

WATCHDOG GROUP WARNS BIG DONORS COULD GET AWAY, WHILE FOCUS CENTERS ON MEG SCOTT PHIPPS

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A campaign-finance watchdog group today said Commissioner of Agriculture Meg Scott Phipps must be held accountable for any illegal acts she committed, but it warned that key issues involved in the scandal surrounding her campaign would not be resolved by her resignation.

The group also questioned whether a federal investigation centering on Phipps would free major players in the scandal from being held accountable for serious crimes.

"We're concerned that the narrow focus on the fate of Meg Scott Phipps is letting other big fish get away, particularly the political donors who benefited financially from corruption," said Bob Hall, research director of Democracy North Carolina. "Phipps must be held accountable, but the public record shows the scandal goes well beyond actions she or her aides initiated."

"Secondly, we are concerned that the private financing system used to elect the Agriculture Commissioner serves as an incubator that will breed new cases of corruption, especially as fund-raising pressures on candidates increase. Whether Phipps resigns or goes to jail won't address these two larger issues - donor accountability and systemic reforms," he said.

The group singled out donations linked to Amusements of America for special attention. The New Jersey-based carnival company gained the contract to operate the 2002 State Fair after a controversial selection process overseen by two officials - Phipps and then Assistant Commissioner Bobby McLamb - who each received illegal financial support from the company.

According to testimony at a State Board of Elections hearing in June 2002, a third person involved in the selection - Norman Chambliss of Rocky Mount - funneled \$75,000 from Amusements of America into Bobby McLamb's campaign for Agriculture Commissioner before he lost the 2000 primary. The federal indictment of McLamb says Amusements of America also reimbursed Chambliss for \$6,500 he gave the Phipps campaign for her campaign debt. In addition, the company promised to pay Chambliss \$50,000 for his help in securing the State Fair contract.

"Based on Chambliss' own words, it seems ludicrous to let Amusements of America continue to profit from operating the State Fair," said Hall, noting that Phipps has contracted with the company to run the 2003 fair. "At a minimum, any profits should be forfeited and the contract should not be renewed. We believe state and federal authorities should hold Chambliss and company officials accountable, not just those who solicited or received their contributions. Cooperation with investigators shouldn't shield wealthy donors from appropriate punishment."

To address systemic reforms, Democracy North Carolina sent a letter on Friday to

Gov. Easley and legislative leaders urging them to endorse legislation that creates a public financing option for candidates for Agriculture Commissioner and other Council of State agencies. Bills now in the General Assembly would establish such an option, modeled on programs for appellate judges in North Carolina and for the elected regulatory agencies in Arizona and New Mexico.

The letter notes that candidates for these "down ballot" positions have difficulty raising private funds and "often rely heavily on donors related to the businesses that the office regulates or awards contracts to, which presents an awkward conflict of interest that can lead to corruption." It quotes the federal indictments which link several charges to contributions paid "by persons hoping to influence the awarding of the midway contract for the 2002 North Carolina State Fair."

Democracy North Carolina also released an analysis of the role of Chambliss and Amusements of America in the scandal, based on transcripts of the Board of Elections investigation of the Phipps' campaign and the federal indictments of McLamb and Linda Saunders, the two Phipps associates charged with conspiracy to commit fraud and other crimes.

Among the findings:

- Norman Chambliss, a Rocky Mount real estate developer and owner of Rocky Mount Fair Inc., admitted that he loaned \$75,000 to Bobby McLamb for his campaign in April 2000, using money he got from Amusements of America for that purpose.
- After McLamb lost, Chambliss helped raise money for the Phipps campaign and positioned himself so he could influence Phipps' choice for the operator of the 2002 State Fair. "It was important to me that I get to know . . . the probable winner of the election, so that I could if possible give that person an opportunity to get to know my friends, the Vivona family [owners of Amusements of America]," he told the State Board of Elections. "And I wanted to do whatever I could do as a friend of that company's to give [Phipps] an opportunity to get to know them."
- Chambliss helped McLamb and Saunders raise funds for Phipps' campaign and McLamb's campaign debts. He arranged and paid for a trip for the four of them to visit the Ohio State Fair in August 2000, so Phipps could meet the Vivona family and see one of their largest fairs. At the meeting, Dominic Vivona handed Phipps three checks totaling \$10,500 - plus an envelope with \$6,000 in cash donations that Chambliss admitted he knew were illegal.
- Chambliss met with Phipps soon after her election and discussed his interest in playing "a part of her administration." When she formed the N.C. State Fair Advisory Committee, he wrote to ask to "serve on the Carnival selection and contracts committee." He was added to the committee and to the subcommittee establishing criteria for evaluating competing proposals.
- While on the committee, Chambliss gave Saunders a check for \$6,500 marked "Phipps Loan for AofA." He told the Board of Elections, "I thought it was inappropriate for a person who had a position in her administration to be loaning her campaign money, but I did it."
- According to the indictment, Amusements of America later reimbursed him for the \$6,500 loan. But Chambliss told the Board he got no money from Amusements of

America other than the normal percentage payment for it operating his Rocky Mount Fair. And when asked by the Board chair if he had been repaid for the loan, Chambliss replied, "I have not."

- After three carnival companies and a fair management consultant were chosen with overlapping responsibility, Chambliss drafted a memo, adopted verbatim by Phipps, that declared "Amusements of America will hold the only midway contract for the 2002 State Fair [and] make all final decisions relating to carnival rides and concessions operations."
- According to the indictment, Chambliss was promised \$50,000 from Amusements of America for helping it obtain the midway contract, but the money was never paid.

"It makes you wonder how much corruption would have happened without Chambliss' active involvement," Hall said. "He was at the center of action. So it's troubling to think he could escape being held accountable. When the election process is purposefully and willfully corrupted, the perpetrator should be punished. And when the election process itself breeds corruption through a flawed financing system, then the system should be changed."