assembly.

*(Currently, lobbyists and employers are not prohibited from giving "anything of value" to a candidate, or from spending more than \$100 a calendar year on food and beverages on a candidate, but they are prohibited from giving "anything of value" or spending more than \$100 per year on members of the General Assembly.)*



### **Three Candidates Fined for Failure to Disclose**

The Legislative Ethics Commission levied \$1,000 fines on three legislative candidates who have failed to file the required financial disclosure statement. The disclosure statement for candidates is the same one that legislators are required to file every year.

The candidates who failed to file a disclosure statement are: T.K. Broecker of LaGrange, Jerry Lee Shelton of Crab Orchard, and Jeremy Warfield of Owensboro.



### **Informal Opinions from the Ethics Commission**

--- A legislative agent (lobbyist) may not serve on a political party committee, if the committee makes or directs contributions to the campaigns of legislators or legislative candidates. See **OLEC 93-44**.

--- Legislators who are campaigning for re-election are cautioned to avoid distributing state-funded materials in conjunction with campaign activities. Distributing publicly-funded materials while campaigning creates at least the appearance that those items are being used for partisan political campaign activity. See Commission Order entered November 25, 1998.

--- A legislative agent may raise money for a registered 527 organization, as long as the agent has not been asked or directed to fundraise by a legislator or the employer of the agent, and the agent is not in a position to, and does not direct 527 funds to a legislative candidate, a legislative campaign, or a caucus campaign committee. There is no provision of the Code of Legislative Ethics that would preclude an agent from contracting to fundraise for a 527, and the restrictions described above would apply. See **OLEC 06-03**.

--- A legislator who is an attorney may represent medical service providers in matters relating to the failure of a managed care organization (MCO), or an MCO's regional contractor to provide timely payment to the providers. The Code of Legislative Ethics, KRS 6.744(7), states in part: "A legislator who is an attorney shall not for compensation maintain an action for the purpose of receiving money damages against the Commonwealth in which the Commonwealth is the principal defendant or against a state agency in which the agency is the principal defendant." In this situation, the legislator is not being paid as an attorney to maintain an action for money damages against the Commonwealth, nor is an MCO or an MCO's regional contractor a "state agency", as defined in the ethics code at KRS 6.611(29).

--- If legislators, their family members, and legislative staff are guests at a facility operated by an employer of lobbyists, there is no violation of the Code of Legislative Ethics as long as legislators, family members, and legislative staff are treated the same as members of the public, and are not given something "of value". The ethics code prohibits a lobbyist or lobbyist's employer from offering or giving "anything of value" to a legislator, his spouse or child. See KRS 6.811(4). Likewise, KRS 6.751(2) prohibits a legislator or his or her spouse from soliciting or accepting "anything of value" from a lobbyist or a lobbyist's employer. KRS 6.611(2) states that "anything of value" includes: "A rebate or discount in the price of anything of value unless the rebate or discount is made in the ordinary course of business to a member of the public without regard to that person's status as a legislator."



### **Study shows isolation may lead to corrupt state capitals**

By David Lauter, *Los Angeles Times*

What makes some state capitals so much more corrupt than others? New research provides a partial answer to that long-standing question: isolated capitals breed more corruption and lack of news coverage is a major reason why.

State capitals have long been known for corrupt practices. While every state has its roster of legendary local miscreants, some have a much more consistent record of corruption than others. Researchers have studied that variation for years, looking for factors that might explain the patterns.

The overall level of education in a state appears to play a role – less educated states tend toward more corrupt governments – but most other variables that researchers have examined have not turned out to have a consistent effect. Filipe R. Campante of Harvard's Kennedy School of Government and Quoc-Anh Do of Singapore Management University looked at a different factor – isolation.

At the nation's founding, James Madison argued that capital cities should be located "in that spot which will be least removed from every part of the empire." That way, Madison asserted, government would be insulated from powerful economic interests. But perhaps Madison erred. Or maybe his prescription is just wrong for our times.

Campante and Do used a sophisticated statistical model to determine which capitals are the most isolated from their states' population centers. They compared that measure of isolation with a database of convictions on federal corruption charges between 1976 and 2002. (Using federal convictions avoids the problem that some states may have more corruption convictions simply because local prosecutors are more aggressive. In addition, a long time period minimizes possible partisan bias).

The results showed an impressive effect, they wrote: "more isolated capital cities are associated with more corruption."

The most corrupt state capitals—Jackson, Miss., Baton Rouge, La., Nashville, Tenn., Pierre, S.D., Springfield, Ill., and Albany, N.Y., for example—are all more isolated than average. Nashville is the least so, being a major city in its own right although distant from other population centers in the state. Springfield and Pierre rank as the two most isolated on the list. The less isolated the capital, the more likely it is to rank low on corruption.

Isolation doesn't explain everything, of course. Some states, such as Oregon, Washington and Vermont, have unusually low levels of corruption. But the impact of isolation appears strong.

What might cause the relationship between isolation and corruption, the researchers asked. One possibility was that newspapers, which provide most coverage of state governments, may be less likely to cover the capital when it is further from their circulation areas.

So they examined the content of 436 U.S. newspapers, searching for references to state government. Sure enough, "in states where the population is more concentrated around the capital," the study found "more intense media coverage of state politics, and therefore greater accountability." For example, they noted, newspapers in Massachusetts, where Boston, is the capital and by far the state's largest city, cover state government more than do newspapers in New York, where Albany is a relative backwater.

"It stands to reason that when citizens are better able to monitor the performance of public officials and punish those who do misbehave, there will be less scope for the latter to misuse their office for private gain," the researchers wrote.

The relationship between newspaper coverage and corruption has another troubling implication. In the past decade, the number of reporters covering state capitals has dropped sharply—a reduction of more than 30 percent between 2003 and 2009, according to a census by the American Journalism Review. If less coverage leads to more corruption, those staff cutbacks should provide plenty of work for prosecutors in years to come.