

Aides of Congress Agree To Stop 'Laundering' Gifts

Common Cause Suit, Settled Out of Court, Forces House Clerk, Senate Secretary to Enforce 1972 Campaign Law

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WASHINGTON, May 20—A lawsuit, settled last week by Common Cause, marks an important breakthrough in the widespread practice of hiding political contributions by "laundering" the money through committees.

The nationwide citizens' lobbying group won an agreement by the Clerk of the House and the Secretary of the Senate to enforce provisions of the Federal Election Campaign Act that the source of all political contributions be fully reported by every committee or candidate in Federal elections.

Under the campaign act, which took effect April 7, 1972, regular financial statements by political officeholders and candidates must be filed with the House and Senate. But W. Patrick Jennings, the Clerk of the House, and Francis Valeo, the Secretary of the Senate, both argued that the act did not specifically bar the practice of giving the money to a political committee on the condition that it went to a specific candidate. Nor did they require the name of the true source of political contributions to be listed on the candidates' financial statements.

How System Worked

Common Cause disagreed. It took the matter to United States District Court two years ago. Last week, it won agreement and the case was dismissed by Judge Charles R. Richey.

The old system worked with the following steps:

¶A donor, sensitive about having his name connected with a gift to a politician, gave his money instead to a political committee supporting a number of candidates.

¶The donor included instructions that his money be given to only one candidate.

¶The political committee put the donor's check in its own bank account and wrote a fresh check for the earmarked candidate and sent it on.

¶When the money finally got to the politician, he listed it on his financial report as a committee gift. Thus the real donor's name disappeared in the process.

Kenneth J. Guido Jr., associate general counsel of Common Cause, said the practice involved "using a third party as a false front."

The practice was widely used over the years by four of the major fund-raising committees in Congress: the Republican and Democratic Congressional Campaign Committees and Senatorial Campaign Committees. All conceded that they had used earmarking in the past, but said the practice had been discontinued.

These committees are supposed to take in funds for all candidates, then divide the money up and send it to candidates.

Democratic National Chairman Robert S. Strauss said he continued to accept earmarked contributions, but added that he always noted the earmarking. The heads of the four committees said they did not earmark since the new law went into effect, but evidence in the Common Cause suit indicates that the practice still continues.

For example, Frank N. Hoffman, the executive director and secretary-treasurer of the Democratic Senatorial Campaign Committee, described the practice in a deposition taken Feb. 27, 1973:

"Whatever amount of money there is, just divide the number of candidates into that amount of money and that is what is given out."

In practice, however, the figures come out much differently.

W. Eugene Guess, the Democratic candidate for the Senate from Alaska, got \$500, accord-

ing to figures made public in the lawsuit, while another unsuccessful candidate, Barefoot Sanders of Texas, got \$82,735.19.

Senator James O. Eastland of Mississippi received \$4,850 from the committee, while Senator John Sparkman of Alabama received \$108,987.50.

There are also indications of earmarking on the Republican side, and in organized labor.

On Oct. 16, 1972, the Committee of Automotive Retailers sent \$200 to the National Republican Senatorial Committee.

In making out its reports, the automotive retailers noted in parentheses that the money was to go to the Louie B. Nunn for Senate campaign in Kentucky.

The Republican Senatorial Committee on Oct. 24 merely listed the receipt of \$200 from the automotive retailers without noting the earmarking.

In reporting its expenditures, the committee listed \$1,200 to the "Nunn for Senator Finance Committee" for the period of Oct. 17 through Oct. 26.

The Machinists Nonpartisan Political League of the International Association of Machinists and Aerospace Workers listed a donation of \$2,887.16 on May 5, 1972, for the Arkansas Committee on Political Education of the state's American Federation of Labor and Congress of Industrial Organizations.

Three days later, Arkansas COPE sent \$2,887.16 to the campaign of David H. Pryor, who unsuccessfully challenged Senator John L. McClellan in the Democratic primary.

Mr. Strauss openly conceded earmarking. Solicitation letters sent out from a multicandidate committee by Mr. Strauss and C. Peter McColough in 1972 contained the following post-script:

"P.S. 50 per cent of this contribution may be earmarked for a particular Senator and/or Congressman if you desire. Make check payable to National Committee to Re-elect a Democratic Congress..."

Dairyman Cites Case

However, Mr. Strauss said he followed the law by always disclosing in his reports any indications of earmarking.

Bob A. Lilly, assistant to the general manager of the Associated Milk Producers Inc., spoke of such earmarking in an interview with a lawyer investigating the dairy group's affairs last Dec. 28 and 29.

He said that \$150,000 each was given to the Republican Senate Campaign Committee and the Republican "House" Campaign Committee. It was his understanding, he said, that the \$300,000 "would go to Nixon."

"Senator Bob Dole, who is in charge of the Republican Senate Campaign Committee, called me and raised hell," Mr. Lilly said. He was supposed to be looking after the House-Senate campaign and didn't even know about the commitment....

"Common Cause has a lawsuit pending to determine what happened to the money sent to these two committees. If Common Cause is able to break down the donations, it will probably show that the money went to the Committee to Re-elect the President."

The case was settled last week without that information.

As a compromise, Common Cause gave up a requirement that every 1972 report be amended by all candidates to show all hidden donors.

"It would have been impossible to expect all committees to file amended returns for reports filed two years ago," Mr. Guido said.

"The effect of the settlement is that the Clerk and Secretary recognize that the details of earmarking must be disclosed by every reporting committee and individual in the entire process."