

MULTISTATE

Lobbying | Tracking | Compliance | Consulting

Weekly Lobbying Articles October 27, 2017

US News
October 26, 2017

Kansas Panel Rejects Bitcoin Campaign Contributions

<https://www.usnews.com/news/best-states/kansas/articles/2017-10-26/kansas-ethics-panel-rejects-bitcoin-contributions>

The digital currency known as bitcoin is too secretive to be allowed as a form of campaign contributions in state and local elections, the Kansas Governmental Ethics Commission said.

The commission's decision Wednesday came after Executive Director Mark Skoglund said he received a request from a candidate wanting to know whether it was legal to accept campaign contributions in bitcoins, the Lawrence Journal-World reported.

"Bitcoin is a digital currency," Skoglund said. "There is no physical manifestation of this currency in any way. It's just alphanumeric characters that exist only online. It is not backed by any government. The value is subjective and highly volatile. However, there are millions of people who utilize bitcoin."

Bitcoin was first introduced in 2009 and is has gradually been gaining acceptance as an alternative form of currency used mainly for online purchases. But governments worldwide have struggled to create standards for accepting bitcoin in anything other than private, commercial transactions.

The Federal Election Commission issued an advisory opinion in 2014 saying federal campaigns could purchase bitcoins as investments and could accept them as a form of contributions under limited conditions.

But the commission noted that having bitcoins does not relieve the campaign "of its obligations to return or refund a bitcoin contribution that is from a prohibited source, that exceeds the contributor's annual contribution limit, or that is otherwise not legal."

Skoglund said that no state ethics commission has issued a ruling allowing bitcoin to be used in state and local elections. Commissioner Jerome Hellmer said bitcoins are too risky to be allowed in Kansas elections without standardized reporting procedures.

"The greatest problem would be the strong probability of the influencing of local elections by totally unidentifiable lobbyists trying to come in," he said. "If you think the Russians affected the presidential elections, just wait. This is what's going to happen."

The Economist
October 26, 2017

America's tech giants have no political party to protect them

<https://www.economist.com/news/united-states/21730652-they-could-eventually-receive-kind-scrutiny-banks-received-after-financial>

The tech giants have suddenly found themselves without a political party to protect them, just when they most need one. On November 1st executives from Facebook, Google and Twitter will testify before the House Intelligence Committee about how their platforms were used by Russia's government during last year's election. Politicians on both sides of the aisle, though they see eye-to-eye on very little, seem to agree that giant internet companies such as Amazon, Facebook and Google may pose a threat to society. "If data is the new oil, is [Amazon's Jeff] Bezos the new Rockefeller?" asks Bruce Mehlman, a Republican lobbyist, in a report called "Navigating the New Gilded Age", which is circulating in Washington.

Democrats, long backers of the tech sector's innovative products, are no longer the allies they used to be. When Barack Obama was president techies got plum jobs in his administration, and the party's supposedly superior data analytics seemed destined to help lock in an emerging Democratic majority. That warmth disappeared last November. Most Democrats believe Twitter, Google and Facebook helped put a Republican in the White House by boosting disinformation campaigns. A recent paper by the Computational Propaganda Project at Oxford University found that Twitter-users in swing states were just as likely to come across conspiratorial fictions in the run-up to the presidential election as they were to encounter something that passed for news. Liberal anti-tech sentiment in Washington was stoked in August, when a critic of Google's dominance, Barry Lynn, was fired from the New America Foundation, a think-tank, supposedly because executives at Google, a donor, wanted him gone (New America denies this).

Several Democratic senators are rallying supporters by taking sharp public jabs against tech firms' dominance. The odds are "very high" that the Democratic nominee for president in 2020 will run on an anti-tech platform, promising to break up the big companies, predicts Rob Atkinson of the Information Technology and Innovation Foundation, a think-tank.

Meanwhile, Republicans have also turned more hostile. In the past they could be counted on to approach regulation with a light touch, but today's populist Republicans are not so hands-off. President Donald Trump has sent tweets beating up Amazon and other tech firms; his former chief strategist, Stephen Bannon, has suggested regulating Google and Facebook as utilities. Fox News and other right-leaning outlets have begun to criticise tech with the venom they once reserved for Hillary Clinton. Tech bosses have also clashed with Republicans over immigration policy. "Can tech just find one issue that's supportive of Republicans?" laments a disconsolate Republican lobbyist.

Giant firms tend to attract scrutiny. However, unlike other huge companies, which create jobs in many states, internet firms employ fewer people per dollar of market value and concentrate those jobs mainly in thriving tech hubs. Techies' tremendous wealth has made it easy to draw comparisons to last century's robber barons. Consumers may benefit from their free products and from low prices, but small businesses have been hurt by the tech giants' incursions into a wide array of industries, which can influence politicians. According to one estimate, Amazon captures half of all dollars spent online. Google and Facebook have captured virtually all the growth in digital advertising.

Anti-social networks

So far America's techlash has consisted of more rhetoric than regulation. One exception concerns a proposal to regulate online political advertising. Two Democratic senators, Amy Klobuchar and Mark Warner, and one Republican, John McCain, recently introduced the Honest Ads Act, which aims to require online political ads to include information about who paid for them. Political ads on television, in print and on the radio must already do this, but Google and Facebook had successfully lobbied to be exempted from the requirement.

Bringing transparency to online political advertising is sensible, because more money will be spent on internet ads in future elections. This year digital advertising accounts for around 35% of total advertising spending in America. This will not rectify the larger problem, which concerns the ease with which Facebook, Twitter and Google spread fiction masquerading as news. After the recent shooting in Las Vegas, users who typed "Las Vegas shooting" into YouTube, which is owned by Google, were prompted to click on videos claiming that the shooter was secretly working for the government.

Compared with regulation aimed at holding companies responsible for spreading false information, the advertising bill ought to be fairly painless for tech companies to accept. That does not mean they will. Big tech companies have so far resisted any legislation that treats them like media companies, and have taken the minimum action necessary to appear co-operative. Facebook has found that Russian entities spent around \$100,000 on ads in the election of 2016. But there is still more digging to do. Congressional leaders would be wise to demand an exhaustive audit of all political ads on the social network in order to see the extent of Russia's purchases, says a top executive of a large advertising agency, who believes Facebook's initial review and report to Congress were cursory.

In Europe America's tech giants have faced regulation and antitrust action. The European Commission levied a €2.4bn (\$2.7bn) fine on Google for abusing its monopoly position in online search. Is Washington likely to follow Europe's path? In spite of the heated rhetoric similar enforcement measures, or sweeping new regulations, are several years away at least. Apart from the Honest Ads Act, the only other legislation that seems likely in the near term is a tax cut, which would benefit tech firms by making it easier to repatriate profits, says Blair Levin, a former official at the Federal Communications Commission.

Although there may be more calls to break up tech monopolies, there is not any real political appetite to do so. Nor is it clear that, under current law, trustbusters would succeed even if they tried. The likeliest impact will eventually be on the ability of tech firms to pursue acquisitions and mergers, although this has not happened yet. Amazon's \$13.7bn bid for Whole Foods, a grocer, was approved by regulators without much protest. Facebook recently announced that it was buying TBH, a nascent social-polling firm, for an undisclosed sum. Some pundits, such as Ben Thompson of Stratechery, a technology blog, have called for the deal to be blocked, arguing that social-media firms should not be allowed to buy one another. But it is unlikely that regulators in the Trump administration will take such a view.

Perceiving future risk, internet firms want to do all they can to fight the souring mood and win political allies. They have spent around \$50m on lobbying so far in 2017. More than half of that comes from Alphabet (Google's parent company), Amazon and Facebook combined. One of their tactics is to hire not just more lobbyists but also more employees. Amazon has started an advertising campaign to market its job creation: it has plans to hire an additional 100,000 people by mid-2018. But many of these jobs will probably be automated eventually. The ecommerce firm, which is based in Seattle, has also announced that it will open a second headquarters in North America, which would be a boon to any city it chooses. Around 240 cities and regions have submitted proposals. While Amazon contemplates its choice, it is enjoying a temporary boost in popularity among members of Congress.

Other firms are also proposing local projects as a way to curry favour with politicians. Microsoft is helping bring high-speed internet to rural areas. Google has run a programme called Google Fiber to roll out high-speed internet locally, although the project is on hold while it searches for a new boss. Facebook recently said it would spend \$1bn to build a data centre in Virginia. But the new digital economy does not create many human jobs directly. Only around 100 Virginians will be needed to work at the data centre once it is built. Denso, a Japanese car-parts maker, recently announced that it would spend \$1bn to build a manufacturing plant in Tennessee, creating ten times as many jobs as Facebook's data centre will.

While heavy regulation of tech does not seem likely in the near term, political winds can change quickly and unpredictably. If a national data breach occurred at Facebook, Google or Amazon, exposing people's personal information, as recently occurred with the credit-reporting firm Equifax, there could be a strong public outcry and greater urgency to impose regulations to ensure privacy. What helps protect internet firms today is that they have remained generally popular among consumers by offering cheap services and widely used products. But if a crunch comes, the big tech companies may find themselves haunted by their behaviour now.

Myrtle Beach Online October 24, 2017

Former NMB Rep. Tracy Edge accused of taking payouts in illegal S.C. lobbying scheme

<http://www.myrtlebeachonline.com/news/local/crime/article180688741.html>

A former local S.C. House Representative, embroiled in an ongoing State House corruption probe, was allegedly on the payroll of a top political consultant accused of using legislators to pad the pockets of his clients, prosecutors told a court in Columbia at a bond hearing Tuesday.

Richard Quinn, 73, "used legislators, groomed legislators and inspired legislators and others to violate multiple provisions of the state ethics act so they could all make money," special prosecutor David Pascoe told the judge. "We believe he spearheaded a lot of this conspiracy and really got a lot of these people into this mess."

Former state Rep. Tracy Edge, R-Horry, was one of the ones in the "mess."

Edge was paid between \$290,000 and \$300,000 by Richard Quinn & Associates from 2004 to 2014, Pascoe told Judge Jocelyn Newman.

At no time while he was in the Legislature did Edge list the income on required state disclosure statements, Pascoe said, adding, for years, the Quinn firm paid Edge \$3,200 a month.

Edge, from North Myrtle Beach, was granted bond at \$10,000 on charges of misconduct, perjury and criminal conspiracy in the Columbia courtroom Tuesday afternoon.

Edge was indicted on Oct. 18 after prosecutors say he lied to a grand jury about his knowledge of "entities doing business with First Impressions, Inc.," a brainchild of Richard Quinn and Associates.

Over the years, Pascoe said, Quinn or his firm, secretly funneled some \$1.3 million to three highly placed state lawmakers, who then took actions in the legislature that benefited the clients of Quinn's firm.

Some of his biggest clients were in the healthcare industry, Pascoe told the court.

“Edge became the chairman of the subcommittee over the healthcare industry on Ways and Means,” he said. “Right around that time, in late 2004, Richard Quinn and Associates started paying Tracy Edge around \$3,200 a month, every month ... The payments to Edge did not end until he lost his primary race in 2014.”

Prosecutors allege Quinn made “millions of dollars” from his clients who were helped by the lawmakers doing his bidding, Pascoe told the court.

Quinn - one of the Palmetto State’s leading political consultants - was indicted on a felony charge of criminal conspiracy and a charge of illegal lobbying for failing to register as a lobbyist, court documents show.

Edge, 50, served in the District 104 seat, representing the North Myrtle Beach area, including Cherry Grove and Little River, in the State House for 18 years from 1996 to 2014. Prosecutors claim Edge engaged in criminal conspiracy and misconduct in office for almost 8 of those years.

The indictment alleges Edge worked with Quinn and others “to use the office and position of members of the South Carolina General Assembly to willfully and dishonestly fail to properly and faithfully discharge the duties of public office.” It also accuses the defendants of committing “acts and omissions constituting official misconduct, fraud, corruption or habitual neglect.”

The indictment alleges Edge, while representing his hometown in the State House, “repeatedly violated provisions of the Ethics Government Accountability and Campaign Reform Act of 1991.”

Edge still lives in North Myrtle Beach, where he served on the city’s council before earning the State House seat. He was a former vice president at Burroughs and Chapin Corporation, which owns property along the Grand Strand, including Broadway at the Beach and Barefoot Landing.

Between 1999 and 2006 Edge won Legislator of the Year awards from various associations, including the South Carolina Disabilities and Special Needs Association and the South Carolina Landowners Association.

Chicago Sun Times
October 24, 2017

Pawar wants disclosure requirement for political ads on social media

<https://chicago.suntimes.com/news/pawar-wants-disclosure-requirement-for-political-ads-on-social-media/>

If there are disclosure requirements for political advertising on radio, television, billboards and in print, why are there no disclaimers for social media?

Ald. Ameya Pawar (47th) raised the question Tuesday then answered it with a proposal to fill the regulatory void.

Pawar plans to introduce an amendment to the city’s ethics ordinance requiring the mayor, clerk, treasurer, aldermen, city employees, lobbyists and groups that support candidates for public office in Chicago to disclose the ads they pay for on Facebook, Twitter, Snapchat or any other social media platform.

“There is a lot of false information that is influencing our electoral process. People are spending money, including foreign agents, influencing our process, and there’s no disclosure requirement,” said Pawar, who recently dropped out of the crowded Democratic primary race for governor.

“We regulate TV ads. We regulate billboards. We regulate mail pieces and signs. But there is no regulation on social media activities and there’s a lot of money being spent on digital media. Facebook has been reticent to create a disclosure notice. So, we have a responsibility at the local level to advance the cause and hope that other major cities join Chicago.”

Congressional committees and a special counsel are investigating whether Russian agents used social-media advertising as part of a campaign to try to influence the 2016 presidential election.

Facebook executives have disclosed that accounts affiliated with Russia spent \$100,000 on politically divisive ads in the run-up to the 2016 presidential election. The ads used tools that included “Custom Audiences” to target specific voter groups in Michigan, Wisconsin and other swing states.

The disclosure prompted three senators to introduce legislation that would require more disclosure of online advertisers.

Google and Facebook have already proposed changes aimed at eliminating fake news. Both companies have said they’re willing to work with lawmakers and regulators to enhance advertising transparency.

Pawar said he’s not willing to wait to regulate, what he called, “the best and fastest and most efficient way to reach voters.”

His proposed amendment would also require disclosure whenever a city employee, elected official, lobbyist or group supporting a candidate for office in Chicago attempts to “boost content” on social media by targeting specific audiences.

**Fox News Channel
October 23, 2017**

Report: Mueller probe expands to Democratic lobbyist Tony Podesta’s dealings

<http://www.foxnews.com/politics/2017/10/23/report-mueller-probe-expands-to-democratic-lobbyist-tony-podestas-russia-dealings.html>

Tony Podesta, a powerful Democratic lobbyist and the brother of Hillary Clinton's campaign chairman, reportedly has entered Robert Mueller's investigative crosshairs as the special counsel's office probes whether his firm violated federal law.

NBC News first reported that Podesta and his Democratic lobbying firm are now subjects in the special counsel’s Russia investigation, after inquiries regarding former Trump campaign chairman Paul Manafort’s finances.

The Podesta Group was co-founded by Tony and his brother John Podesta, who is a longtime Clinton aide and served as chairman of her 2016 presidential campaign.

According to Monday’s NBC News report, Manafort organized a PR campaign for a pro-Ukraine nonprofit called the European Centre for a Modern Ukraine (ECMU), which reportedly was backed by a pro-Russia party. The Podesta Group reportedly was one of many firms that worked on the campaign.

According to NBC News, Mueller's team began looking at Podesta and his company and is now pursuing a criminal inquiry into whether the company violated the Foreign Agents Registration Act (FARA).

Under FARA, people in the United States who lobby on behalf of foreign entities must register through the Justice Department as a foreign agent and disclose their work. Podesta's firm eventually filed a registration for the ECMU work, after the media reported on the business and Congress started asking questions.

But in a statement on Monday, a spokesperson for The Podesta Group claimed the company was in compliance -- citing a series of filings dating back years -- and is "fully" cooperating with the special counsel's office.

"The Podesta Group fully disclosed its representation of the European Centre for a Modern Ukraine (ECFMU), and complied with FARA by filing under the lobbying disclosure act over five years ago and within weeks of starting our work," the spokesperson said. "Any insinuation to the contrary is false. The Podesta Group has fully cooperated with the Special Counsel's office and taken every possible step to provide documentation that confirms compliance with the law. Based on our due diligence and on the recommendation of definitive legal experts, the firm immediately filed the appropriate public disclosures of its representation of the ECFMU over five years ago, and in eight subsequent public filings."

The spokesperson said the work for ECMU "was in support of Ukraine's admission to the EU, a position supported by foreign policy experts at the time. The ECFMU provided formal certification that it was neither funded by nor directed by a government or political party."

The special counsel's office declined to comment on whether Mueller's team is investigating Tony Podesta and his firm. John Podesta left the company years ago.

The development, though, would speak to how the Mueller probe may be expanding well beyond the original focus on Russian meddling in the 2016 election and potential collusion with Trump associates -- ensnaring Democratic figures in the process.

"It's a cliché, but a good cliché – prosecutors go where the evidence leads them," former highranking DOJ official James Trusty, now with Ifrah Law LLC, told Fox News on Monday. "When you define the mission broadly, there is a lot of room for [an independent prosecutor's] exploration."

Trusty said Mueller's investigation was broad, leaving "a lot of room to legitimately poke around and find information, on one party or another."

"If you define it very narrowly, it is much easier to say the special counsel is a rogue elephant, but if you define the mission broadly, it is all fair game to look into any violation of federal law and relationships with Russia," Trusty told Fox News. "You'll find there are prosecutions no one would have anticipated at the start, or corruption from a different party than were initially looked at."

Trusty added: "All of this is fair game if the independent prosecutor is doing his job the right way."

This wasn't the first problematic case for the company involving FARA. In November, the Podesta Group told the Justice Department that it failed to file legally required disclosures of White House advocacy on behalf of a foreign government -- in this case India, according to federal filings. The Washington Free Beacon first reported that the Podesta Group was in violation of FARA.

Press Herald
October 21, 2017

On cigarette tax hikes, tobacco lobby powerful foe

<http://www.pressherald.com/2017/10/21/on-cigarette-tax-hikes-pushes-comes-to-pushback/>

For more than a decade, Kristin Page-Nei begged Montana lawmakers to raise cigarette prices. As a health advocate for the American Cancer Society, she watched year after year as other states increased their cigarette taxes and lowered their smoking rates. “What they’re doing is saving lives,” she kept saying.

Finally, this spring, she helped convince state senators to raise cigarette taxes for the first time in 12 years. Then came the tobacco lobbyists.

Bankrolled by the country’s two biggest cigarette companies, they swarmed the halls of the state capitol, wined and dined Republican leaders, launched a sophisticated call-in campaign and coached witnesses for hearings. The tobacco companies poured more than \$200,000 into Montana, a state with barely a million residents.

It took them just one week to kill the bill – from the time it passed the state Senate to its last gasps in a state House committee. The tobacco lobby was so effective that, in the end, eight of the bill’s original co-sponsors voted against it.

“It was incredible. Just brutal,” Page-Nei said. “I’d never seen this amount of money being poured into a session in my 17 years here.”

Health experts agree that raising taxes is the most effective way to reduce tobacco use. The U.S. surgeon general, the World Health Organization and the Centers for Disease Control and Prevention have all concluded that raising taxes helps large numbers of smokers to quit and have advocated loudly for it.

But many states – Missouri, Kentucky and Georgia among them – have not significantly increased their cigarette fees in decades, bowing to pressure from tobacco lobbyists and an ingrained antipathy among conservatives to raising taxes of any kind.

As a result, America’s smokers are increasingly concentrated in states where cigarettes are cheap. A pack of cigarettes will soon cost \$13 in New York City, where a tax hike of \$2.50 was recently passed. But in Kentucky – the state with the highest rate of smokers, at 25.9 percent, compared to the national rate of 15 percent – you can buy that same pack for \$4.77 on average.

“People around here just don’t like the ‘tax’ word,” said Ellen Hahn, a tobacco control expert at the University of Kentucky who has struggled for years to raise Kentucky’s 60 cents per pack cigarette tax. “Between that and the grip of the tobacco industry on our legislature, it’s hard to convince anyone, especially politicians.”

The huge gap in prices is the result of a long-running war between tobacco companies and health advocates. It is also, experts say, one of the biggest reasons low-tax states now suffer from high rates of cancer, heart disease, diabetes and a multitude of other tobacco-related diseases.

“It’s incredibly frustrating because unlike so many other problems in the country, this is one case where we know the solution,” said Matthew Myers, president of the Campaign for TobaccoFree Kids. “Not only that. It’s a solution that’s widely popular, doesn’t cost the government anything, yet these states refuse to do it.”

In the 1980s, some states started aggressively raising cigarette taxes to combat smoking. Over the years, overwhelming research has proved it works. But there's one wrinkle: The tax increase has to be large, or else it has little effect on smokers.

As a result, the battle has increasingly focused on not just whether states should increase taxes, but by how much.

Health advocates regularly fight for \$1 to \$2 increases, while cigarette companies push to limit them to hikes of 25 to 50 cents. That has led, at times, to bizarre conflicts.

Last year, when Missouri considered raising its cigarette tax for the first time in more than two decades, tobacco companies actually supported the increase, while health groups such as the American Cancer Society strongly opposed it.

The reason? The proposed increase was so low – either a gradual 23-cent hike or a 60-cent increase over four years – that researchers concluded smokers would pay it and keep smoking.

The Missouri fight was particularly important because the state has the lowest cigarette tax in the country. These days, Missouri smokers pay only 17 cents per pack, plus the nationwide federal tax of \$1.01 cents.

Health advocates accused tobacco companies of backing the small bump to avoid larger hikes in the future.

Tobacco giant R.J. Reynolds, which spent \$12.5 million for the cause, denied that motive, saying it promoted the tax because it didn't hurt consumers and retailers and because the money would go to a good cause – early-childhood education. "We thought it was a reasonable, commonsense proposal," R.J. Reynolds spokesman David Howard said.

**Tulsa Beacon
October 19, 2017**

Tobacco companies ordered to tell the truth about smoking

<http://tulsabeacon.com/tobacco-companies-ordered-to-tell-the-truth-about-smoking/>

Despite a decade-long delay in implementing the 2006 ruling that major tobacco companies must correct fraudulent statements about the harm done by their products, the Oklahoma State Department of Health (OSDH) states that R.J. Reynolds Tobacco, Phillip Morris USA, Lorillard and Altria have now been ordered to publish "corrective statement" advertisements next month and tell the American people the truth about their deadly and addictive products.

In 2006, a federal court found the offending companies to be in violation of civil racketeering (RICO) laws, subsequently ordering them to disseminate through newspapers, television, package inserts and corporate websites "corrective statements" about addiction, health effects of smoking, health effects of exposure to secondhand smoke, nicotine enhancement, and light and low tar cigarettes. It has taken 11 years for the wording of those statements to be agreed upon and sanctioned by the court.

The tobacco companies are required to air the corrective statements on ABC, CBS or NBC networks nationally five times per week for a year. The companies are also required to publish corrective

statements in the Sunday editions of 35 newspapers and on newspaper websites. In Oklahoma, corrective statements will appear in the Black Chronicle, per the judge's order.

OSDH is hopeful that by increasing awareness of the false statements and criminal behavior of the big tobacco companies, it will help reduce the harm done by deceptive advertising. Published research studies have found that kids are twice as sensitive to tobacco advertising as adults and are more likely to be influenced to smoke by cigarette marketing than by peer pressure. One-third of underage experimentation with smoking is attributable to tobacco company advertising.

It is estimated that these companies spend approximately \$168.5 million in Oklahoma marketing each year.

"While the corrective statements may bring little comfort to those who were deceived and lied to by the tobacco industry, who subsequently became addicted and are suffering from disability and disease from cigarettes, or from family members and friends who have witnessed the terrible deaths of loved ones caused by cigarette use, perhaps these "corrective statements" will help prevent future generations from taking up this deadly, killer habit," said Dr. Terry Cline, OSDH Commissioner and Secretary for Health and Human Services.

According to a study by the Oklahoma Tobacco Research Center (OTRC), public support is strong for lawmakers to reject potential tobacco industry influences.

About two out of three Oklahoma adults think lawmakers should refuse meals or other gifts from tobacco company lobbyists (70.5 percent) or campaign contributions from tobacco company lobbyists (70.8 percent). Only one in six (16.7 percent) think lawmakers should allow tobacco companies or tobacco company lobbyists to help write laws. Greater awareness of the statements and findings may increase the intensity of support for lawmakers' rejection of potential tobacco industry influences.

Less than one in ten Oklahoma adults (8.5 percent) think tobacco companies are now taking responsibility for the harm caused by smoking.