

# As Federal Funding Tightens, Lobbyists Find a Surer Way

## *Millions Earmarked for University Centers*

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Until 1985, the National Defense Stockpile Transaction Fund was a little-known entity in the federal bureaucracy that bought and sold scarce commodities such as chrome and titanium for the country's strategic needs.

That was before the Washington lobbying firm of Cassidy and Associates figured out that it could be a useful device for getting money out of the Appropriations committees of Congress for its university clients.

Gerald S.J. Cassidy, a former congressional staffer who heads the lobbying firm, persuaded the appropriators to pass millions of dollars through the Stockpile Fund to finance the construction of "strategic materials research centers" at universities in their home states and districts.

Since 1985, they have used this method to set aside \$78 million for nine universities—including four Cassidy clients. The annual amount has been growing. As markups of the 1990 spending bills get under way this month, the Cassidy firm has two new university candidates

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for the pass-through funds and is seeking a second \$3 million for Loyola College's still-unfinished "Center for Advanced Information and Resource Management Studies"—a project whose relevance to the stockpile is not clear.

Under Cassidy's tutelage, the appropriators have come to appreci-

• See PURSE, A14, Col. 3

# Lobby Firm Prospers as Federal Funds Tighten



Growing lobby group is led by James Fabiani, left, and Gerald Cassidy.

PURSE, From A1

ate the potential of the Stockpile Fund as a vehicle for justifying appropriations for construction of university facilities. Management of the stockpile itself was transferred from the General Services Administration to the Defense Department in February 1988. But the Appropriations subcommittees on Treasury, Postal Service and general government, which have jurisdiction over GSA, have refused to relinquish control over the stockpile to the defense appropriations subcommittees.

The stockpile story points up one of the legislative ironies of the 1980s. As domestic programs have been cut or held at low levels, some lobbyists have prospered as never before.

As universities, research labs, and counties found it increasingly difficult to get funds from the executive branch, pressure mounted to obtain grants the sure way—through line items written directly into appropriations legislation by Congress.

These pressures have brought Capitol Hill lobbyists into the picture as seldom before. And those developments, in turn, connected with the insatiable demand of members of Congress for ever larger campaign war chests to ward off challengers. In some cases, Washington lobbyists, law firms and corporate representatives became an extension of the fund-raising operations of congressional offices as those offices were becoming more crucial to the lobbyists for funds-starved clients.

"The whole atmosphere was entirely different in the '70s," when money seemed less important, said a lobbyist who asked not to be identified. But in the 1980s, he added, "Everything got ginned up. People came to work in government to make contacts and then went out and sold those contacts. And the whole thing was driven by the rising cost of campaigns."

"Self-interest is the name of the game," said another lobbyist. "It's a difficult way to establish national policy."

Few if any lobbying firms have been more successful at exploiting the new era of budgetary austerity than Cassidy and Associates. Cassidy, 48, is a liberal Democrat who twice served as general counsel of the Senate Select Committee on Nutrition and Human Needs, chaired by then-Sen. George S. McGovern (D-S.D.). Cassidy was a founder in 1975 of what is now Cassidy and Associates.

Since 1983, it has helped place language in appropriations bills that allocated more than \$400 million in grants to at least 38 clients—mostly for construction.

Cassidy does not reveal his fees, but a spokesman said that the firm has charged as much as \$50,000 a month to a client who received "a much broader representation than the majority of our clients." One new client, Western Townships Utilities Authority of Plymouth, Mich., is charged \$300 an hour, according to a recent lobbying report.

The firm grossed \$15 million last year, and expects to reach \$21 million to \$22 million this year, having added 30 clients since Jan. 1, Cassidy reports.

## Putting Money Back Into Politics

Some of this money circulates back into politics.

Cassidy, his wife, members of his staff and his clients have contributed \$100,000 to \$200,000 to congressional campaigns since 1983, according to Federal Election Commission reports. In 1987-88 alone, Cassidy and his wife, Loretta P. Cassidy, contributed \$49,250 to dozens of incumbents and challengers, most of them Democrats.

Several of Cassidy's non-university clients, including Ocean Spray Cranberries and Pirelli Cable Co., have political action committees and have given heavily in the last five years. In addition, Cassidy and his clients have contributed generously to university chairs named for members of Congress, and have participated in numerous testimonials and fund-raisers for charities.

At the same time, Cassidy has unabashedly used his congressional connections. Since 1982, he has hired a steady stream of Appropriations Committee staffers and aides of top House and Senate members.

Cassidy established close relations in the House with then-Speaker Thomas P. "Tip" O'Neill Jr. (D-Mass.) and then-Majority Leader Jim Wright (D-Tex.). In 1984, the firm hired one of O'Neill's top aides, Carl F. Godfrey. Two years later, as Wright was about to replace O'Neill as speaker, Cassidy gave a job to Richard M. Pena, a foreign policy adviser to Wright.

In early 1987, Cassidy hired Donald P. Smith from the staff of the House Appropriations subcommittee on energy and water development, where the Cassidy firm had scored some of its most impressive legislative successes. From fiscal 1984 through fiscal 1988, 16 Cassidy clients were allocated several hundred million dollars in legislation cleared by the subcommittee.

Cassidy described Smith as a "very good friend" of the subcommittee chairman, Rep. Tom Bevill (D-Ala.). There is no House rule against former House employees lobbying their former employers, but Cassidy said Smith was assigned to other duties when he first joined the firm.

Cassidy also gave a part-time job to the wife of Rep. Doug Walgren (D-Pa.) for 21 months beginning in September 1985. Carmala Walgren said she did no lobbying and performed mainly pro bono work for the Children's Inn at the National Institutes of Health.

At the time, Walgren was chairman of a subcommittee that has jurisdiction over the National Science Foundation and played a role in making policy for federal support of university research. That job gave him a critical position in deciding whether it was appropriate for Congress to earmark funds for favored academic research projects. Walgren said he took the position that it was "not wrongful" for Congress to earmark funds in that way.

Cassidy defends his aggressive style of operation as a means to a beneficial end—getting federal money for deserving academic and scientific projects.

"I think it's positive and I applaud the members [of Congress] who are taking the lead in doing that," he said during an interview in his Metropolitan Square building offices, where the firm occupies 14,000 square feet. "The dollars would not be spent if they were not being pushed through by members who had an interest in seeing technology advanced."

"The term 'pork barrel science' really sticks in the craw," said Roy Meyers, Cassidy's communications director, responding to suggestions that the projects are without value. "These things are up and going. They are good, viable projects that contribute to the national interest."

Defenders of the system of earmarking funds for congressionally favored research argue that although the system may not be ideal, even haphazard allocation of funds for basic research can produce useful results.

However, that view is challenged by critics such as the Association of American Universities, which said that lobbyists and members of the Appropriations Committees are not the best judges of the nation's academic and scientific needs.

Evaluating the congressionally mandated projects is difficult. Congress's watchdog arm, the General Accounting Office, seldom if ever tries.

Others suggest that the earmarking of funds for favorite projects in their home states spares members of the key Appropriations panels from feeling the full pain of the budget squeeze and may make it easier for Congress to postpone the tough choices on taxes, spending and national priorities necessary to end massive federal deficits.

## A Strategy Is Born

The Stockpile Fund story illustrates how a successful lobbying idea can mushroom from a brainstorming session in a downtown Washington office into a multimillion-dollar spending program.

As Cassidy's president and chief operating officer, James P. Fabiani, recalled the story, it involved a little luck.

A client, the University of Massachusetts at Amherst, was losing scientists and urgently needed new ideas, he said. Cassidy officials learned that the scientists specialized in work on plastic-like materials that could substitute for rare metals such as titanium. Using computerized compilations of appropriations laws, researchers matched up the word "titanium" with the National Defense Stockpile Transaction Fund, and a strategy was born, according to Fabiani.

It was a natural fit. Rep. Silvio O. Conte, the ranking Republican on the powerful House Appropriations Committee, represented the town of Amherst, and had been Fabiani's boss on Capitol Hill until 1982. Fabiani held an education degree from the university.

As ranking minority member of the full committee, Conte is a member of the subcommittee that originated spending legislation for GSA and the stockpile. Cassidy had contributed \$500 to Conte's campaign in 1984, and Fabiani had given \$1,000.

The idea was for Amherst to create a "strategic and critical materials research facility" and have money passed through the Stockpile Fund to finance its construction. Conte had \$9.5 million inserted in the House subcommittee's version. To balance it, then-Sen. Paul Laxalt (R-Nev.) put in the same amount on the Senate side for a similar center at the University of Nevada in Reno.

Each facility received another \$5 million the following year.

In the fiscal 1988 spending measure, five projects were added and the Amherst center got a final \$5 million.

One of the new recipients was the University of Hawaii at Manoa, a Cassidy client that was

allocated \$19 million over the next two years for a "strategic ocean minerals research facility." Hawaii was well-positioned on the Appropriations Committees to get the funds. Rep. Daniel K. Akaka (D-Hawaii) is a senior member of the Appropriations subcommittee on Treasury, Postal Service and general government, and Sen. Daniel K. Inouye (D-Hawaii) sits on the Senate Appropriations Committee.

Both members have received campaign contributions from the Cassidy and Associates staff. Vincent M. Versage, a former aide to Hawaii's other Democratic senator, Spark M. Matsunaga, contributed \$2,000 to Akaka in 1987-88. Versage works on the Hawaii account at the Cassidy firm.

## A New Image for Loyola Project

Early last year, Loyola College in Maryland hired Cassidy and Associates. Officials of several other Jesuit colleges that were Cassidy clients recommended the firm, according to Loyola Provost Thomas Scheye. At the time, Loyola College's planned computing center was still not much more than a hole in the ground. The college had raised only \$5.5 million of the \$13.5 million it needed to complete the building.

But in the hands of two of Cassidy's lobbyists, the project was given a stylish new image.

In the presentation shaped by Fabiani and Versage, the center became more than just a place to train college and graduate students in computers. It was also to house a "Center for Advanced Information and Resource Management Studies."

Scheye said he felt this description was justified. Loyola had a business school, and had trained defense contractors and employees of the Social Security Administration in management techniques and computers, he noted.

But even the Cassidy firm had to stretch to see how such a center could be funded through the national stockpile. The link was made thanks to a House Armed Services Committee report expressing concern about the management of the Stockpile Fund.

According to language drafted by Cassidy and Associates and congressional staff, and inserted into a Senate Appropriations subcommittee report on June 17, 1988, the new Loyola center would "begin to address these and other federal systems management problems on a broad, nationwide basis."

The report of the Senate subcommittee stated that "specialized management education and training" should be made available to the National Defense Stockpile and recommended \$4 million for the Loyola center for this purpose.

On Aug. 12, House and Senate conferees approved \$3 million for Loyola.

Scheye said the college had been in contact with the Maryland congressional delegation earlier about getting federal money, but that Fabiani and Versage focused particularly on Sen. Barbara A. Mikulski (D-Md.), an adjunct professor at Loyola, and Rep. Steny H. Hoyer (D-Md.). Both serve on the Appropriations subcommittees that oversee the stockpile.

Scheye said he considered the fee of "close to" \$10,000 a month that Loyola is still paying the Cassidy firm as money well spent. "They taught us things about how you deal with members of Congress," he said. "But I think Congress helped because our representatives are convinced we can make a contribution in this area."

Meanwhile, advocates and critics of the stockpile earmarking continue their debate. The Bureau of Mines, whose modest, competitive program of research grants to 32 colleges and universities in 32 states used to be only vehicle for supporting research in this area, maintains that these earmarked funds passed through the stockpile fund are being spent "absent clearly defined national needs or peer review of the research projects proposed."

The stockpile fund itself has not been affected by the earmarking. It continues to buy and sell reserves of strategic materials and is essentially self-supporting. The earmarked appropriations are simply passed through the fund, which does not even administer or oversee them.

This year, the Cassidy firm is seeking another \$3 million for Loyola and is representing two new applicants, Rochester Institute of Technology and Michigan Technological University.

A recent round of hiring appears to be taking the firm in new directions, toward lobbying of the executive branch and different congressional areas. Among recent additions to Cassidy's staff are retired general P.X. Kelley, former Marine Corps commandant; Peter O. Murphy, former special U.S. trade negotiator; Robert A. Farmer, chief fund-raiser in Massachusetts Gov. Michael S. Dukakis's 1988 presidential campaign who will keep his job as treasurer of the Democratic National Committee; and Robert K. Dawson, former associate director of the Office of Management and Budget.

At OMB, Dawson oversaw the Energy Department budget and was a steady critic of congressional earmarks for favorite projects within that budget.