

effort rather than simply negotiating agreements that are not enforced and that no one remembers.

Mr. BENNETT addressed the Chair.

Mr. LEVIN. Will the Senator from Utah yield for a unanimous-consent request? I ask unanimous consent that immediately following the remarks of the Senator from Utah, that I be recognized for up to 15 minutes in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BENNETT. Mr. President, may I inquire as to the parliamentary circumstance? Are we in morning business?

The PRESIDING OFFICER (Mr. BURNS). The Senator is correct. The Senate is in morning business with Senators permitted to speak for up to 10 minutes.

Mr. BENNETT. May I ask unanimous consent that I be allowed to continue for up to 20 minutes, if that becomes necessary?

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Utah is recognized.

Mr. BENNETT. I thank the Chair.

(The remarks of Mr. BENNETT pertaining to the introduction of S. 1518 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. JOHNSON. Mr. President, I ask unanimous consent to speak in morning business immediately following the remarks of the Senator from Michigan.

The PRESIDING OFFICER (Mr. THOMAS). Without objection, it is so ordered.

Mr. LEVIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan is recognized for 20 minutes.

Mr. LEVIN. I thank the chair.

PRIVILEGE OF THE FLOOR

Mr. LEVIN. Mr. President, I ask unanimous consent that Gail Perkins be granted privileges of the floor for the balance of morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

MISSING HEARINGS FROM THE SENATE CAMPAIGN FINANCE INVESTIGATION.

Mr. LEVIN. Mr. President, on the last day in October, Senator THOMPSON announced that the Senate Governmental Affairs Committee was suspending its campaign finance hearings in part because the committee did not have the caliber of witnesses and information to justify continuing the hearings.

Mr. President, the Democrats on the Governmental Affairs Committee were promised 3 days of hearings during September or October on a number of unexamined issues involving important events during the 1996 elections. Had that commitment been kept, one of the days would have been spent looking at

the largest single transfer from a political party to a tax-exempt organization in the history of American politics—\$4.6 million, which the Republican National Committee gave to Americans for Tax Reform in October 1996, the final month before the 1996 elections.

As this chart shows, over two-thirds of the money which ATR received in 1996, this tax-exempt organization, over two-thirds of that money came from the Republican National Committee. The size of this transfer is unprecedented. There is no record of an American political party giving even \$1 million to a tax-exempt organization, much less four times that amount.

If the Democratic National Committee had given \$4.6 million to a labor union or environmental group in the month before the 1996 elections, I have no doubt that there would have been a searching investigation of the facts, if not full scale public hearings—and it would have been totally appropriate. But here—where the money was paid by the RNC to a tax-exempt group whose efforts were aimed at attacking Democrats—not a single hearing witness was called. Worse, the Governmental Affairs Committee failed to interview a single person from either the Republican National Committee or Americans for Tax Reform about this transfer. Given its mandate, the Committee's failure to investigate the \$4.6 million was a highly partisan act which denied the Senate and the American public important information.

But even without depositions or interviews or testimony, there is enough evidence through publicly available documents and the limited document production by the RNC, ATR, and some banks to piece together the outline of a coordinated campaign effort involving ATR that appears to circumvent hard and soft money restrictions, to duck disclosure, and to misuse ATR's tax-exempt status—all of which calls out for an appropriate investigation by the Department of Justice and the Treasury Department.

Let's begin with what was said at the time about the \$4.6 million transfer. In public statements, both RNC Chairman Haley Barbour and ATR President Grover Norquist denied that the money transfer was part of any coordinated effort between the two organizations. Mr. Barbour told the Washington Post on October 29, 1996, that "he had no understanding with Norquist about how the money would be spent," while Mr. Norquist told the press that he had made "no specific commitment" to the RNC on how ATR would use the money. In short, the two principals would have the American public believe that in the final weeks before election day 1996, the RNC gave away \$4.6 million to a supposedly nonpartisan, independent organization with no understanding or expectation as to how that money would be used.

Not only does common sense tell us that this is unlikely, but the facts and documents behind this transaction indicate that it simply was not so.

Let's look at what was happening around the time the money transfer took place. For months prior to election day, Haley Barbour and the RNC had been complaining about a television ad campaign funded by organized labor and others criticizing the Republican Party on the issue of Medicare. The RNC and Haley Barbour were telling anyone who would listen that the ads were distorting the facts and that Republicans were not out to cut Medicare. And yet, the RNC waited until October, the final month before the election, to start spending funds to respond to those ads. Here is Haley Barbour, at an October 25, 1996, press conference, explaining the RNC's decision to delay spending:

[W]e made the decision not to borrow money last year or early this year in order to try to compete with the unions and the other liberal special-interest groups' spending. You see, our campaigns do come into the real election season late September and October without having spent all the money that—to match what the unions were doing. And you will see us—you are seeing now, and have been throughout the month of October, you are seeing Republicans using the resources that we've raised in voluntary contributions to finish very strong, to make sure our message is in front of voters when they are making their voting decisions.

What steps was the RNC taking to ensure that its message was in front of voters when they are making their voting decisions in October? One step was to funnel \$4.6 million in soft money to ATR which used the money on a massive direct mail and phone bank operation, targeting 150 congressional districts with 19 million pieces of mail and 4 million phone calls.

The subject of the ATR mailings and phone calls was just what Haley Barbour referred to in his statement to the press—Medicare. The title of one ATR mailing says it all: "Straight Facts About You, Medicare and the November 5 Election." This mailing urged senior citizens to ignore political scare tactics and stated "[t]here's barely a difference between the Republican Medicare Plan and President Clinton's Medicare Proposal."

Did the RNC know what ATR was going to do with the \$4.6 million? Haley Barbour and Grover Norquist told the American public no, but let's look at a document produced by the RNC entitled, "Memorandum for the Field Dogs." I ask unanimous consent that this document and others I will mention in my statement be included in the record after my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See Exhibit 1)

Mr. LEVIN. This "Memorandum for the Field Dogs" is a document which, again, came from the files of the Republican National Committee and states the following in its entirety:

Re: Outside Mail and Phone effort,

Attached is a rotten copy of the 1st of 3 mail piece[s] that will be sent to 150 selected

congressional districts it will be directed at [sic], "a map of which has been included for your viewing pleasure."

We discussed this effort during Wednesday's conference call.

This is an effort undertaken by Americans for Tax Reform. They are attempting to warn seniors about Democrat Mediscare tactics. . ."

This memo to the field personnel provides clear evidence that the RNC had advance information about ATR's mailing effort. It shows that the RNC had a copy of ATR's first direct mail piece even before it was sent out. In the words of the memo, attached is a copy of the first of three mail piece[s] that will be sent.

It shows that the RNC knew it was the first of three mailings, and that it was being sent, not to specified cities or counties or zip codes, but to specified Federal Congressional districts—150 congressional districts to be exact—that it will be directed at. And to ensure that RNC field personnel knew precisely which districts had been targeted, the memo includes a map * * * for your viewing pleasure.

The fact that the mailing targeted congressional districts, rather than cities or zip codes, shows clearly an election-related intent. The fact that this information was communicated to RNC field personnel doing election-related work at the time is more evidence. The memo also states that RNC field personnel had discussed the effort undertaken by Americans for Tax Reform in a previous Wednesday's conference call. Any fair reading of this memo throws cold water on the claim that there was no understanding between the RNC and ATR about what ATR was doing.

But, one may ask, what evidence is there that the RNC knew when it gave ATR the \$4.6 million how ATR intended to spend it? Again, let's look at the facts and the documents.

First, let's look at an October 29, 1996 invoice sent to ATR by the John Grotta Co. This is the company that actually managed the direct mail and phone bank effort for ATR in October 1996. It is a company, I might add, that has also run direct mail campaigns on behalf of the RNC and is owned by an individual—John Grotta—who is a former western political director for the RNC. The invoice shows that ATR owed John Grotta various amounts at various times throughout October 1996. The grand total owed to the company, not including postage for the mailings, was \$3,325,498.60.

Based on an analysis of ATR's bank records, which are in Committee files, on October 1, 1996, ATR had a total in its two bank accounts of \$294,078.50—a tenth of the cost of the direct mail-phone bank effort.

Lo and behold, though, in October 1996 the RNC began pumping money directly into one of ATR's bank accounts. The \$4.6 million total would prove more than enough to pay for the direct mail-phone bank effort. What a coincidence. Or was it?

A closer look shows that the \$4.6 million was, in fact, not one donation, but four payments spread throughout the month of October. And if we compare the timing of each payment to the billing dates for the direct mail-phone bank operation, we find that each donation came at a very convenient moment for ATR.

According to the invoice, ATR owed John Grotta an initial payment of \$195,177.50 on October 7, 1996. On October 4, 1996, three days before that initial payment was due, the RNC gave \$2 million to ATR. The RNC didn't write a check to ATR—it wired the funds directly into ATR's bank account. Five days later, on October 9, ATR paid its bill to John Grotta.

Two weeks after that, ATR faced another \$1,313,677.40 in bills owed to John Grotta. These bills were due on October 18 and October 22. And what should happen on October 17, but that the RNC provided a second, well-timed donation to ATR—this time in the amount of \$1 million. Again, this money was wired directly into ATR's account. Within days of receiving it, ATR paid John Grotta \$1,418,544.38.

ATR had another John Grotta bill due on October 24, 1996—this one in the amount of \$1,104,000. On October 23, 1996, however, the total in ATR's bank account was \$216,344.93. But once again, ATR got the money it needed. On October 25, 1996, the RNC made a third well-timed donation to ATR—\$1 million wired into ATR's account. Within hours of receiving this donation, ATR paid John Grotta \$1,104,000.

One week later, at the end of the month, ATR faced another John Grotta bill due in the amount of \$607,776.72. On the day before that bill was due, the total in ATR's bank account was only \$70,085.65. But on the next day, the very day that the \$607,000 bill was due, the RNC wired ATR a fourth and final, well-timed donation—in the amount of \$600,000. Within 2 hours of receiving the RNC donation, ATR paid off its bill to John Grotta.

Are we supposed to believe that the timing and amounts of RNC payments to ATR, when compared to the billing dates and amounts owed by ATR to John Grotta, were mere coincidence? Are we supposed to believe that the RNC's \$600,000 payment just in time to pay a \$600,000 bill was sheer luck—a \$600,000 coincidence? And that there was no coordination or understanding as to how the RNC money would be used by ATR?

That's what Haley Barbour and Grover Norquist told the American public. But let's look past those statements to some other things Mr. Barbour and Mr. Norquist have said. In a news conference at RNC headquarters on October 29, 1996, Mr. Barbour was asked about the RNC's \$4.6 million donation to ATR. Here's what he said:

We made a contribution to Americans for Tax Reform, which is a conservative, low-tax organization. You'll see in our FEC report now and at the end of the year that we've

made contributions to a number of organizations that are like-minded, share our views, promote our ideas.

Then he went on to say the following:

As you know, when we do advertising, when we do advocacy, no matter what we do, we typically have to pay for it, either totally with FEC dollars or a mixture of FEC and non-FEC dollars. While our fundraising among small donors has been nothing short of spectacular, we often find ourselves in the position where we cannot match up non-FEC funds with enough FEC funds.

Those are the key words, "We find ourselves in the position where we cannot match up non-FEC funds with enough FEC funds." To put it in words which are more familiar to the American public, "We cannot match up soft money with enough hard money."

Haley Barbour went on to say at that press conference:

So, when we came to that point, we decided we would contribute to several groups who are like-minded and whose activities we think, while they're not specifically political, we think are good for the environment for us.

In an article in the Washington Post on February 9, 1997, again referring to the RNC contribution to ATR, Mr. Barbour was quoted as saying that groups like ATR "'have more credibility' in pushing a political message than the parties themselves." So here we have Mr. Barbour saying that the RNC gave ATR \$4.6 million in soft money, because it didn't have enough matching hard dollars to allow the RNC to do the advertising itself, and further saying that having groups like ATR do the political advertising provides more credibility than having the RNC do it itself. And yet Mr. Barbour claims that he had no understanding with ATR as to how the RNC's contributions to ATR would be used?

Then there are Mr. Norquist's statements. When asked to comment on the \$4.6 million, Mr. Norquist told the Washington Post on December 10, 1996, "We just ramped up on stuff we were going to do anyway. They, the RNC, the conservative movement, knew the projects we were working on."

The facts and documents indicate that the RNC was using ATR as a surrogate to do what the RNC itself had neither the hard dollars or the credibility to do on its own. Such actions raise questions about whether the RNC was deliberately circumventing hard money requirements as well as disclosure requirements. They also raise questions about whether the RNC was deliberately misusing a supposedly nonpartisan, independent tax exempt organization to promote the RNC's campaign agenda.

Americans for Tax Reform is a 501(c)(4) organization that is exempt from taxation. A (c)(4) organization is supposed to be engaged in social welfare that promotes the common good and general welfare of the people of the community. Social welfare organizations may not engage in campaign-related activity as their primary activity. The relevant Tax Code regulation

1.501(c)(4)-1 describes the prohibited activity as "direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office." An analysis of ATR's bank records for 1996 indicates, however, that the \$4.6 million that the RNC provided was more than two-thirds of ATR's income. The fact that RNC funds outmatched ATR's other funding by a 2-1 margin raises the issue of whether the RNC funding made electioneering ATR's dominant pursuit in violation of its tax exempt status.

The tax abuse issue doesn't end there. Up to this point, for simplicity's sake, I've been referring only to Americans for Tax Reform, the 501(c)(4) organization. But ATR has an affiliate, run by Grover Norquist out of the same office, called the Americans for Tax Reform Foundation. This foundation is a 501(c)(3) organization which is prohibited by Federal tax law from engaging in any campaign activity.

But it turns out that the foundation was very much engaged in the direct mail-phone bank operation and served as a second conduit for RNC funds spent on that operation. Of the \$4.6 million provided by the RNC, ATR actually transferred about \$2.3 million to the foundation which, in turn, paid almost half the direct mail-phone bank bills. In effect then, the RNC funneled soft money through two tax exempt organizations—one a 501(c)(4) and one a 501(c)(3)—to pay for an advocacy effort it could not do on its own due to a lack of matching hard dollars. ATR paid approximately \$1.8 million for the operation, while the ATR Foundation paid approximately \$1.5 million.

How do we know? Believe me, Mr. President, it wasn't easy to find out. The committee subpoena for ATR bank records was intended to cover the ATR Foundation, and the bank was willing to produce the foundation's records, but felt it could not do so under the wording of the subpoena without ATR's consent. When the minority asked ATR to allow the bank to produce ATR Foundation records, ATR refused. And when Senator GLENN asked the committee chairman to issue a new subpoena to the bank explicitly requesting ATR Foundation records, the request was ignored. So we were forced to piece together the foundation's role from the documents we already had.

To make a long story short, we followed the money. On October 4, 1996, the RNC wired \$2 million to ATR. On October 17, the RNC wired another \$1 million to ATR. The next day—October 18—ATR transferred \$508,000 to the ATR Foundation. Four days after that—on October 22—ATR transferred another \$851,000 to the ATR Foundation. On October 25, the RNC wired yet another \$1 million to ATR. That very day ATR transferred \$1 million to the ATR Foundation. The result is a pattern of RNC money coming into ATR and then being used by ATR either to pay the direct mail-phone bank bills

directly, or going an extra step of being passed by ATR to the ATR Foundation which then paid bills. What makes this pattern all the more intriguing is that ATR bank records for the year-and-a-half preceding October 1996 do not include a single month in which ATR transferred money to its foundation. Yet in October 1996, ATR gave its foundation over \$2 million.

Why did ATR take this extra step and involve its foundation? We'd like to ask Mr. Norquist, but so far have been denied any opportunity to do so.

How do we know, then, that the foundation used RNC funds to help pay for the direct mail-phone bank effort? We found two types of evidence. First, comparing the October 29 John Grotta invoice to ATR bank records shows that, for every recorded bill payment but two there is a corresponding wire transfer from ATR's bank account to John Grotta. The two exceptions are two bill payments that were both shown as made on October 25, 1996—one in the amount of \$468,000 and one in the amount of \$1,104,000. Both payments are shown on the invoice as having been made by ATR, but there is no corresponding wire transfer from ATR's bank account. However, both payments were made after ATR had transferred over \$2 million to the ATR Foundation. Common sense tells us that the foundation must have paid the bills on ATR's behalf. Of course, having been denied access to ATR Foundation bank records, we don't have the bank records documenting foundation payments to Grotta. However, we do have one of the mailings that this money paid for. And right there, in black and white, underneath the heading "Straight Talk About You, Medicare & the November 5 Election" are the words, "Paid for by AMERICANS FOR TAX REFORM FOUNDATION."

The documents and public statements of Mr. Barbour and Mr. Norquist indicate that RNC soft money went through ATR and ATR's 501(c)(3) foundation and paid for a direct mail-phone bank operation that, if the RNC had done it directly, would have required either all hard money or a hard money-soft money split. Was the RNC laundering money through the ATR affiliates to avoid having to use any hard money to pay for the mailings and telephone calls? Was the RNC funnelling payments through the ATR affiliates to capitalize on ATR's greater credibility? Was the RNC knowingly misusing ATR's tax exempt status by causing electioneering to become the primary activity of the (c)(4) organization and by passing funds through a (c)(3) foundation that is prohibited from engaging in campaign activity? The evidence is powerful and should have been explored at a committee hearing.

There's more. The RNC's \$4.6 million paid for more than the John Grotta direct mail-phone bank operation which cost about \$3.3 million plus postage. Although Mr. Norquist told the Washington Post on December 10, 1996, that

ATR "didn't do televised issue ads," the evidence is overwhelming that ATR did. One ad, of which we have a videotaped copy, attacked then-Representative ROBERT TORRICELLI, the Democratic candidate for Senate in New Jersey for allegedly missing votes. A company called Title Wave sent ATR an invoice for \$8,524 to produce the ad, which was called "Torricelli/Missing." Invoices from Mentzer Media Services, Inc., charged ATR \$325,230 for a media buy in New York/New Jersey media markets and another \$56,656.25 for media buys in Philadelphia/New Jersey media markets to keep the ad on the air during the month of October right up to November 4, the day before the election.

RNC funds delivered to ATR were used to pay for the ad. On October 4, 1996, the same day it received \$2 million from the RNC, ATR wrote a \$4,000 check to Title Wave as partial payment on the ad's production costs. Two weeks later, ATR wrote a \$4,900 check to a company called Soundwave. The memo at the bottom of the check stated that it was payment on an invoice for the "Torricelli ad." And beginning on October 8 through the end of the month, ATR's bank records show a series of wire transfers to Mentzer Media Services totaling \$374,830 for the media buys. At the beginning of October, ATR's bank account balances had stood at just over \$290,000. After receiving the influx of RNC dollars, ATR spent over \$383,000 on an attack ad against the Democratic senatorial candidate in New Jersey.

Documentary evidence suggests ATR's involvement with other television ads during the 1996 election season. Two were allegedly sponsored by an ATR affiliate called Women For Tax Reform, which was formed in August 1996, housed in ATR's offices, headed by ATR's Executive Director Audrey Mullen, and which has had no apparent existence apart from the two ads. Both ads attacked President Clinton by name with one scheduled for airing on television in Chicago in August during the Democratic Convention.

In addition, the RNC produced out of its files the script of a television ad which was apparently designed to be sponsored by ATR and used to attack Democratic candidates running for open seats. The document states at the top, "RNC-TV/Open Seat TV:30/'Control'." The ad requires inserting a photo of a Democratic candidate, stamping "Wrong!!" over it, and then inserting the "Democrat Tax Record" under the photo. The last line of the ad is: "For more information call Americans for Tax Reform." At the bottom of the document, in small type, it states: "As of 10/15/96 4:50 PM/ Approved by legal counsel." This document not only suggests coordination between the RNC and ATR on TV ads, but also a sufficient investment of resources to involve a written script and legal consultation. Since officials from the RNC and ATR refused to be interviewed and

when subpoenaed refused to appear, we don't know whether any ad was actually broadcast. Whether or not one was, this RNC-produced document indicates coordination.

There's more. Documents indicate that RNC coordination efforts may have extended to organizations other than ATR, and that the RNC may have taken steps to pay for coordinated activities using not only its own funds, but also funds from third parties which the RNC solicited and directed. Here are some of the key documents.

The first is a memorandum dated October 17, 1996, marked "confidential," from Jo-Anne Coe, RNC finance director, to Haley Barbour, RNC chairman, Sanford McCallister, RNC general counsel, and Curt Anderson, RNC political director. The memo discusses Coe's efforts to forward certain sums of money to various tax exempt organizations, including a \$100,000 check from Carl Lindner to ATR, another \$100,000 check from Mr. Lindner to the National Right to Life Committee, and \$950,000 from several sources to the American Defense Institute. The memo poses questions about how certain checks should be handled and requests quick action "so I can put this project to bed."

The project itself is not described in the memo; however, a second document may shed light on that question. It is an October 21, 1996 memorandum from Jo-Anne Coe to Haley Barbour. This memo states:

As soon as we meet and hopefully come to some resolution on the joint state mail project, I will forward these checks to the three organizations. In the meantime, I am respectfully withholding delivery of the checks until we have the opportunity to discuss this matter.

Could the "joint state mail project" be the project referred to in the October 17th memo from Coe to Barbour? Could it refer to ATR's \$3.3 million direct mail-phone bank effort? Could it refer to mail efforts by other organizations as well, since the memo cites three organizations as being involved in the project? Is the fact that the RNC Finance Director was "respectfully withholding" checks to these three organizations evidence that the RNC was exercising control over their performance in the mail project in exchange for funding? A committee hearing could have tried to get answers to these questions. The majority denied us that opportunity.

In the meantime, we must puzzle over two letters bearing the same date, October 21, 1996, as the Coe memo to Barbour on the joint state mail project. Both letters are from Jo-Anne Coe. The first letter is addressed to Grover Norquist, president of ATR, and the second to David O'Steen, the executive director of the National Right to Life Committee. Each encloses a \$100,000 check from Carl Lindner to the organization, as described in the October 17 memo. Ms. Coe states in both letters: "Glad to be of some help. Keep

up the good work." It appears that the RNC may have directed its contributors to help the RNC by making their checks payable to these tax exempt organizations but then to keep control of the situation, have the contributors send the checks to the RNC. The RNC then forwarded the checks to the organizations, probably in support of the "joint state mail project."

Two other documents raise similar coordination questions. The first was produced by the RNC and has the same "confidential" heading as the October 17th memo from Jo-Anne Coe to top RNC officials, although no author is named. This document discusses contributions to ATR, the National Right to Life Committee, American Defense Institute, United Seniors Association, the City of San Diego, and "CCRI" which is the California ballot initiative on affirmative action. Each organization is analyzed in terms of whether contributions to it would have to be reported to the public and whether a contribution would be tax deductible. The final document is a list of the same organizations other than the ballot initiative. By each organization's name is a large dollar figure. The figure for ATR is \$6 million.

What do these figures mean? Does the \$6 million for ATR mean that, in addition to giving ATR \$4.6 million directly, the RNC funneled another \$1.4 million to ATR in third-party contributions such as the \$100,000 check from Carl Lindner? How were those funds used? Did the RNC exercise some control over those funds? We'd like to ask. Unfortunately, despite the repeated requests and efforts by the minority to seek RNC and ATR testimony voluntarily and then by subpoena and to have the few subpoenas that were issued enforced, the committee never interviewed or deposed anyone connected with these documents.

Improper coordination between a national political party and tax exempt organizations was a hot topic in this committee when the political party involved was the Democratic Party. Some committee members charged that President Clinton's participation in DNC issue ads was improper or illegal, even though these ads were paid for by the required soft money-hard money split. I repeat that, because this is a very important point of distinction: the DNC issue ads were paid for by the required soft money-hard money split. But in the Americans for Tax Reform case, the facts suggest that the Republican Party sent millions to ATR for issue advocacy in order to avoid using any hard money at all for those efforts. To recall Mr. Barbour's words, they didn't have enough hard dollars to match up.

The committee also held an entire day of hearings to take testimony from Warren Meddoff about his asking for, and Harold Ickes' providing, suggestions for contributions to tax exempt organizations. But the RNC did much more than make suggestions. It actu-

ally collected checks, controlled checks, and delivered checks to tax exempts which were allied with it. The RNC may have directed millions of dollars to these organizations for "joint state mail projects," television ads and other campaign activities.

Another unanswered question is how the RNC and ATR handled the \$4.6 million on their own tax returns. Section 527 of the Tax Code suggests that one or the other organization had to treat this sum as taxable income. Did that happen? We don't know, and the committee has yet to ask.

On April 9, 6 months ago, Mr. Norquist told the press that he would "cheerfully testify before the committee." But he then refused to be either deposed or interviewed. Even when he was finally subpoenaed for a deposition, he refused to appear. ATR also refused to produce documents in response to a committee document subpoena, claiming, "ATR has never engaged in electioneering of any sort. It has never advocated the election or defeat of any candidate for any office at any time; it has never run political advertising on any subject."

Yet it is beyond dispute that Grover Norquist was a key figure in the 1996 elections. He was profiled in Elizabeth Drew's 1996 election analysis, *Whatever It Takes*, for convening regular Wednesday meetings in ATR offices attended by conservative activists, RNC officials and GOP candidates. Drew describes him as "one of the most influential figures in Washington" at the time. In Norquist's 1995 book, *Rock the House*, celebrating the Republican takeover of the House of Representatives, prominent Republicans provided glowing quotations, with Haley Barbour calling him "a true insider," and Rush Limbaugh calling him "perhaps the most influential and important person you've never heard of in the GOP today."

Mr. Norquist meets the test that Chairman THOMPSON laid down for a high caliber witness. And ATR's role in the 1996 elections—how it spent the \$4.6 million in RNC funds, how much money was directed to it by the RNC from third parties and how those funds were spent, and the window that ATR's actions opens onto RNC's coordination with tax exempt groups—were unexplored topics in the Senate campaign finance investigation.

And the ATR hearing is not the only hearing missing from the Senate campaign finance investigation.

A second hearing we would have requested would have looked at the Republican National Committee and Dole for President campaign. Out of the more than 75 witnesses who testified before the committee over the 3 months of hearings, not one witness was called from the Republican National Committee, other than with respect to the National Policy Forum, or from the Dole for President campaign. What most people don't know is that the committee never even interviewed

a single person from the Dole campaign, and request after request from the minority for deposition subpoenas were refused. And although the committee permitted two limited interviews of RNC officials, Haley Barbour and Scott Reed, no questions were allowed to be asked during those sessions on any topic other than the National Policy Forum and no other person from the RNC was ever interviewed or deposed.

That means that the Senate Governmental Affairs Committee is concluding its investigation into the 1996 elections without ever asking a single question of the RNC or Dole campaign on such topics as evasion of Federal campaign limits, improper coordination, misuse of issue advertising, misuse of tax exempts, money laundering by a top campaign official, or inadequate document production—all the topics that the committee pursued vigorously with the Clinton campaign. This see-no-evil, hear-no-evil, speak-no-evil approach to GOP conduct in the 1996 elections has not only seriously skewed the investigation, but it has also left an regrettable stain on the bipartisan traditions of the Governmental Affairs Committee.

A third hearing would have looked at Triad Management—a totally new phenomenon in American electioneering and one which appears to have violated a number of principles of Federal campaign law, from contribution limits to FEC registration to full disclosure. Triad is a private corporation that was set up by experienced GOP political operatives to conduct multimillion dollar activities directly affecting the 1996 elections. Among other activities, Triad created two tax exempt organizations, collected millions of dollars in secret contributions to them, and then used the tax exempts to air millions of dollars worth of television ads affecting Federal campaigns. Triad also conducted hundreds of "political audits" of GOP campaigns, paying experienced campaign professionals to advise the campaigns on how to improve their operations. Triad also may have arranged for individuals who contributed the maximum allowable amount to GOP candidates to evade Federal contribution limits by laundering additional contributions from these individuals through political action committees.

Triad undertook all of these activities without ever registering with the Federal Election Commission, or disclosing any contributions or expenditures. Yet this wholesale abuse of Federal campaign law has not been deemed by the majority to be worthy of a single hearing witness or depositions.

Mr. President, the Governmental Affairs Committee's failure to investigate the \$4.6 million payment by the Republican Party to Americans for Tax Reform, its failure to hold one day of hearings or hear from one witness with respect to Triad Management, and its failure to hold one day of hearings or call one witness from the RNC or Dole

campaign on these critical issues is simply unjustifiable. The majority's commitment to allow Democrats 3 days of hearings in September or October was not kept. As a result, important information such as the ATR story was kept from the American public.

That is not just some process question about subpoenas and depositions. That is a question about whether or not relevant testimony within the scope of the jurisdiction of the committee should have been obtained and should have been made public and made subject to examination and cross-examination.

The Senate investigation was half an investigation. The other half remains for the Treasury Department and Justice Department to investigate.

EXHIBIT 1

JOHN GROTTA CO.

[Memorandum]

To: Audrey Mullen
From: Cindy Finnegan
Re: Invoices/Payment Status
Date: October 29, 1996

	Amount owed	Amount paid	Balance due
MAIL—JGCo.			
ATR One	10/18/96 \$490,808.11	10/21/96 \$490,808.11	\$0.00
ATRT Two	10/22/96 \$459,736.27	10/23/96 \$459,736.27	\$0.00
ATR Three	10/22/96 \$363,133.02	10/25/96 \$468,000.00	\$104,866.98
PHONES—JGCo.			
Inbound	10/7/96 \$41,500.00	10/9/96 \$41,500.00	\$0.00
ATR #1	10/24/96 \$1,104,000.00	10/25/96 \$1,104,000.00	\$0.00
ATR #2	10/28/96 \$712,643.70	10/31/96 \$0.00	\$712,643.70
Database—PBL			
Database Acquisition	10/7/96 \$153,677.50	10/9/96 \$153,677.50	\$0.00
Total balance			\$607,776.72

*Please Note: Does NOT Include Postage.

Video	Audio
Picture of Labor Goons From Chapter II With Headline.	Washington Labor Bosses and Liberal Special Interests Want To Buy Control of Congress.
Washington Special Interest Support—With Picture.	They Think <i>Joe Blow</i> Will Vote Their Way.
Calendar Flips Back To 1993.	They Want To Return To Higher Taxes For More Wasteful Spending.
Chyron: Largest Tax Increase In History Over Chamber Shot.	In Fact, They Were Behind the Largest Tax Increase in History
Picture of (Joe Blow) Says He's Different.	Joe Blow Says He's Different.
Stamp Wrong	Wrong!!
Place Info Under Picture of Democrat.	(Democrat Tax Record.10)
Graphic Build	for More Information Call Americans for Tax Reform.

[Confidential, Memorandum of Oct. 17, 1996]

To: Haley Barbour, Sanford McCallister, Curt Anderson
From: Jo-Anne Coe
Subj: American Defense Institute
Copy of letter to Red McDaniel attached for your information.

Today I have also sent \$100,000 to National Right to Life and \$100,000 to Americans for Tax Reform—both from Carl Lindner.

In addition, the following checks for ADI are en route to me:

Name	Amount
Jack Taylor	\$100,000
Max Fisher	100,000
Don Rumsfeld	50,000
Pat Rutherford	30,000

The \$100,000 check from Lincy Foundation (Kirk Kerkorian) for ADI is still MIA. With the \$100,000 from Lincy, this will bring the total for ADI to \$510,000—plus the \$500,000 Haley obtained from Philip Morris. So the question is whether I ask Kerkorian to stop payment on the lost check and send a replacement check for the full amount of \$100,000, or ask him to send only \$40,000 so that the grand total to ADI is only \$950,000. Please advise ASAP so I can put this project to bed.

[Memorandum for Haley Barbour of Oct. 21, 1996]

From: Jo-Anne Coe

As soon as we meet and hopefully come to some resolution on the joint state mail project, I will forward these checks to the three organizations. In the meantime, I am respectfully withholding delivery of the checks until we have the opportunity to discuss this matter.

October 21, 1996.

Mr. Grover Norquist,
President, Americans for Tax Reform, Washington, DC.

DEAR GROVER: I am pleased to enclose a check in the amount of \$100,000 payable to Americans for Tax Reform from Mr. Carl H. Lindner.

It will be appreciated if you will send a thank-you acknowledgment to Carl at the address shown on this check.

Glad to be of some help. Keep up the good work.

Sincerely yours,

MRS. JO-ANNE L. COE.

Enclosure.

OCTOBER 21, 1996.

Dr. DAVID O'STEEN,
Executive Director, National Right to Life Committee, Washington, DC.

DEAR DAVID: I am pleased to enclose a check in the amount of \$100,000 for the National Right to Life Committee from Mr. Carl Lindner of Cincinnati, Ohio.

It will be appreciated if you will send a thank-you acknowledgment to Carl at the address indicated on his check.

Glad to be of some help. Keep up the good work.

Sincerely yours,

MRS. JO-ANNE L. COE.

Enclosure.

1. Funding for CCRI may be corporate or non-corporate, and there are no limits; however, contributions to CCRI itself or state party accounts are reportable as contributions by the initial donor. CA law requires donors who give in excess of \$10,000 to any CA political cause to file reports themselves. Good practice is to try to avoid inflicting a new legal reporting requirement on donors. A \$3 million contribution or expenditure, therefore, requires either lots of <\$10,000 non-FEC donors, use of FEC funds or large donors already or willing to be subject to the CA reporting requirement.

2. ADI is a 501(c)(3), and contributions to it are not political contributions by law. Contributions to ADI, therefore, are not reportable and tax deductible.

3. Americans for Tax Relief (ATR) is a 501(c)(4). Contributions to its fair elections campaign are non-reportable, but they are not tax deductible.

4. United Seniors Association has both a 501(c)(3) and (c)(4). Its fair elections campaign will be paid for by its 501(c)(4). Contributions to it are non-reportable, but they are not tax deductible.

5. The National Right to Life Committee has both a 5601(c)(3) and (c)(4). Its get out the vote information drive will be paid for by its 501(c)(4). Contributions will not be reportable, but are not tax deductible.

6. The City of San Diego has a city account that accepts contributions to help support a variety of civic activities, including the convention host committee in raising their shortfall. Contributions to the city account may or may not be reported but are tax deductible.

American Defense Institute

1055 North Fairfax Street— \$700,000
Suite 200, Alexandria, VA (501c3)
22314, 703/519-700, 703/519- (tax-deduct-
8627 (fax), Contact: Red ible)
McDaniel.

United Seniors Association

12500 Fair Lakes Circle— \$2.4 mil.
Suite 125, Fairfax, VA 22033, (501c4)
703/803-6747, 703/803-6853 (not deduct-
(fax), Contact: Sandra ible)
(Sandy) Butler, President
(Anita Benjamin, her office manager).

National Right to Life Committee

419—7th Street, N.W.—Suite \$2 mil
500, Washington, D.C. 20004, (501c4)
202/626-8820, 202/737-9189 (not deduct-
(fax), Contact: Dr. David ible)
O'Steen, Exec. Dir. (Direct
line: 626-8814 or 626-8826).

Americans for Tax Reform

1320—18th Street—Suite 200, \$6 mil
Washington, DC 20036, 202/ (501c4)
785-0266, Contact: Grover (not deduct-
Norquist, President. ible)

City of San Diego \$4 mil
(501c3)
(tax-deduct-
ible)

The PRESIDING OFFICER. Senator JOHNSON is recognized under a previous order.

CHILD CARE

Mr. JOHNSON. I was extremely pleased that recently President Clinton and Mrs. Clinton hosted a White House Conference on Child Care. The conference was not only informative, but also very effective, I believe, in drawing nationwide attention to the widespread difficulties that most parents have in finding child care that is both affordable and of high quality.

It is estimated that each and every day 3 million children under the age of 6 will spend time being cared for by someone other than their parents, including one-half of all babies younger than 12 months of age. We all know that these early years are critical years for child development and that we need to be concerned about the quality of care that these children are receiving. Unfortunately, for too many children, the quality is simply not high enough.

One national study, which was published in 1994, rated the majority of child care centers as mediocre or poor.

One out of eight child care centers were found to actually jeopardize children's safety and development. Not surprisingly, Mr. President, children in substandard care have delayed language and reading skills, they are more

aggressive than other children their age, and we should, therefore, recognize that raising the quality of care has long-term benefits not only for these kids but for our society as a whole. Clearly, strong families and strong parenting comes first, but we need to complement that with a greater emphasis on quality, affordable child care.

We understand and we recognize that child care can be extremely expensive, costing thousands of dollars per year for each child, and over \$8,000 a year in some parts of our country. Many parents struggle with paying these bills, which are frequently larger than their rent, mortgage, or car payment. In the case of middle- and lower-income families—especially single-parent families—child care costs can easily consume more than one-quarter of a family's annual income.

I have been holding a series of meetings with child care providers in my State of South Dakota. We face some special challenges in our State. Among these challenges is the fact that we have the highest percentage of working mothers in America. For more than 70 percent of the children in South Dakota, both parents work; or in the case of a single-parent family, the sole parent works.

Another item discussed at these meetings was the negative impact of cuts in the child and adult care food program that were part of the Welfare Reform Act of 1996. Many child care providers have relied on this assistance to provide affordable care, and many families now face increasing costs and reduced access to child care. One of the consequences of the change in the nutrition program was to actually create a disincentive for child care providers to remain licensed and certified.

Mr. President, I believe that the evidence is abundantly clear that we need to do more to provide more affordable and higher quality child care. This can be accomplished, I believe, without the creation of some new bureaucracy. Instead, working in partnership with the States, local governments, and non-profit organizations, the Federal Government, working in Federal-State-local and a public-private partnership can achieve a great deal.

In an effort to seek constructive solutions, I have recently cosponsored two bills, the CIDCARE Act and the Early Childhood Development Act. These bills would work together in a complementary fashion.

I would like to congratulate Senators JEFFORDS and DODD for their efforts in authoring the CIDCARE Act, S. 1037. I am pleased to join them as a cosponsor. The bill contains several provisions that would be a very positive step forward for all forms of child care.

First, the bill would refocus the existing child and dependent care tax credit by making it refundable for low-income families and by increasing the credit for families with incomes under \$55,000. These steps will provide much-

needed assistance to families with the costs of whichever kind of quality care they choose.

Second, the bill contains a number of provisions to encourage child care providers to offer higher quality care by boosting training levels. Child care providers would be eligible for more generous tax deductions for education and training that helps them receive professional credentials. Additionally, States would receive grant funding to operate training programs and to offer scholarships to providers who receive training.

One aspect of the child care quality problem is the extremely high turnover among child care workers, which is not surprising when one realizes that most child care center workers make barely more than the minimum wage. The CIDCARE Act approaches this problem in creative ways.

First, the bill would create a problem for student loan forgiveness of child care workers who earn degrees in early childhood education, or who receive professional care credentials. Additionally, grant money would be made available to the States under this bill, which could be used for programs to provide salary increases for providers, who receive professional credentials.

We should do all we can to encourage more private sector businesses to offer child care benefits. The CIDCARE Act would provide tax credits to employers to reduce the costs of starting up a child care center, for the professional development expenses of child care staff, and for cost also related to getting a child care facility accredited.

All in all, the CIDCARE Act contains a number of innovative nonbureaucratic provisions, and I believe it would be a great step forward in increasing child care quality and in making it more affordable.

The second piece of legislation that I have cosponsored is the Early Childhood Development Act, S. 1309. I became an original cosponsor of this legislation when it was introduced just 2 weeks ago. I congratulate Senator JOHN KERRY and Senator BOND for their work on this bill.

One of the more critical needs in my State of South Dakota is for after-school programs. More than half the school-age children in my State have no parent at home in the hours after school lets out. From nationwide statistics, we know that juvenile crime is at its highest between the hours of 3 p.m. and 6 p.m., the hours between when kids get out of school and before parents, all too often, get home from work.

The Early Childhood Development Act contains provisions to expand Federal financial assistance to innovative programs that target at-risk children by providing constructive activities and care after school lets out. The bill does not create some new Federal bureaucracy. Instead, it offers grant money to States who will, in turn,