

May 22, 2019

Neven F. Stipanovic, Esq.
Acting Associate General Counsel
Federal Election Commission
1050 First St. NE
Washington, DC 20463

Re: REG 2018-02, Rulemaking Petition to Revise and Amend
Regulations Relating to the Personal Use of Leadership PAC
Funds

Dear Mr. Stipanovic,

The Campaign Legal Center (“CLC”), Issue One, and former United States Representatives Rod Chandler (R-WA), Larry LaRocco (D-ID), Peter Smith (R-VT), Claudine Schneider (R-RI), and John Tanner (D-TN) (collectively “Petitioners”) write to respectfully urge the Commission to take action on REG 2018-02, the Federal Election Commission’s proposed rulemaking to revise and amend 11 C.F.R. § 113.1(g) to clarify that the prohibition on the personal use of campaign funds applies to so-called “Leadership PACs.”

As we noted in our original petition, Congress has prohibited “any contribution accepted by a candidate” and “any other donation received by an individual as support for activities of the individual as a holder of Federal office” from being converted to the “personal use” of the candidate or any other person. 52 U.S.C. §§ 30114(a), 30114(b)(1). A leadership PAC is a committee established, financed, maintained or controlled by a candidate. 52 U.S.C. § 30104(i)(8)(B); 11 C.F.R. § 100.5(e)(6). The Commission allowed officeholders to establish leadership PACs to support their duties as



officeholders—specifically, so that an officeholder may “support other candidates' campaigns”¹ in order “to gain support when the officeholder seeks a leadership position in Congress.”² Thus, by its very terms, the statutory personal use prohibition is applicable to any contribution received by a candidate’s leadership PAC, and Commission rules should reflect this clear statutory mandate.

Our original July 24, 2018 petition was accompanied by a report, *All Expenses Paid: How Leadership PACs Became Politicians’ Preferred Ticket to Luxury Living*, documenting how politicians from both parties have spent millions of dollars from leadership PAC funds for potential personal use over the preceding five years—while on average devoting only a minority of spending towards contributions to other candidates or committees.

Our November 16, 2018 comments on the Commission’s notice of availability demonstrated that those trends continued through the second and third quarters of 2018, with politicians spending thousands of dollars of leadership PAC funds on golf clubs, resorts, NFL games, and international travel, while at the same time directing only a small portion of their leadership PAC spending towards contributions.

CLC and Issue One’s review of subsequent leadership PAC reports, attached to this letter, shows that these abuses have continued unabated.

In sum, the evidence demonstrates that the Commission’s failure to clarify that the statutory personal use ban applies to contributions received by federal candidates’ and officeholders’ leadership PACs has resulted in members of both parties illegally using them as slush funds.

We therefore reiterate our request that the Commission initiate a rulemaking on this matter. Because the ban on personal use of leadership PAC funds is commanded by statute, the Commission’s continued failure to address this matter may constitute “agency action unlawfully withheld or unreasonably delayed,” in violation of 5 U.S.C. § 706(1).

Thank you for considering this submission.

¹ Notice of Proposed Rulemaking on Prohibited and Excessive Contributions; Non-Federal Funds or Soft Money, 67 FR 35654, 35672 (May 20, 2002).

² 67 FR at 78754.

Sincerely,

_____/s/_____

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_____/s/_____

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_____/s/_____

Rep. Larry LaRocco (D-ID)

_____/s/_____

Rep. Peter Smith (R-VT)

_____/s/_____

Rep. Rod Chandler (R-WA)

_____/s/_____

Rep. Claudine Schneider (R-RI)

_____/s/_____

Rep. John Tanner (D-TN)

All Expenses Still Paid



A Look at Leadership PACs' Latest Outlandish Spending
October - December 2018



May 22, 2019



Acknowledgments

This report was written by Michael Beckel and Amisa Ratliff of Issue One. Brendan Fischer and Maggie Christ of Campaign Legal Center contributed to this report. Design by Evan Ottenfeld.

About Issue One

Issue One is the leading cross-partisan political reform group in Washington. We unite Republicans, Democrats, and independents in the movement to increase transparency, strengthen ethics and accountability, and reduce the influence of big money in politics. Issue One's [ReFormers Caucus](#) of more than 200 former members of Congress, governors, and Cabinet officials is the largest bipartisan coalition of its kind ever assembled to [advocate for solutions](#) to fix our broken political system.

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About Campaign Legal Center

Campaign Legal Center (“CLC”) is a nonpartisan, nonprofit organization based in Washington, D.C. Through litigation, policy analysis, and public education, CLC works to protect and strengthen the U.S. democratic process across all levels of government. CLC is adamantly nonpartisan, holding candidates and government officials accountable regardless of political affiliation. CLC was founded in 2002 and is a recipient of the prestigious MacArthur Award for Creative and Effective Institutions. Our work today is more critical than ever as we fight the current threats to our democracy in the areas of campaign finance, voting rights, redistricting, and ethics.

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All Expenses Still Paid: A Look at Leadership PACs' Latest Outlandish Spending *October - December 2018*

By Michael Beckel and Amisa Ratliff of Issue One

Should it be legal for members of Congress to operate “slush funds” to subsidize lavish lifestyles — spending money on private jets, five-star resorts, and fine dining at events that are often underwritten by lobbyists and special interest donors?

If you think the answer should be no, then we’ve got some news for you: Such outlandish expenditures from these funds — known as leadership PACs — are being treated by regulators as lawful when they shouldn’t be.

Leadership PACs first came onto the scene in the late 1970s when the Federal Election Commission (FEC) decided to allow members of Congress to establish separate committees to raise extra money to give away to fellow politicians. Today, [nearly every member of Congress](#) in both parties operates a leadership PAC, and these lawmaker-controlled committees collectively raise [tens of millions of dollars](#) each year.

Disturbingly, the bulk of leadership PACs’ expenditures are now a far cry from the purposes originally permitted by the FEC. In recent years, only a minority of leadership PAC spending — about 46% — has actually gone toward contributions to candidates and political groups, according to data from the [Center for Responsive Politics](#).

Instead, as Issue One and Campaign Legal Center [previously reported](#), members of Congress routinely use leadership PAC funds to pay for expensive meals, rounds of golf, and luxury hotel stays, often under the guise of fundraising. Since, by law, officeholders cannot use official campaign funds for

“personal use” — like country club dues, clothing purchases, or family vacations — they have instead dipped into their leadership PAC funds for these expenses. This pattern arose, and has worsened, because the FEC has not applied the personal use prohibition to leadership PACs.

“I served in Congress for 16 years without a leadership PAC, and it is disturbing that we continue to see them abused,” said Issue One [ReFormers Caucus](#) Co-chair Rep. Zach Wamp (R-TN). “If we can’t do away with leadership PACs altogether, we at least need new language prohibiting any personal use of these funds, similar to the prohibition on personal use governing regular federal campaign accounts.”

Added Issue One ReFormers Caucus Co-chair Amb. Tim Roemer (D-IN): “We must take commonsense steps to repair our broken democracy and restore the shattered faith in the Congress. Addressing leadership PACs and how they buy influence and access is a bipartisan solution and sound approach. The American people are angry and are demanding reform.”

Neither Wamp (who was the top Republican member of two subcommittees on the House Appropriations Committee during his eight terms in Congress) nor Roemer (who served in the House of Representatives for six terms and was co-chair of the New Democrat Coalition) operated a leadership PAC while they were in office.

Below are some of the most eyebrow-raising expenditures from the final three months

of 2018, based on a new [Issue One](#) and [Campaign Legal Center](#) analysis of campaign finance data from the Federal Election Commission.

Expensive meals

Just steps away from the Capitol building are several high-end restaurants where members of Congress routinely spend leadership PAC funds on expensive meals, rubbing shoulders with wealthy special interests in places that are often out of the reach of their constituents.

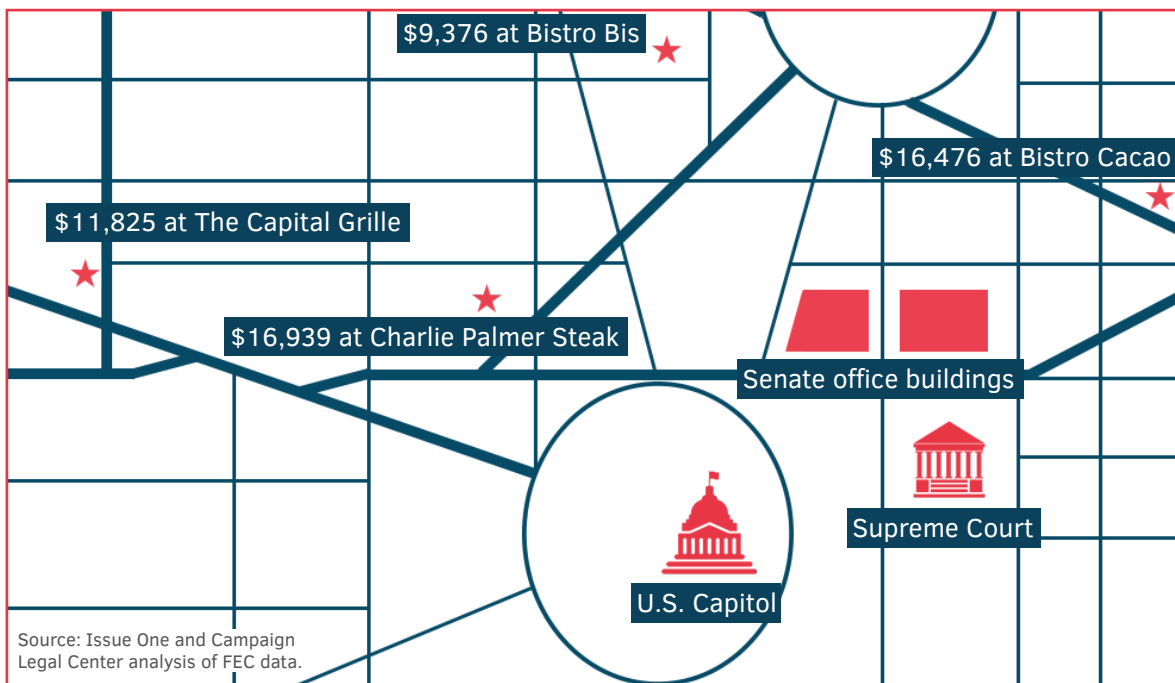
Among the restaurants in the nation’s capital where lawmakers’ leadership PACs spent significant funds between October and December were the following:

- ▶ [Joe’s Seafood, Prime Steak & Stone Crab](#), an upscale seafood restaurant and steakhouse in downtown D.C., where four leadership PACs spent a total of \$22,175;
- ▶ [Charlie Palmer Steak](#), a posh steakhouse located just three blocks west of the Senate office buildings, where the leadership PACs of 13 members of Congress spent a total of \$16,939;
- ▶ [Bistro Bis](#), an upscale French restaurant just three blocks northwest of the Senate office buildings, where 10 leadership PACs spent a total of \$9,376.
- ▶ [Bistro Cacao](#), a traditional French bistro just three blocks northeast of the Senate office buildings, where six leadership PACs spent a total of \$16,476;
- ▶ [The Capital Grille](#), a fine dining steakhouse in downtown D.C., where nine leadership PACs spent a total of \$11,825;
- ▶ [Morton’s The Steakhouse](#), which advertises that diners can “mingle amongst the decision makers of D.C.,” where four leadership PACs spent a total of \$10,424; and

Elite travel and tickets to coveted events

Under the guise of fundraising, leadership PACs are often used by members of Congress to pay for trips to luxurious destinations, exclusive resorts, and entertainment and sporting events.

Between October and December 2018, lawmakers’ leadership PACs spent...



For example: Four members of Congress paid a combined [\\$113,263](#) from their leadership PACs between October and December to [Sea Island](#), a five-star luxury resort in Georgia with oceanfront views, a spa, three golf courses, and horseback riding.

Likewise, three members of Congress paid a combined [\\$72,561](#) from their leadership PACs during the final three months of 2018 to the lavish [Kiawah Island Golf Resort](#) in South Carolina, which markets itself as “a destination like no other.” Among the offerings at the five-star resort are 22 tennis courts, five golf courses, and six pools.

Meanwhile, the leadership PACs of two members of Congress combined to spend [\\$25,936](#) between October and December at the [Watercolor Inn and Resort](#) in Florida, which offers beachfront rooms on the Gulf of Mexico. And ten members of Congress combined to spend \$15,906 during the same time period at restaurants and hotels in Las Vegas, including the prestigious [SLS Las Vegas](#), [Venetian](#), and [Palazzo](#).

Of course, some members of Congress prefer to travel to their destinations in style. For example, seven members of Congress together spent [\\$82,408](#) from their leadership PACs on private jets between October and December.

And what’s a trip without something to do? Leadership PACs spent eye-popping amounts on numerous activities, tickets, and event expenses during the fourth quarter of 2018, including:

- ▶ [\\$23,130](#) for tickets, purchased by one leadership PAC, to the [South Beach Wine and Food Festival](#) in Miami, “a national, star-studded, five-day destination event showcasing the talents of the world’s most renowned wine and spirits producers, chefs, and culinary personalities”;
- ▶ [\\$10,750](#) for tickets and other expenses associated with the Mardi Gras-themed celebration hosted in Washington, D.C., by the [Mystick Krewe of Louisianians](#), paid for by four lawmakers’ leadership PACs; and

- ▶ [\\$3,382](#) on tickets, purchased by two lawmakers’ leadership PACs, to events at the [Capital One Arena](#) in Washington, D.C., where numerous professional sports games and concerts are held.

Lavish lifestyles on someone else’s dime

When the FEC approved the first leadership PAC in the late 1970s, the idea was that these committees would allow members of Congress to raise extra funds that politicians would then give away to their political allies. But in many cases, that’s not what’s happening anymore.

The reality today is that many members of Congress appear to be using leadership PACs as slush funds to pay for lavish meals and trips on someone else’s dime. Lawmakers often say they need to hold fundraisers at elite locations to successfully raise money from wealthy donors. But numerous leadership PACs give proportionally little away in contributions to candidates and political groups. Thus, it appears as though many officeholders are simply raising money for leadership PACs at luxury hotels, beachfront resorts, and exclusive golf clubs to perpetuate a never-ending fundraising cycle.









Here are just a few examples of leadership PACs that devoted a minority of their spending to political contributions while spending lavishly on travel, meals, entertainment, and more during the fourth quarter of 2018:

- ▶ **Only about 18%** of the [\\$321,000](#) in spending between January 2017 and December 2018 by the leadership PAC of Rep. George Holding (R-NC) went toward contributions to candidates and political groups.

In just the final three months of 2018, Holding’s leadership PAC spent, among other things, \$15,605 on food, beverage, and lodging-related expenditures; [\\$11,659](#) on airfare with [American Airlines](#); and [\\$3,983](#) on transportation expenses with the ride-hailing service [Uber](#).

Holding’s leadership PAC paid for meals at eateries ranging from elegant French restaurants to high-end steakhouses.

Between October and December 2018, lawmakers' leadership PACs spent...

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|--|--|--|--|
| <p>\$113,236</p>  <p>at a five-star luxury resort in Georgia</p> | <p>\$82,408</p>  <p>on private jets</p> | <p>\$16,939</p>  <p>at a posh D.C. steakhouse</p> | <p>\$15,906</p>  <p>at restaurants and hotels in Las Vegas</p> |
| <p>\$10,750</p>  <p>at a Mardi Gras celebration</p> | <p>\$4,425</p>  <p>on pens and ornaments at the Senate Gift Shop</p> | <p>\$2,569</p>  <p>at a private, men-only social club in London</p> | <p>\$1,276</p>  <p>at a luxury hotel in Puerto Rico</p> |

Source: Issue One and Campaign Legal Center analysis of FEC data.

And it spent a total of [\\$7,698](#) between October and December at exclusive, members-only clubs, including [\\$3,058](#) at the [Union Club](#) in New York. The Union Club, founded in 1836, is [considered](#) the “first men’s social club in New York,” with a jacket-and-tie-only dress code and a ban on cellphones in common areas.

Holding’s leadership PAC even footed the bill for a stay at a members-only club overseas, [paying \\$2,569](#) in December for “lodging, food/beverage” at the [East India Club](#) in London. The East India Club is a private, men-only club founded in the middle of the 19th century that offers members access to “sixty-seven bedrooms, a formal dining room, bars, gymnasium, snooker room, business centre, library, drawing rooms, private dining, and meeting rooms.”

- ▶ **Only about 22%** of the [\\$102,000](#) in spending between January 2017 and December 2018 by the leadership PAC of former Rep. Jason Chaffetz (R-UT) — the one-time House Oversight Committee chairman who resigned from his seat in June 2017 and is now a contributor at Fox News — went toward contributions to candidates and political groups. In just the final three months of 2018, Chaffetz’s leadership

PAC spent, among other things, [\\$1,766](#) on airfare, [\\$1,279](#) on “supplies” at a [Costco](#) near his home in Utah, and [\\$2,881](#) at the [Trump International Hotel](#) in Washington, D.C.

- ▶ **Only about 29%** of the [\\$485,000](#) in spending between January 2017 and December 2018 by the leadership PAC of Rep. Hal Rogers (R-KY) went toward contributions to candidates and political groups.

In just the final three months of 2018, Rogers’ leadership PAC spent, among other things, [\\$6,311](#) on food and beverage expenses, including [\\$1,179](#) at the Capitol Hill Club, a private social club for Republicans in D.C. His leadership PAC also spent [\\$18,369](#) in November on “event tickets” at the [Churchill Downs](#) racetrack, home of the Kentucky Derby.

- ▶ **Only about 32%** of the [\\$154,000](#) in spending between January 2017 and December 2018 by the leadership PAC of Rep. Gregory Meeks (D-NY) went toward contributions to candidates and political groups.

In December 2018 alone, Meeks’ leadership PAC paid [\\$1,276](#) to the [San](#)

[Juan Marriott Resort](#) in Puerto Rico, which markets itself as “the definition of elegance and comfort.” A month earlier, Meeks’ leadership PAC spent [\\$543](#) at the opulent [Venetian](#) on the Las Vegas Strip, a luxury resort that advertises that its guests can “take in the beauty of old world Italy” — including [gondola rides](#) — while enjoying “all the comforts and excitement of modern day Las Vegas.”

- ▶ **Only about 36%** of the [\\$430,000](#) in spending between January 2017 and December 2018 by the leadership PAC of Rep. Ron Kind (D-WI) went toward contributions to candidates and political groups. In October 2018 alone, Kind’s leadership PAC spent [\\$5,000](#) at the [American Club Resort](#), a five-star, 241-room resort in Wisconsin that touts itself as “the Midwest’s premier luxury resort.”
- ▶ **Only about 36%** of the [\\$1.6 million](#) in spending between January 2017 and December 2018 by the leadership PAC of Sen. John Thune (R-SD) went toward contributions to candidates and political groups.

In October 2018 alone, Thune’s leadership PAC spent [\\$32,286](#) on chartered jets through [Charter First](#), a Minnesota-based company that caters to “business executives and luxury vacationers.” Thune also appears to enjoy traveling in luxury on the ground: His leadership PAC spent [\\$1,447](#) in just the final two months of 2018 on transportation through [Dav-El Services](#), which offers “deluxe limousines, luxury sedans, executive vans, and buses.” Additionally, Thune’s leadership PAC spent [\\$3,000](#) in October at the exclusive [Greenbrier Sporting Club](#) in West

Virginia, whose slogan is “life as few know it.” The members-only club offers on-site fishing, trap and skeet shooting fields, hiking, equestrian stables, a spa, a fitness center, and five golf courses.

- ▶ **Only about 41%** of the [\\$485,000](#) in spending between January 2017 and December 2018 by the leadership PAC of Sen. Orrin Hatch (R-UT), who retired in January after the completion of his seventh term in the Senate, went toward contributions to candidates and political groups.

Between October and December alone, Hatch’s leadership PAC spent [\\$11,547](#) on gifts and memorabilia, including [\\$7,122](#) at retailer L.L. Bean and [\\$4,425](#) on pens and ornaments at the U.S. Senate Gift Shop.

During the same time period, Hatch’s leadership PAC also paid a total of [\\$810](#) in dues to the esteemed [Alta Club](#) in Salt Lake City — part of the [\\$6,204](#) in total dues it paid there in 2017 and 2018. The Alta Club was formed in 1883, and was modeled after the gentlemen’s social clubs that were then prominent on the east and west coasts. Today, the Alta Club offers members access to meeting rooms, dining facilities, a billiards room, a full-service salon, and a fitness center. Women were not allowed to become members [until 1987](#).

- ▶ **Only about 43%** of the [\\$829,000](#) in spending between January 2017 and December 2018 by the leadership PAC of Sen. Patrick Leahy (D-VT) went toward contributions to candidates and political groups. In October 2018 alone, Leahy’s leadership PAC spent [\\$8,797](#) at the chic [Hotel Vermont](#) in

Dues payments: Illegal for a campaign committee — okay for a leadership PAC?

Using campaign cash to pay for dues at country clubs, health clubs, recreational facilities, and other “nonpolitical organizations” is [generally prohibited](#) under federal laws that bar the personal use of campaign funds, unless those dues payments are “made in connection with a specific fundraising event that takes place on the organization’s premises.” But politicians have used their leadership PACs to pay for dues — such as at the Alta Club in Salt Lake City, by the leadership PAC of Sen. Orrin Hatch (R-UT) — that would likely be considered illegal if campaign funds were used.

downtown Burlington as well as [\\$1,365](#) at the [Trapp Family Lodge](#), a luxury resort in Vermont that advertises its “Austrian-inspired architecture and European-style accommodations” surrounded by “stunning mountain views.”

- ▶ **Only about 47%** of the [\\$426,000](#) in spending between January 2017 and December 2018 by the leadership PAC of Sen. Tom Udall (D-NM) went toward contributions to candidates and political groups. In October 2018 alone, Udall’s leadership PAC spent [\\$2,518](#) for catering at the [Bandon Dunes Golf Resort](#) on the coast of southern Oregon.

- ▶ **Only about 48%** of the [\\$868,000](#) in spending between January 2017 and December 2018 by the leadership PAC of Sen. Todd Young (R-IN) went toward contributions to candidates and political groups. Between October and December, Young’s leadership PAC spent [\\$2,219](#) on travel-related expenses on airplanes, trains, and chauffeured automobiles. And in November alone, Young’s leadership PAC spent [\\$4,830](#) for a “registration fee” at the [Medinah Country Club](#) just outside Chicago, which describes itself as “one of the most prominent private country clubs in the United States.”

What can be done to curb the misuse of leadership PAC funds?

Leadership PACs allow donors who’ve already given the maximum to a politician’s campaign committee to then contribute significantly more money to that politician’s leadership PAC — giving donors yet another avenue to buy access and influence. And leadership PAC contributions become even more concerning given how those funds are often spent. When many leadership PACs give proportionally little away in contributions to candidates and political groups, those officeholders appear to be raising money for leadership PACs to perpetuate a never-ending fundraising cycle.

As the examples in this report show, leadership PACs have become, in the words of prominent conservative writer [Peter Schweizer](#), “essentially a second personal bank account, or a second pocket from which politicians can pull money.”

Some have even questioned whether leadership PACs should exist at all. For instance, former Rep. Joel Hefley (R-CO) — now a member of Issue One’s [ReFormers Caucus](#) — once introduced a bill to ban leadership PACs. Similarly, Brad Smith, a former Republican chairman of the FEC who now serves as the chairman of the Institute for Free Speech, [supports](#) the eradication of leadership PACs.

One thing that everyone should agree on is that politicians should not be permitted to use leadership PACs as slush funds.

Today, there is growing bipartisan interest in curbing the abuse of leadership PACs. [Bipartisan legislation](#) was introduced earlier this year that would expressly extend the personal use ban that applies to candidates’ official campaign committees to their leadership PACs as well. This legislation ([H.R. 679](#)) is [sponsored by](#) Reps. Mike Gallagher (R-WI), John Katko (R-NY), Derek Kilmer (D-WA), and Kathleen Rice (D-NY).

Moreover, the FEC can, and should, be doing more to step up its enforcement of leadership PAC spending. [Existing law](#) states that any “contribution accepted by a candidate” or “received by an individual as support for activities of the individual as a holder of federal office” cannot be put toward personal use. Based on a plain reading of the law, the personal use prohibition should clearly apply to contributions accepted by candidates for their leadership PACs. Yet the FEC [has failed](#) to agree on whether the personal use prohibition applies to leadership PACs. Campaign Legal Center, Issue One, and five former Republican and Democratic members of Congress have [petitioned the FEC](#) to clarify that leadership PAC funds cannot be converted to personal use. That petition remains pending.

It is now incumbent upon both the FEC and Congress to ensure that leadership PAC funds cannot be used for politicians’ personal expenses. •