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Earmarks wane but lobbying doesn't

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It's only January, and already it's been a rough year for earmarks. House Speaker John Boehner banished them from the chamber. And if that wasn't enough, President Barack Obama told the nation in Tuesday's State of the Union speech that he will veto any legislation containing the pet projects.

But Washington has always been more pork than chop — so earmarks may be disappearing, but their lobbyists are not.

What insiders understand is that the money that used to be tagged for earmarks isn't going away. It's just moving. Instead of lawmakers designating it for hometown projects, government agencies and departments will dole it out through contracts and grants — a shift that some lobbying shops have been anticipating for years.

So it's no surprise that even before Obama's speech, lobbying firms had begun scooping up senior senators who served on the House Appropriations Committee. The lobbying law firms Arent Fox hired former Sens. Byron Dorgan (D-N.D.) and Bob Bennett (R-Utah) just days after they left Congress and Thompson Coburn hired newly retired Sen. Kit Bond (R-Mo.).

"Former appropriators are huge gets for lobbying firms because they have the knowledge necessary to maneuver clients through the Senate as well as the appropriate federal agencies," said Scott Amey, general counsel for the Project On Government Oversight, a government watchdog group. "They can easily provide a boost to clients looking for federal funds."

In brief interviews, Bond, a lawyer, and Dorgan, who co-chairs his firm's government relations practice, said they don't lobby and don't plan to once the two-year cooling-off period that prohibits them from doing so expires. Bennett did not return interview requests.

Asked about the future of earmarks, Dorgan said they don't have one, for now.

"It changes completely what gets funded and how it gets funded," he said. "Eliminating earmarks doesn't save one penny in appropriations. That money, if it isn't legislatively appropriated, will go down to the agency, and they will direct where it goes."

Already, firms have started to adjust to life after earmarks by beefing up efforts to secure grants. In 2009, Bill Ferguson, chief executive of The Ferguson Group, created a separate company, TFG Grants, to help relieve the pressure to land increasingly tougher-to-get earmarks. He said the success rate of getting earmarks and grants is comparable.

But Ferguson said that when agencies hand out the money, the circle of recipients is smaller. The last time Congress essentially eliminated earmarks in 2007, the overall funding levels stayed the same as in 2006. But the number of grants given out in a community policing program, for example, dropped from 423 grants in 49 states in 2006 to 37 grants in 26 states in 2007, according to Ferguson's calculations.

"It's a lot easier to distribute a grant to five communities than it is to 100," said Ferguson, whose Ferguson Group lobbies for local governments and companies that do business with them.

One of the town's top earmark lobbyists, seeing little action on that front over the next two years, has been busy ramping up his consulting work. Stu Van Scoyoc said much of his attention has turned toward the agency and department officials who approve contracts and grants.

While perhaps best known for the lobbying shop, Van Scoyoc Associates, he also has run a sister consulting firm since 1994 that focused on getting educational research funding. Last year, the firm changed its name to VSConsulting and added defense and international relations work to its portfolio. The consulting firm, which doesn't lobby, was set up in part to work with an Obama administration hostile toward lobbyists, Van Scoyoc said.

The two firms, in addition to his law firm Van Scoyoc Kelly, provide clients with the expertise to chase funding through earmarks, grants, contracts, appropriations and authorization legislation, he said.

Other appropriations firms, like Alcalde + Faye, McBee Strategic Consulting and Cornerstone Government Affairs, didn't respond to requests about how they are adjusting to a world with fewer — if any — earmarks.

But some, like former powerhouse Cassidy & Associates, appear to be struggling. In recent months, the former lobbying powerhouse replaced its chief executive and laid off almost 20 percent of its staff against a backdrop of declining revenue.

Cassidy officials declined interview requests for this article. But in a statement, President Barry Rhoads said, "Regardless of changes to the current system, there is a process by which Congress governs, and that will not change. Our firm has a real understanding of the ever-changing landscape of Congress and, as we have successfully done for more than 30 years, will remain nimble to best meet the needs of our clients."

In a December interview, chief operating officer Gregg Hartley acknowledged that "it's a more challenging world for earmarks," and he said, now 40 percent of the firm's work is in appropriations, down from 60 percent seven years ago.

Said one former Cassidy lobbyist, "I think they missed the early signs that the appropriations work is going to go away."

The firm's revenue is down. Last year, the firm brought in at least \$15.5 million, down from about \$24.5 million in 2007, according to the Center for Responsive Politics, a money-in-politics watchdog.

Some shops take a multiple-choice approach to winning government funding. In late 2009, Health Integrated of Tampa, Fla., approached Van Scoyoc about securing funding to offer anonymous mental health counseling by phone to military personnel.

The lobbying firm helped persuade Rep. Bill Young (R-Fla.) to include a \$1 million earmark in the defense appropriations bill that set up a pilot program. The consulting firm helped the company frame and present its program to the right Department of Defense officials, which, in turn, helped them win the contract to do the work. And the law firm helped the company meet the requirements to become a vendor to the federal government.

All told, Health Integrated paid Van Scoyoc about \$100,000 for its work, said company chief executive Shan Padda.

"Once we got to the right people in the Department of Defense, they were all nodding their heads, saying this is a real issue," Padda said. "Without being able to have access to these folks, we would not have gotten the internal buy in saying, 'We need this program.'"

In this case, the earmark accelerated the creation of the pilot program, which is serving 15,000 Marines, said Michael Shupp, a vice president for Van Scoyoc Associates. Without the earmarks, the company would have had to ensure that the Defense Department requested the funding, which adds at least another year, maybe two, to the process, he said.

"It's hard to move that ship," Shupp said. "We have to spend more time briefing more people."

In fact, with House Republicans focused on cutting spending, the opportunities to play offense will be fewer.

"The next two years," Van Scoyoc said, "it's going to be a lot of defense."