ILM: PATRIOT GAMES (p. 26) • BOOKS: SOUTHERN SLEUTHING (p. 28)

# WEEKLY

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APPOINTED OTHE BOT

WIN A FREEWAY!













YOUR BOY WINS ROLL AGAIN!

B B E 0 A 4

SO WHAT? ROLL AGAIN!

ELUSTRATION BY TOW CHALGEY



## Wheels and Deals

#### BY BARRY YEOMAN

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ooking for a seat on North Carolina's most powerful government board? Control over a \$1.6 billion annual budget? Maybe even a chance to help your friends? Well, the chance

can be yours—for a mere \$62,900 in campaign contributions.

By the most conservative calculation, that's the average cost of a seat on the N.C. Board of Transportation. Over the past eight years, the 56 people appointed by Gov. Jim Martin and Lt. Gov. Jim Gardner have given or raised more than \$3.5 million to the Republican cause—and the actual figure is probably much higher.

The reward for their donations is one of the biggest plums in state government. The Board of Transportation has almost total control over where the state spends its highway dollars. That makes a board seat quite a coveted reward—particularly for those members whose business interests are served by highway construction.

Of the 23 current board members, 18 have real-estate interests. One serves as president of a petroleum distribution company. Another member runs a construction company and coowns a trucking firm. One manages an automobile dealership called Confederate Chevrolet.

The state Board of Ethics found 17 Board of Transportation members had potential conflicts of interest because of their business dealings—but some members dismiss such findings. "If I had to be concerned about the location of highways around this state in relation to my customers, I would never be able to be involved with any [road] projects," says board member C. Richard Vaughn, a Mount Airy building contractor.

Board members are charged with directing North Carolina's transportation policy. But they rarely use their meetings to discuss the state's long-term needs or to debate the merits of roadbuilding vs. public transit. Instead, they spend their time carving up the highway money going to their regions.

"Board members are told by the secretary how much money they have to work with, and the board member ends up saying, "This is an important project in my area," says Billy Rose, a retired deputy secretary of the Department of Transportation (DOT). While DOT's professional planners offer a good amount of



Reads, wealth and big-dollar politics are inextricably tied in North Carolina, as Board of Transportation member Jack Laughery's Jaguar elegantly points out. Main swar

advice, Rose says, "is the board member feels strongly about something, generally it will get on the program."

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For the past three weeks, The Independent has documented case after case in which campaign contributions have shaped the state's highway system—wasting taxpayer money, harming the environment and colliding with communities. Nothing short of a full state audit will determine how many millions of dollars DOT spends building or rerouting roads for big political donors.

But the problem goes deeper than individual projects. North Carolina's entire transportation program has evolved into a system designed to serve the interests of the people who finance political campaigns. The Board of Transportation doesn't steal from taxpayers in a technical sense, but it still engages in a form of highway robbery: using public funds to enhance the profits of land developers, road contractors, trucking executives and automobile dealers.

North Carolina does need to build and improve some roads. Our planning mistakes of the past have created large and diffuse pockets of population with no effective way to move them around. Antiquated road-building techniques have created dangerous highways that need to be made safer. Population and industrial growth demands more roads. And the state's long legacy of political favoritism has left some regions poorly served.

But North Carolina's highway program goes far beyond the simple goals of improving safety and access. Just three years ago, the state launched a 3,800-mile road-building effort—a \$9 billion plan with no study of how it would boost the economy or harm the environment in the long term. The legislature created the Highway Trust Fund after a series of public hearings, at which land developers, highway contractors and local officials lobbied for specific roads.

The Highway Study Commission, which sponsored the hearings, "did not conduct what was really needed—a genuine analysis of state transportation needs," says Bill Holman, a lobbyist for the Sierra Club and the Conservation Council of North Carolina. "Basically the commission acted like a department store Santa Claus and went around the state collecting everyone's highway wish list. The legislature delivered the gifts."

The same year, legislators cut their planned installment of the Basic Education Plan by 40 percent.

In this fourth part of our series, we examine the ways political money helps keep the state's aggressive highway plan on course—even as education and social programs are being cut. We look at the people in the driver's seat: the Board of Transportation, the highway lobby and the state legislature.



SAMFORD BAILEY

ROBERT BURFORD

Raleigh affinities appointed by House Speaker Dan Blue; cha Raleigh-Wake Citizens Associ

KERMIT EDNEY

Retired Hendersonville radio-station penter; former chair; Western N.C. Regional Planning

ALBERT MCCAULEY

etted Sartiner fund-raiser satributions and fund raising

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HUDNALL CHRISTOPHER a: \$3,725









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S. DAVE PHILLIPS H. DEAN PROCTOR Owns "mini-empire" of becole Hickory beverage distributor, snothed in real-estate develo



DOT Secretary and chair of the Board of Transportation; Southport businessman; unsuccessful GOP congressional candidate Contributions: \$8,990 Ethics Sound: No conflict of interest

The 24-member Board of Transportation has the final say over where roads get built in North Carolina, Gov. Martin appoints all but two members. As in previous administrations, board seats are plums; little wonder that all but one of the current Martin appointees contributed to the governor's campaigns.

Because so many board members have a clear financial interest in highways, they also have the potential for conflict of interest. Therefore, the state Ethics Board studies each member's real-estate holdings and business interests. The Ethics Board has not found any actual conflicts of interest, but has found many potential ones. The House Speaker's appointee is exempt from this

As The Independent went to press, one Board of Transportation seat was vacant, Here are the current members, along with the minimum amounts of money their immediate families have contributed or raised for the state and federal Republican cause since 1983. Since board members don't have to report their fund-raising totals, the actual numbers could be much higher.

JOSEPH TEACHEY

Walters produce distributor: local campaign of our and fund-raiser to Martin and Gardner.

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RONALD ROHADFOX

Contributions: \$16.882 Ethics Seent Potential

Graham construction angineer, does highway work outside North Carolina member of Republican Senatorial



JOHN BEALL Lensir petroleum dealer, invests in real estate, local campaign official in soft Martin elections. Contributions: \$4,700 PINION Board: Potential conflict



DAVID BROWN Asheville real-estate broker, big Gantrier supporter, GOP precinct Contributions: \$4,650 Ethios Sourd: Potential confect

THOMAS DARDEN II

Meigh brick manufacture, part in Triangle real-estate ventures, ets on Triangle Transit Authority



J.A. DALPIAZ Gastonia metal manufacturer SOP leader and Martin hand-intercet of governor's "Kitch Cabinet" diena and fund raising:



JACK LAUGHERY



CHARLES LOWDERMUK Greenshors real-estate brown, charred county campaigns for Busin, Beagan, Stroyfilt, alts on Triangle Transit Authority board. Coatrifletiese: \$5.551 Ethics Beard: Potential conflict



KEN NEWSOME



STUART PAINE



RICHARD VAUGHN Mount Any building contractor, owns ourt of a tracking company; headed local Martin fund raising Contributions and fund reising: \$77,685. Ethics Sound: Potential conflict



MARILYN WILLIAMS Contributions: \$4,555 Ethics Board, No conflict

#### THE BOARD OF TRANSPORTATION



long table dominates the Board of Transportation meeting room in Raleigh. Around the table sit the 23 members—20 white men, two black men, one white woman. There are name

plates in front of each member, but those plates are turned away from the audience.

"Jack, how you doing?" The friendly question comes from S. Dave Phillips, a textile industrialist and Republican fund raiser from High Point. He is addressing Jack Laughery, a board member from Rocky Mount, just before one recent meeting.

"I'm trying to raise money for Bush, Quayle, Gardner, run highways," came the reply.

If there's one Board of Transportation member who epitomizes big-money politics on the Board of Transportation, that man is Jack Laughery, the former chief executive of Hardee's Food Systems. An Iowa native who began flipping burgers in his 20s, Laughery later moved to North Carolina and guided the restaurant chain's growth from 900 to 3,300 restaurants.

And Laughery turned Hardee's into more than just a successful business. He transformed it into a money machine for the Republican Party, whose current gubernatorial candidate co-founded Hardee's. Laughery's red Jaguar sports a "Jim Gardner for Governor" bumper sticker right below his special DOT license plate.

Since 1983, Laughery and his corporation have donated more than \$480,000 to state and national Republicans. That doesn't include the money he has raised; nor does it include the tens of thousands of dollars other Hardee's employees have donated to state and national politicians.

As part of his extensive political work, Laughery has become one of the South's preeminent fund raisers for President Bush. During Bush's first presidential bid, Laughery held a party at his home that brought in an estimated \$125,000; on primary night, Bush spent the evening with Jack and Helen Laughery watching the election returns. Since then, Laughery has lunched with the president at the White House and attended policy briefings by Cabinet secretaries. Bush calls the Laugherys "old friends."

Now Laughery serves as President Bush's finance chair for the southeastern region. "He's got five states and he's twisting arms in every one of them," Bush said at a Charlotte barbecue this spring.

Unlike most campaign donors, who simply write checks to their favorite candidates, Laughery knows a politician's coat has many pockets. For instance, he contributed \$900 to the innocuously named Nash-Edgecombe Billboard Fund—which then used the money to erect billboards for U.S. Sen. Jesse Helms.

More significantly, Laughery has used a loophole in federal law to make large contributions that would otherwise be illegal. Known as "soft money," the system allows businesses, labor unions and wealthy individuals to circumvent restrictions set up by the federal government. The money doesn't go directly to the candidates; it's funneled through the national political parties. The Republican and Democratic organizations are supposed to use the donations for local activities such as voter registration.

"The fiction of soft money is that its use does not influence federal elections," says Joshua Goldstein, a researcher for the Washington-based Center for Responsive Politics. In fact, "soft money is ripe for abuse" because it flows most heavily to states with close elections.

Since 1988, Laughery has personally given \$118,000 in soft money to the national Republican Party. Hardee's has given another \$133,000. Laughery says those donations have one purpose: "to see good government." Another Hardee's official says the soft-money donations were meant to counteract similar contributions to the Democratic Party by labor unions.

Hardee's also created its own federal political action committee (PAC), which has given \$203,875 to congressional candidates nationwide since 1983. From those candidates, "there are no special favors granted, and none asked," Laughery says.

Laughery, who has also raised money for Gov. Martin, scoffs at the idea of a link between campaign fund raising and his Board of Transportation seat.

"Very candidly, I think it's a witch hunt to say people get on the DOT [Board] because they make financial contributions to politicians," he says. "Most of the people on the DOT are very active in their communities, Most of those people also gave contributions to politicians, church, YMCAs." While most Board of Transportation members give large campaign donations, "they also all wear dark shoes."

Laughery won't guess how much money he has raised. "I don't know," he says. "I'm not going to give you an erroneous figure." But the figure might well run into the millions.

In fact, we'll never know exactly how much money he or any other board member has collected for the governor. The state's election laws don't require candidates to provide that information. Only a few of the board members interviewed by *The Independent* offered estimates of how much money they raised for Martin.

hile all but one of Gov. Martin's current appointees to the Board of Transportation contribute to the GOP, transportation officials maintain that politics doesn't

influence where roads go. "The notion that any board can come in and turn the highway program upside down is antiquated," says DOT Assistant Secretary Jim Sughrue.

Adds Secretary Thomas Harrelson: "We go through significant process—having TIP [Transportation Improvement Plan] hearings, getting letters from local officials, chambers of commerce," he says. "Our TIP reflects the priorities that come out of this process. It's an open public process."

In fact, most roads are put on the state's long-range plan at the request of local leaders. Still, the Board of Transportation remains a bastion of inside deal-making—as these examples from the past five years show:

 William Buchanan, a top Martin fund raiser, quietly slipped a \$625,000 bridge into the TIP five years ago. The bridge, which spans Interstate 85 in Graham, connects Buchanan's



Ernest Barry Jr. (left), whose father attended college with Gov. Martin, shares a secret with fellow Board of Transportation member Jim Nance. Moto IT M.J. SHAP

Chevrolet dealership with a residential street.

Buchanan claimed the bridge might actually hurt his dealership, and that town officials supported the project. But the Alamance County Transportation Advisory Committee never discussed the bridge, and other local leaders feared the project could bump some desperately needed roads.

By his own estimates, Buchanan raised \$100,000 for Gov. Martin's last election. He and his wife have contributed more than \$29,400 to top Republicans since 1983.

Without informing the public for 15 months, DOT tried to shift the Charlotte Outerbelt to accommodate a real-estate developer with business ties to former board member James Garrison. The road's engineer had argued that shifting the Outerbelt would dislocate more families, increase flood danger and delay the project.

Garrison brokered the meetings between DOT engineers and the developer, whose sub-division stood in the path of the highway—but he denied influencing DOT's recommendation. "I was there to introduce those two guys, but you'd think I shot the Pope," he said in 1990. DOT Secretary Thomas Harrelson decided to review the route after The Charlotte Observer broke the story.

Garrison, a petroleum distributor, cochaired former Gov. Jim Hunt's 1980 re-election campaign. Hunt originally appointed him to the Board of Transportation in the 1970s.

 Real-estate developer Charles Shelton, then a board member, helped win \$705,000 for a road that runs through 93 acres of industrial land he owns in Stokes County. According to the Winston-Salem Journal, Shelton presented the project as the county's top road need even though local officials had just added it to their wish list five months earlier.

After DOT built the road, the value of Shelton's land jumped by 482 percent, the Journal reported last week,

After conducting a preliminary inquiry into that and two other road deals, the State Bureau of Investigation decided not to conduct a full-scale criminal investigation. "It looks to me like he benefited from the projects, but other people may have been the primary beneficiaries, and his was secondary," said Wake County prosecutor C. Colon Willoughby Jr.

Shelton and his relatives have given more than \$450,000 to top Republicans since 1983; he also raised an estimated \$500,000 for Gov. Martin's re-election.

 While he served on the board, B. Tommy Pollard convinced DOT to place a cluster of 10 traffic lights near some land and a supermarket he owned in Jacksonville. A month later, he sold the land for a profit of \$10,000 or more.
 Pollard said he requested the signals for the safety of his customers.

After a probe, Attorney General Lacy Thornburg said Pollard had done nothing illegal—but lamented the lack of tough state ethics laws.

Pollard raised \$350,000 for Gov. Martin's re-election; he and his relatives have also given more than \$19,200 to top Republicans since 1983.



Jack Laughery transformed Hardee's into a meney machine for the GOP. Since 1983, he and the corporation have donated more than \$480,000 to help Republican condidates. PROTO BY N.J. SINCE

Over the past three weeks, The Independent has documented four other cases in which Board of Transportation members have promoted roads that helped their friends. For instance, Seddon "Rusty" Goode pushed the \$2.9 million Linville Bypass in Avery County to divert traffic away from his friends' vacation homes. In that and other cases, DOT ignored advice from its own professional staff that the road could actually cause more harm than good.

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hile such examples provide a glimpse of the political wheeling and dealing that goes on behind closed doors, campaign contributions also exert a broader

influence on the Board of Transportation—shaping the state's overall transportation priorities. Because the governor uses board seats
to reward his financial supporters, the board is
a road-building monolith. Martin's appointees
are all successful business people who share
his stated desire to put a four-lane road within
10 miles of 90 percent of North Carolina's
population.

No one ever advocates scaling back the road program in tight economic times, to prevent cuts in school or social-welfare spending. Few argue for even a small shift from roads to mass transit. Rarely do environmental concerns get aired. (Board member Thomas Darden II, a Raleigh brick manufacturer, is a notable exception.) Displacement and other social impacts of roads never figure into the board's agenda. As real-estate developers, building contractors and automobile dealers, the members all think the \$9 billion highway-building program passed by the legislature three years ago is the exact direction the state should be heading.

In the past, the General Assembly has passed laws in an effort to break the hegemony on other state boards. For instance, the governor must appoint a conservationist, a marine ecologist, a developer and two local officials to the state Coastal Resources Commission, which regulates development along the coast.

Rep. Peggy Stamey (D-Raleigh), who chairs the House Transportation Committee, has suggested the Board of Transportation needs slots for environmentalists, soil scientists and public transit advocates. Democrat Jim Hunt, once again running for governor, has promised this time around to appoint mass-transit supporters to the board if he's elected.

But Transportation Secretary Harrelson rejects that idea as wrong-headed. "The board should represent what society at large desires," he says. "The biggest priority would be roads in North Carolina. We're a state of small, medium-sized cities. We don't have the Philadelphias, New Yorks or Chicagos, with the tremendous mass transit needs those cities have."

### STEAMROLLER OF THE WEEK



For his bold stand against endangered species, Board of Transportation member Stuart Paine of Southern Pines earns this week's Steamroller Award.

At its April meeting, the board learned that DOT had spent \$122,000 to deal with the endangered red-cockaded woodpecker, the animal that causes North Carolina road-builders the biggest headaches. Ecologists call the woodpecker an "indicator species": Its dwindling numbers reflect the destruction of long-leaf pine forests.

Paine—who boasts membership in the National Rifle Association, the Mexican Hunting Association and the Southern Pines

Shooting Club—didn't take too kindly to this expenditure. After the presentation, Paine began talking about a people's revolt that was brewing against "the so-called endangered species." He had learned about the impending revolution by watching TV.

"The rights of living people are being stymied by an overconcern with snakes, owls and snail darters," the businessman said. "Before too long, you're going to see a coalition of voices [calling for] a relaxation [of environmental laws]."

After his speech, Paine's fellow Board of Transportation members simply moved on to the next order of business.

#### THE LEGISLATURE'S SLUSH FUND

he ultimate power over the Department of Transportation's funding lies with the legislature. But DOT maintains a special taxpayer-supported slush fund to help

maintain our lawmakers' loyalty. Known as the "discretionary fund," the pool totaled \$13.7 million during the 1989-91 budget years.

Though it was created during the Martin administration, the discretionary fund hearkens back to an earlier time. Until the late 1980s, an entire section of the state budget was devoted to "pork barrel": local projects such as fire stations and arts programs, inserted into the budget at the request of individual lawmakers. Pork barrel projects underwent no scrutiny; they often rewarded legislators loyal to House Speaker Liston Ramsey and his allies.

The 1989 revolution of Republicans and dissident Democrats that swept out Ramsey also eliminated the separate pork-barrel budget. But when it comes to highways, pork barrel lives on.

The discretionary fund is controlled by Transportation Secretary Thomas Harrelson, Lt. Gov. Jim Gardner, House Speaker Dan Blue and Senate President Pro Tem Henson Barnes. It gets doled out to legislators who request it. DOT officials say they use the money for projects that might otherwise fall through the cracks.

They include projects like the Bearskin Creek bridge in Monroe. The \$400,000 bridge is part of a road called the East Avenue-Sutherland Avenue Connector, which would complete the city's inner loop. "The city couldn't afford it on its own," says city manager James Cox. "The city has been working on this a long time, and the bridge has been the holdup."

Enter Sen. Aaron Plyler. An influential Democrat who co-chairs the Senate Appropriations Committee, Plyler also owns land along the proposed connector route. Some of that land, zoned for residential use, now serves as pasture; some has been developed into a sparsely developed neighborhood called North Woods. Once the East-Sutherland Connector is built, "there is no doubt [the land] will become much more developable," says city manager Cox.

According to Plyler, Monroe officials approached him about using some of his discretionary funds to build the bridge. "I told them I thought I could," he recalls. The result was \$200,000 from the fund, plus another \$200,000 from another DOT discretionary pool called the Small Urban fund. The bridge is now scheduled for construction in the near future—even though an internal DOT document ranked the connector "low" priority.

"Any road project, you have to move mountains to get things done," says city engineer James Loyd Jr. With the Bearskin Creek bridge, "it seems like the ball just got rolling and we ended up getting the money."

Plyler sees no conflict of interest in his obtaining discretionary money for a road that would go past his land. "It doesn't benefit me, It's just to benefit the traveling public," he says. Plyler says he has no plans to develop his land further, and claims the road won't increase the property's value. "I have no apologies to make for it whatsoever," he says.

Undoubtedly, many of the road improvements built with discretionary funds are valuable. Some improve access to factories, while others correct safety hazards. Some appear less urgent, such as the paving of a \$195,000 road leading to Uwharrie Point, a golfing resort whose developers include former Lt. Gov. Robert Jordan III, a Democrat.

"I never saw one project that was not a worthy project," says former Board of Transportation member Pollard, now a state senator.

Whether or not the projects are necessary, DOT dispenses them without any setting of priorities. Jack Murdock, DOT's secondary roads chief, describes the process as "first come, first served." In reality, the most influential legislators get the most roads built.

Last year, the Winston-Salem Journal examined two years' worth of discretionary money, and found the top 10 counties to draw from the fund were all represented by influential officials. For instance, Edgecombe County, home of former House Speaker Joe Mavretic, ranked eighth. During his final month as speaker, Mavretic funneled \$245,000 in discretionary monies to his home county.

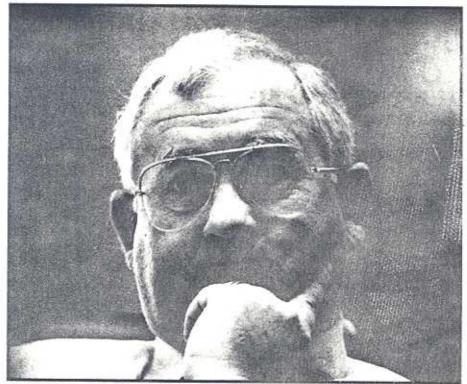
Last year, when the Senate was debating whether to cut \$9 million from the discretionary fund, Sen. Joseph Johnson (D-Raleigh) criticized the fund's staunchest supporters.

"A few years ago, my Republican friends were calling discretionary funds pork-barrel funds," Johnson said during a Senate Appropriations Committee debate. "I wish you'd call it pork barrel today."

#### CITIZEN'S ARREST

You can help stop highway robbery.
Just blow the whistle if you know of other cases like the ones documented in this series—times when taxpayer money has been wasted on roads built for big campaign contributors or their friends.

Write "Highway Robbery," The Independent, P.O. Box 2690, Durham, N.C. 27715. Or call (919) 286-1972.



During his final month as House Speaker, Joe Mavretic funneled \$245,000 in discretionary road funds to his home county. Proto BY WERDY WALSH

#### **ABOUT THE SERIES**

ighway Robbery," a five-part series running from May 20 to June 17, examines how campaign contributions influence the state's \$1.6 billion annual transportation budget.

To research the series over eight months, we examined thousands of documents at eight state agencies and interviewed more than 150 people, including state employees, local planners, transportation experts, community residents, environmental leaders and elected officials.

The dollars described in the series as supporting "Republican causes" were tracked through (1) a database created by the Institute for Southern Studies of contributors to Gov. Jim Martin, Lt. Gov. Jim Gardner and the N.C. Republican Party since 1983, (2) Federal Election Commission printons of contributors to presidential and congressional candidates, along with national PACs; and (3) a database compiled by the Washington-based Center for Responsive Politics of large donors to the national political parties.

Except for figures from other news re-

ports, our totals generally do not include contributions to local or state legislative

Research for this series was funded by the Durham-based Institute for Southern Studies as part of a larger study of how private money influences public policy. Founded in 1970, the Institute is a nonpartisan research center and publisher of Southern Exposure magazine.

As the first part of its Money & Politics Project, the Institute determined that lob-byists spend more than \$10 million to influence each session of the N.C. General Assembly—yet the source and purpose of most of that money remained unreported due to loopholes in the state ethics laws. Reforms passed in the 1991 legislature will close many of those loopholes.

Support for the Institute's Money & Politics Project comes from the Z. Smith Reynolds, Mary Reynolds Babcock, Arca, MacArthur and Skinner foundations.

Independent intern David Richardson provided substantial research assistance for the series.