

DAILY NEWS CLIPS

June 4, 2012

SMOKE SHOPS UNEASY ABOUT CHRIS DONOVAN ROLL-YOUR-OWN TOBACCO CONTROVERSY

By Luther Turmelle
The Register Citizen (CT)
June 1, 2012

The idea that one of their own might be at the center of the Chris Donovan campaign contribution scandal has some Connecticut smoke shop owners feeling a little uneasy.

"I'm concerned that one bad apple is going to ruin it for me," said Tracey Scalzi, who owns smoke shops in Norwalk and Orange. "I'm shocked about this."

Alleged questionable contributions made to Donovan's 5th District congressional run have resulted in the arrest of the campaign's finance director and the firing of his campaign manager.

The arrest affidavit of Robert Braddock Jr. of Meriden details an attempt by an unnamed smoke shop owner to make a contribution to Donovan's campaign as part of an effort to kill legislation in the 2012 session that would have imposed new taxes and fees on those businesses that have roll-your-own cigarette machines. The bill made it out of a legislative committee but never came up for a vote in the session, which ended May 9.

Scalzi went to Hartford and lobbied against the roll-your-own legislation.

"My customers like to save money and so I was fighting for them and for my business," she said. "I must have met with every representative up there and nobody knew about our business or what we did. I'd like to think it was my lobbying that the legislation didn't come up for a vote."

A Virginia-based attorney with expertise in tobacco taxation matters, Brian Haynes of the law firm Troutman Sanders, said even if the allegations contained in the arrest affidavit were proven to be true, consumers shouldn't hold it against the smoke shop industry in Connecticut.

"It doesn't mean it's endemic to the industry," Haynes said.

Robert Noto, whose smoke shops in Torrington and Danbury offer roll-your-own cigarette machine rentals, said he's heard "bits and pieces" of the controversy surrounding efforts to kill the legislation, but not enough to form an opinion on what the Donovan scandal might mean to his business.

"I think it's really too soon to say whether it will have an impact," Noto said.

David Cadden, a professor of management at Quinnipiac University's Lender School of Business, said some consumers may ultimately blame the smoke shop industry as a whole for going too far in an effort to influence state lawmakers. But Cadden said it is unlikely that such a view would be widespread enough to have lasting impact.

"Given the low opinion the public has of politicians, I think any hostility will be directed at them," he said.

Michael Hatzisawas, who owns Big Cat's Smoke Shop locations in Bristol and Wallingford with his partner Sharon Catlin, said efforts by people in his industry to rebuff attempts to increase the taxes they pay are legitimate.

"Some people don't think we are paying any taxes, but we pay more than the average person," Hatzisawas said.

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KEY DATES IN CORRUPTION INVESTIGATION

The Hartford Courant (CT)

June 1, 2012

The affidavit detailing the federal case against Robert Braddock, finance director for the 5th District congressional campaign of Chris Donovan, gives the following chronology. Dark type represents progress of the "roll your own" legislation; regular type lays out key events in the corruption investigation.

April 3: Finance Committee approves Senate Bill 357, "An Act Concerning Various Statutes Related to the Department of Revenue Services." The bill would have categorized roll-your-own smoke shop owners as tobacco manufacturers and subjected them to a substantial licensing fee and tax increase.

April 3: A person described as "co-conspirator No. 1" (CC-1) calls an undercover FBI agent who was posing as an investor for roll-your-own smoke shops opposed to the legislation and says he has arranged a meeting with Robert Braddock, finance director for the campaign of congressional candidate Chris Donovan, and a campaign aide.

April 4: CC-1 and the undercover agent meet. Agent gives CC-1 \$11,000 in cash. That includes \$10,000 for individuals willing to write a check to the campaign in exchange for the cash, and \$1,000 for CC-1 for his coordinating role.

April 9: CC-1 calls Braddock to arrange meeting to turn over \$10,000.

April 11: Braddock, CC-1, campaign aide and undercover agent meet at a Southington restaurant, following earlier phone calls between CC-1 and a "co-conspirator No. 2" (CC-2) to discuss recruiting people to serve as conduits for the new \$10,000 payment. Four checks totaling \$10,000, each made out to the campaign in a conduit's name, are delivered to Braddock and the campaign aide at this meeting.

April 23: Campaign aide calls CC-1 to say one check bounced. This is followed by series of calls with CC-2 to obtain a new check in the conduit's name. CC-2 arranges for a \$2,500 bank check — plus \$60 cash to cover the bank charge for the bounced check — available at CC-2's business April 24.

April 24: Campaign aide confirms an associate picked up the new check.

April 26: FBI approaches CC-1 and enlists his cooperation in the investigation.

Early May: In series of phone calls, CC-1 tells the campaign aide that he and the supposed roll-your-own smoke shop investor — actually the undercover FBI agent — were prepared to make an additional \$10,000 payment once the roll-your-own legislation is defeated.

May 9: Legislative session ends without Senate Bill 357 getting passed. The bill did not come up for a vote in either the House or the Senate.

May 14: CC-1 delivers another \$10,000 to the campaign aide — three \$2,500 checks from conduits to the campaign, one \$2,500 conduit check to "a political party." [The Democratic State Central Committee on Friday said it received that fourth check and would return it.]

May 15: CC-1 tells Braddock that he has learned that one of the check writers is "part owner" of a "cigarette place" and advises Braddock to "tear that one up" or take it back and says he will replace it with another check.

May 16: CC-1 and the campaign aide meet at a Southington restaurant. The aide gives CC-1 the old check, and CC-1 gives the aide another \$2,500 check in the name of a conduit unaffiliated with a roll-your-own smoke shop.

Originally published here: http://articles.courant.com/2012-06-01/news/hc-donovan-timeline-0602-20120601_1_cc-2-campaign-aide-roll-your-own-smoke-shop

ROLL-YOUR-OWN CIGARETTE BILL AT CENTER OF 5th DISTRICT CAMPAIGN FINANCE SCANDAL

By Jordan Fenster
The Register Citizen (CT)
June 1, 2012

The FBI investigation into 5th Congressional District candidate Speaker of the House Chris Donovan's campaign is centered around a piece of legislation that would have categorized roll-your-own tobacco shops that use rolling machines as cigarette manufacturers.

Though that bill (scroll down to read the bill) was never raised in the state Senate, it will be brought up during the upcoming special session, according to lawmakers.

When asked why the bill, after being passed by the legislature's Finance, Revenue and Bonding Committee, never made it to the Senate floor, Senate Minority Leader John McKinney, of Fairfield, said he didn't know but, in theory, Donovan could have blocked it.

"I'm not alleging he did," McKinney said. "In theory, he could have let it be known that the bill was not going to go forward in the House. Then why would you bring it up in the Senate?"

According to Patricia Widlitz, D-Guilford, one of the chairmen of the finance committee, the roll-your-own bill was "rolled" into another piece of legislation, after the state's Department of Revenue Services had requested it.

That addition was made after the committee had done its work for the year, which meant the roll-your-own language was never not during a public hearing.

"The only discussion was on the committee level," she said. "Which is not ideal."

Despite the lack of a public hearing, there was a significant amount of discussion on the bill, according to McKinney, as assertion Widlitz confirmed.

"We were lobbied very heavily," she said.

The bill came about after the state took one roll-your-own shop owner, Tracey Scalzi, who owns tobacco shops in Orange and Norwalk, to court. There were concerns, Widlitz said, that by not classifying roll-your-own shops that use rolling machines as manufacturers, the state would run afoul of a 1998 agreement with the tobacco industry, and potentially lose millions of dollars from that settlement.

Adam Joseph, spokesman for the Senate Democrats, said the bill was held up for more pragmatic reasons.

"The bill was going to be a talker," he said. "Discussion could go on for several hours and we had to make a choice of what to bring up. It was what we call a "tier three talker, which means it was going to take a while."

Now, with a special session scheduled for June 12, that same bill most likely will be raised again.

"We were going to raise the bill. That was our intention, to run the bill," Joseph said. "Now it could get raised as part of a broader, budget implementer bill."

Originally published here: <http://ct5thdistrict.registercitizen.com/2012/06/01/roll-your-own-cigarette-bill-at-center-of-5th-district-campaign-finance-scandal/>

ANOTHER TOP DEM HALTS FUNDRAISING AMID FBI ROLL-YOUR-OWN PROBE

By Christine Stuart

CTNewJunkie

June 3, 2012

The federal investigation into the fundraising activities of House Speaker Chris Donovan's U.S. congressional campaign has put Democratic fundraising at the state Capitol on hold, at least for the moment, CTNewsJunkie has learned.

In an email to supporters Friday, Rep. Kim Fawcett of Fairfield announced that a fundraiser at her home for House Majority Leader Brendan Sharkey's political action committee will be postponed until later in the summer.

“As you may have seen there have been some very serious accusations (and arrests) made regarding illegal fundraising of the current Connecticut State House Speaker Chris Donovan,” Fawcett wrote in an email obtained by CTNewsJunkie. “While the incoming Speaker and none of the co-hosts of the upcoming event at my house are involved in this investigation, we have decided to postpone all fundraising efforts while the inquiry into the current Speaker is being completed.”

The FBI has arrested Donovan’s congressional campaign finance director for conspiring to conceal the identity of straw donors who wanted to defeat the roll-your-own cigarette bill. The federal investigation has shaken up the state Capitol and the 5th District congressional race where Donovan was the endorsed Democrat.

In a phone interview Sunday, Sharkey explained that his PAC decided to hold off on fundraising voluntarily until the end of a June 12 special session of the state legislature. Sharkey will run that session in Donovan’s stead as a result of the unfolding scandal.

“Under the circumstances we thought it was appropriate,” Sharkey said. “We’ll resume after the special session.”

Fundraising for the three leadership PACs controlled by House Democrats is allowed to continue through the legislative session, but during that time the PACs are unable to receive donations from certain sources such as lobbyists or other individuals doing business with the General Assembly.

Sharkey was asked if he thinks the federal investigation may be more focused on political action committees at the state Capitol than Donovan’s campaign. “I don’t know anything,” he said. “But from what I’ve read the scrutiny is limited to the individuals who appear to be engaged in disguising contributions.”

He said he doesn’t think the federal probe points toward the state Capitol and the political action committees held by House and Senate leadership.

“If they were casting a wider net I’m not sure why federal authorities would have alerted Larry to the donations made to his PAC,” Sharkey said, referring to the donations received by PACs controlled by House Minority Leader Lawrence Cafero.

On Friday, Cafero gave back \$5,000 in donations after being informed by federal authorities that money from straw donors had made its way into House Republican leadership PACs. During that same meeting, Cafero said federal authorities told him that he was not the target of the federal investigation.

Meanwhile, Sharkey said a preliminary review of the House Democratic leadership PACs revealed that there don’t appear to be any unidentified donations.

The public financing and clean elections program passed in 2005 by the General Assembly allowed the leaders of the two caucuses to maintain their political action committees even though candidates who raise a certain amount of money in small donations under \$100 qualify for public funds from the Citizens’ Election Program.

Candidates for state representative must raise \$5,000 from at least 150 individuals in their district to qualify for more than \$26,000 in state funds. Candidates for state senate must raise \$15,000 from at least 300 individuals in their district to qualify for about \$91,000 in state funds.

The leadership PACs exist to offer support and resources to all the state candidates. With Donovan running for Congress, the responsibility of maintaining the Democratic majority in the House has been passed along to Sharkey, even though his election for speaker isn't until January 2013.

George Gallo, chief of staff for the House Republicans, said raising money through these leadership PACs is important, but not as important as it used to be since there's a limit on how much money can be given to the campaigns.

He said PACs are limited to giving \$3,500 in help to House races where it helps pay for about three quarters of the cost of a direct mailer to the entire district.

"It's not manna from heaven," Gallo added.

Originally published here:

http://www.ctnewsjunkie.com/ctnj.php/archives/entry/another_top_dem_halts_fundraising_amid_fbi_roll-your-own_probe/

DONOVAN SAYS HE WILL CONTINUE CAMPAIGN

NBC Connecticut

June 4, 2012

House Speaker Chris Donovan addresses federal probe surrounding his campaign

After four days, House Speaker Chris Donovan finally broke his silence on Sunday and spoke publicly for the first time following the arrest of his finance director earlier in the week.

The Democratic Speaker of the House made his public statement outside his Meriden campaign headquarters at 6:30 p.m. and said he is choosing to stay in office and on the campaign trail for Congress.

"I will not resign, I feel heartsick and disappointed," Donovan said.

The political crisis surrounding the Donovan campaign started last Wednesday, when his finance director was arrested, accused of conspiracy to conceal the source of contributions to the U.S. House of Representatives candidate meant to influence voting on roll your own cigarette legislation.

"At no time did I know that anyone might have been trying to funnel illegal contributions to my campaign," said Donovan.

Robert Braddock Jr., 33, of Meriden, was charged in a federal criminal complaint with conspiracy to conceal the source of contributions to the Donovan's congressional campaign.

Donovan said his campaign manager had been fired, along with Braddock.

"Tom Swan is joining the campaign, as campaign manager, effective immediately," he said in an earlier statement.

The complaint alleges that Braddock conspired with other people to accept campaign contributions made by one person in the name of another person, which violates federal campaign finance, according to the U.S. Department of Justice.

During the investigation, several conversations were recorded and FBI Special Agents went undercover.

According to the Justice Department, the purpose was to conceal that they were to finance an interest in legislation introduced in the state General Assembly during the 2012 legislative session that would have deemed Roll-Your-Own smoke shop owners to be tobacco manufacturers under Connecticut law, which would have subjected shop owners to a substantial licensing fee and tax increase.

The criminal complaint alleges that the potential that that bill would be enacted prompted Braddock and people referred to as "co-conspirators" to arrange a payment of \$10,000 to the campaign, which consisted of four \$2,500 checks in the names of conduit contributors.

"Let me say this unequivocally, no one bought my involvement my position or my influence on the Roll-Your-Own legislation or any other. I was not involved with that bill," Donovan said.

The congressional primary is just a few weeks away and it appears like Donovan has no intention of waving the white flag.

Braddock appeared in court and was released on a \$100,000 bond. The investigation is still ongoing.

Originally published here with video: <http://www.nbccconnecticut.com/news/local/Donovan-Addresses-Media-Following-Arrest-156915005.html>

SOURCES IDENTIFY STATE WORKER, UNION OFFICIAL AS CENTRAL FIGURE IN DONOVAN CAMPAIGN PROBE

By Jon Lender, Edmund H. Mahony, and Dave Altimari

The Hartford Courant (CT)

June 1, 2012

A politically active state correction officer and labor union official – Ray Soucy of Naugatuck – has been identified as a central figure in the federal investigation that led to the arrest Wednesday of state House Speaker Christopher Donovan's congressional campaign finance director, The Courant has learned.

Soucy, who works as a correctional industries supervisor at the Cheshire prison complex, is not mentioned by name in an affidavit filed in connection with the Wednesday arrest of Donovan's now-fired finance director, Robert Braddock Jr.

But sources with knowledge of the investigation said he is the person referred to in the affidavit as "CC-1" – a law enforcement abbreviation signifying that he is the first of three co-conspirators in what the FBI and federal prosecutors are calling a criminal scheme with Braddock to disguise the source of thousands of dollars worth of contributions to Donovan's campaign.

The prosecution affidavit filed in U.S. District Court asserts that, in early April, the FBI was secretly recording "CC-1" talking with an undercover agent about disguising the source of contributions — purportedly from some tobacco retailers — to Donovan's congressional campaign. Three weeks later, the affidavit shows, the FBI had confronted "CC-1" about the conversations and persuaded him to cooperate by allowing them to record his conversations about additional illegal contributions with members of Donovan's campaign staff.

"On April 26, 2012, the FBI approached CC-1 and solicited his cooperation in connection with the investigation described herein. CC-1 agreed to cooperate proactively with the FBI, and, at the FBI's direction, proceeded to engage in a series of consensually recorded telephone calls and meetings with other subjects of this investigation," including Braddock, the affidavit says.

There are other signs, in addition to the confirmations by people with knowledge of the events, that point to Soucy as being "CC-1":

On April 29, three days after the FBI approached "CC-1" to cooperate in the probe, Soucy went on a voluntary, personal leave from his state correction agency job and has yet to return, Department of Correction spokesman Brian Garnett said Friday.

The affidavit contains a snippet of a transcript of a wire tap recording of a message left on Braddock's voice mail on April 9 by CC-1. It included a 10-digit phone number for Braddock to call, and it appeared in the affidavit as "XXX-XXX-5619." Those are the final four digits of Soucy's cell phone number, which is listed in full next to his name on the Internet website of correctional union Local 387 of the American Federation of State, County and Municipal Employees, or AFSCME.

The same number appears in full next to Soucy's name on the website of the Connecticut AFL-CIO, where he is listed as president of that group's Western Connecticut Central Labor Council.

Soucy has not returned a reporter's phone calls to his cell phone since Thursday's announcement of Braddock's arrest by the U.S. attorney for Connecticut. When a Courant reporter knocked on his door Friday afternoon, a woman who identified herself as his mother said he wasn't home.

Thomas Carson, spokesman for the U.S. attorney's office, would not comment when asked to confirm that Soucy is "CC-1." Carson said the office would not release any information beyond its Thursday press release and the arrest affidavit.

Soucy has been an active and sometimes outspoken union member, participating in campaign efforts on behalf of Democrats over the years. Photos of him at political events are posted on the Internet.

Larry Dorman, spokesman for the statewide AFSCME union organization, Council 4, declined comment.

Federal authorities would not discuss the identifies of any of the three people referred to as co-conspirators in the case — with the other two called "CC-2" and "CC-3." The latter is said in the affidavit to have been "an aide to the campaign" other than Braddock. After news of Braddock's arrest broke on Thursday, Donovan hastily dismissed Braddock, the finance director, as well as campaign manager Josh Nassi. Nassi has been unavailable for comment. On Friday, new campaign manager Tom Swan said a third campaign worker, also from the finance office, has also been let go.

Prosecution legal filings show that the investigation was underway by early April. The FBI had begun making recordings of "CC-1" making statements in conversations with an undercover FBI agent — but it was not until

April 26, however, that the FBI approached "CC-1", told him that he was a subject of a political corruption investigation, and persuaded him to cooperate secretly with authorities, according to the FBI affidavit.

The affidavit details some of the developments in the case that preceded the decision by "CC-1" decision to help the government by allowing his conversations with others to be recorded.

Originally published here: http://articles.courant.com/2012-06-01/news/hc-donovan-cc1-0602-20120601_1_affidavit-fbi-finance-director

KEY FIGURE IN DONOVAN CAMPAIGN PROBE ABRUPTLY LOSES UNION POSTIONS

By Jon Lender

The Hartford Courant (CT)

June 2, 2012

Ray Soucy of Naugatuck, a politically active state worker and union official, has abruptly left three union posts after being identified Friday as a central figure in the federal investigation that led to the arrest last week of House Speaker Christopher Donovan's congressional campaign finance director.

Soucy was removed as treasurer of a union local representing state correction officers, and he stepped down voluntarily from two ConnecticutAFL-CIOposts after the head of that union expressed concerns about Soucy's role in an unfolding political corruption scandal, union officials said Saturday.

Although union officials spoke freely of their concerns, Soucy was mum.

"Have a nice day," was all he said before ending a call from The Courant on Saturday afternoon.

"No. Goodbye," he said, when asked if he'd answer questions in a second call minutes later.

Lisamarie Fontano, president of correction workers' Local 387 of theAmerican Federation of State, County and Municipal Employees, said in a telephone interview that she decided to remove Soucy as soon as she read a story about him Friday night on The Courant's website, courant.com.

That story identified Soucy as the person referred to in an FBI agent's affidavit as "CC-1" — a law enforcement abbreviation indicating that he was the first of three alleged co-conspirators in what federal law enforcement officials are calling a criminal scheme to disguise the source of thousands of dollars in contributions to Donovan's campaign.

Donovan's now-fired campaign finance director, Robert Braddock Jr., was charged Wednesday with conspiring to conceal campaign contributions.

Fontano said that she phoned Soucy immediately after she read the story Friday night — adding that he "acknowledged that he is under investigation and said he respects my decision."

Fontano said she recognizes that Soucy has not been charged with anything in the ongoing investigation, but added that she has an obligation to protect the interests of 800 members.

"I don't want the local to be misconstrued as having any involvement in this at all," she said. "Whatever Ray's extracurricular activities are, are his business, and Ray has to take care of his own issues."

Meanwhile, it emerged Saturday that Soucy had stepped down voluntarily from two separate positions that he held with the Connecticut AFL-CIO.

"Effective June 1, 2012, I am stepping down from all positions I currently hold in the AFL-CIO," Soucy wrote in an email Friday to Connecticut AFL-CIO President John Olsen and Jim Snow, AFL-CIO Northeast regional director.

The email contents were released Saturday by Nora Frederickson, field communications director for the AFL-CIO in the 13-state Northeast region.

She said that after Olsen expressed concerns about the investigation, Soucy voluntarily relinquished his positions as vice president of the Connecticut AFL-CIO's executive board and president of the AFL-CIO's Western Connecticut Central Labor Council, Frederickson said.

Frederickson said she understands that Soucy's withdrawal will last for the duration of the federal investigation. The FBI and the office of U.S. Attorney for Connecticut David Fein have not indicated how long the probe might continue.

So far, only Braddock has been arrested.

But a prosecution affidavit filed in U.S. District Court says that there were three co-conspirators with Braddock, referring to them as "CC-1, CC-2, and CC-3," and sources said that "CC-1" was Soucy.

The affidavit asserts that the FBI was secretly recording "CC-1" talking in early April with an undercover agent about disguising the source of contributions — purportedly from some tobacco retailers — to Donovan's congressional campaign. Three weeks later, the affidavit says, the FBI confronted "CC-1" about the conversations and persuaded him to cooperate by letting them record his conversations about additional illegal contributions with members of Donovan's campaign staff.

Soucy has been an active and visible union member, working for years in campaign efforts for Democrats. Political sources say he is a familiar sight at political events, and pictures of him posing with prominent politicians are posted on the Internet.

Federal authorities have refused to discuss the identities of any of the three people referred to as co-conspirators in the case. The affidavit says specifically that "CC-3" was "an aide" to the Donovan campaign other than Braddock. After Braddock's arrest was announced Thursday by the U.S. attorney, Donovan hastily dismissed Braddock and campaign manager Josh Nassi, who has been unavailable for comment. A third campaign worker, also from the finance office, has also been let go, the campaign said Friday.

The undercover FBI operation has thrown the race for the 5th Congressional District seat into turmoil, when only a week ago Donovan had been considered a favorite to defeat two challengers, Elizabeth Esty and Dan Roberti, in an Aug. 14 primary for the Democratic nomination. Donovan won the party's convention endorsement for the nomination.

Last week's turmoil stemmed from the efforts of an undercover FBI agent who posed in early April as an investor in so-called "roll your own" tobacco smoke shops. People involved in such businesses were opposing a bill, then pending in the legislature, that would have imposed tobacco taxes and fees on such establishments. The bill later died without coming to a vote in the House or the Senate.

According to the federal affidavit, it was agreed in an early-April meeting that "CC-1" would take \$10,000 from the undercover agent and arrange to have it channeled to Donovan's campaign — through "conduit" donors, who would put their names on checks for funds that had come from another person. That is a federal crime.

The undercover agent, posing as the investor, told "CC-1" at a meeting on April 4 that "this is ten [\$10,000] now" to be donated to Donovan's campaign, and added that there was also "a little something in there for you," the affidavit said. The agent referred to an extra \$1,000, which the affidavit said "was provided to CC-1 as purported compensation for his coordination of the unlawful payment."

The affidavit said, "CC-1 stated, 'It's a game that lucky enough, I've got the contacts to play good in it.'"

It is unclear if anyone opposed to the roll-your-own tax bill was actually trying to funnel money to Donovan's campaign — or if it was all an FBI sting operation from the start. The questionable contributions were made purportedly in an effort to kill the bill — which, although approved by a legislative committee on April 3, died because it never came to a vote by the end of the 2012 legislative session on May 9.

All told, the FBI affidavit says that "conduit" contributors were found for \$20,000 worth of illegal campaign contributions, \$2,500 of which went to the Democratic State Central Committee — which now plans to return it or hand it over to federal agents, its executive director said Friday.

But it appears that at least \$5,000 more was spread around in the federal operation — because on Friday night, House Republican leader Larry Cafero said that political action committees associated with his office were returning five checks for \$1,000 each that apparently originated from undercover FBI agents as part of the federal probe. Cafero met with FBI agents in Meriden and said that "neither I, nor anyone in my office, are targets of the probe" that is continuing.

Originally published here: http://articles.courant.com/2012-06-02/news/hc-federal-probe-0603-20120602_1_president-john-olsen-connecticut-afl-cio-federal-investigation

UNION OFFICIAL AT CENTER OF PROBE STEPS DOWN

By Ken Dixon and Michael P. Mayko
The Connecticut Post
June 2, 2012

A state prison guard and labor leader described as a blustery Democratic Party political hanger-on, who is a target in a federal investigation into possible political corruption, has resigned and been fired from his roles as a union official.

Raymond Soucy, of Naugatuck, who a well-placed source said is an unnamed co-conspirator in a federal affidavit detailing an influence-peddling investigation, stepped down Saturday as president of the Western Connecticut

Central Labor Council, which is affiliated with the national AFL-CIO. He also was fired as treasurer of Council 4 AFSCME Local 387, which represents corrections officers at the Cheshire Correctional complex.

Soucy, according to a source familiar with the probe, is "Co-Conspirator 1," who accepted \$1,000 from undercover federal agents and would later agree to work with agents and tape record conversations with others.

Contacted by phone Saturday, Soucy declined comment and then disconnected the call. He later declined comment when a reporter visited his home.

John Olsen, president of the state AFL-CIO and former Democratic State Central Committee chairman, said Saturday Soucy has "stepped down," pending the outcome of the federal investigation.

Olsen said Soucy's role as president of the regional labor council made him a member of the state AFL-CIO board, which he expects Soucy to withdraw from as well, at least for the duration of the federal investigation.

"I believe in due process," Olsen said in a phone interview. "We haven't had that much to do with Ray. He's been a delegate here, he's attended a conference there."

But Lisamarie Fontano, president of Local 387, said Saturday she fired Soucy, who promised a letter of resignation.

"I have relieved him of his duties," she said. "Obviously due to the investigation, it's my responsibility to make sure that the best interests of our members are protected. No charges have been filed, but I felt it was in the union's best interest to let him take care of his responsibilities."

On Friday night, the federal probe appeared to expand beyond the 5th District congressional campaign of Speaker of the House Christopher G. Donovan, of Meriden, when House Minority Leader Lawrence F. Cafero, Jr., R-Norwalk, announced \$5,000 in FBI sting money had been received by three Republican House political action committees. The money would be returned to contributors, Cafero said.

The previous day, Cafero and at least 11 other members of the General Assembly were questioned by special agents in the FBI's Meriden office, which seemed to be focusing on legislation affecting businesses with so-called roll-your-own cigarette machines. The measure died in the Senate during the last session.

Cafero said the FBI informed him he was not a target of a federal investigation.

Until Friday night, when the Hartford Courant first reported Soucy's involvement in the federal probe, the Local 387 website listed Soucy as treasurer, along with a phone number whose last four digits coincided with those listed in the arrest affidavit of Robert Braddock Jr.

Braddock, Donovan's former chief fundraiser for his congressional campaign, was arrested by federal authorities last week and charged with concealing the nature of campaign contributions.

A federal affidavit filed Thursday by FBI Special Agent William Aldenberg laid out details of the undercover operation.

The investigation dates back until at least early April, when "CC-1," according to the affidavit, accepted \$10,000 from an undercover federal agent who wanted to give the money to Donovan's campaign, under the pretense of an effort to kill legislation that would have charged taxes on so-called roll-your-own cigarettes.

The undercover agent gave CC-1 \$1,000 as payment for being the conduit, noting that, "It's too late in the game to fumble now."

"It's a game that lucky enough," CC-1 replied, "I've got the contacts to play good in it."

Later on, an additional \$10,000 was provided to Donovan's campaign in four separate \$2,500 contributions.

David B. Fein, U.S. Attorney for Connecticut, alleged last week that the contributions disguised the fact that people with an interest in killing the roll-your-own legislation were behind the money. The contributions were made through "conduits" to hide their true origin, federal officials said.

On April 26, the FBI approached CC-1 and solicited his cooperation in the investigation, according to the federal affidavit. CC-1 agreed and "proceeded to engage in a series of consensually recorded telephone calls and meetings with other subjects of this investigation, including Braddock."

On May 15, after the final payments to Donovan's campaign had been made, CC-1 expressed his satisfaction with the transactions to Braddock, according to the affidavit. "Like I said, you know, it was a very good investment for us to kill that bill."

Braddock, a former Marine and a fundraiser who had worked on a variety of previous Democratic Party campaigns, had no previous background in Connecticut politics and has been residing in Meriden. He faces a June 21 hearing in U.S. District Court in Hartford. His attorney, Frank Riccio II, said Braddock will plead not guilty to any charges.

Donovan on Friday indicated he would not negotiate legislation for the upcoming special session and will not take the speaker's podium to preside but will vote and stay in the race for the 5th Congressional District. While Donovan has not spoken publicly about the investigation, his new campaign manager, Tom Swan, said Friday the speaker has done nothing wrong and is "sick, disappointed and angry" about the matter.

Donovan has hired former U.S. Attorney for Connecticut Stanley A. Twardy Jr. to review his campaign finances. In addition to firing Braddock, Donovan terminated another fundraiser, Sara Waterfall, a former state House assistant, and Campaign Manager Joshua Nassi. The arrest affidavit says that Braddock conspired with at least three others, but the source familiar with the case said six in all are involved in the investigation.

Nassi has hired Bridgeport lawyer William Bloss to represent him, while Donovan has hired Shelly Sadin, also of Bridgeport. No charges have been filed against Nassi or Donovan.

On Saturday, several people who know Soucy described him as mainly a fringe player in Democratic politics, a man who wanted to be close to powerful politicians, including Gov. Dannel P. Malloy and other figures.

Michael P. Lawlor, a former state lawmaker who heads Malloy's justice policy efforts in the state Office of Policy and Management, said Saturday that Soucy liked proximity to politicians.

"I've worked with this guy over the years and I'm not surprised he was holding out himself as a power broker," Lawlor said. "But very few took him seriously." Others described him as aggressive and blustery with an overstated ability to accomplish goals in the realm of politics.

The corrections officers union has won a reputation as among the most aggressive state employee unions when it comes to politics and negotiations. The union balked at Malloy's efforts in 2010 to secure labor concessions to plug the state budget deficit.

Last year, after the Jefferson Jackson Bailey Dinner, a tradition of state Democratic Party politics, Soucy left a voicemail for Malloy to inform him the union was miffed the governor had not stopped to chat at their table. A Hearst Connecticut Newspaper series in December recounted how Malloy had played the voicemail for a senior adviser. In his message, Soucy suggested the governor needed to be a lot more solicitous of the union if it wanted any labor deals ratified.

Malloy was incredulous.

"Does he remember that I'm the f-----g governor?"

Originally published here: <http://www.ctpost.com/news/article/Union-official-at-center-of-probe-steps-down-3604621.php#page-2>

DONOVAN VOWS TO STAY IN RACE, 'SHOCKED' BY BRADDOCK'S ARREST

By Ken Dixon

The Connecticut Post

June 2, 2012

Four days after a federal sting resulted in the arrest of his chief fundraiser, Speaker of the House Christopher G. Donovan stood outside his campaign headquarters in Meriden on Sunday evening and vowed to stay in the race for the 5th Congressional District.

Backed by a couple dozen family and friends, the 20-year General Assembly veteran said he never liked fundraising and was proud to have helped create public financing in Connecticut seven years ago.

"If you've never worked in one, a campaign has a lot of moving parts," Donovan said. "A congressional campaign, even more so. Fundraising is the part of it that I like the least. I've always believed money and politics don't belong in the same sentence."

He said his campaign has received contributions from 8,500 people.

"I know some of them. I've never heard of some others," he said.

"How is that possible? Ask anyone who's run for Congress. Friends and supporters contribute. If they believe in you enough, they get their friends to do the same. Sometimes, they're people you've never met. It's a federal campaign, so people may not be anywhere near Connecticut, and next thing you know, you have a check from California or North Dakota. But as the candidate whose name and face are on this campaign, I did sign off on

hiring key campaign staff. If anyone is responsible for those decisions, it's me. And I regret each of those hires right now."

Donovan and his staff said the delay in meeting reporters was the result of a self-examination of his campaign staff, the firing of three, including his campaign manager and Robert Braddock Jr., the finance director, and the hiring of Stanley Twardy, the former U.S. attorney for Connecticut.

Donovan also has met with his attorney, Shelly Sadin, of Bridgeport, to go over what he can and can't say as federal investigators continue their probe into possible influence peddling in the state Capitol.

"Let me be very clear about this: At no time did I know that anyone might have been trying to funnel illegal contributions to my campaign," the Democrat said during a 20-minute meeting with reporters amassed on the downtown sidewalk. "No one ever made a deal with me as a quid pro quo."

His voice caught and he paused for several seconds when he thanked his family for friends for standing by him.

The federal investigation and arrest Thursday came after the FBI allegedly used a union leader with Democratic ties, Raymond Soucy of Naugatuck, who is believed to be "co-conspirator 1" in a federal affidavit, to contribute \$10,000 to Donovan's congressional campaign. It was a supposed attempt to kill legislation that would have raised \$3.4 million a year from about 15 roll-your-own cigarette machines in the state.

"There is a terrible irony in all of this," Donovan said. "For years, I fought tooth and nail for Connecticut to have the best public financing laws in the country. We passed them -- and they've brought transparency and accountability to our state campaigns. And I find myself in this position, defending myself from what is just unthinkable."

Last week, at least a dozen legislative leaders were interviewed in the FBI's Meriden field office and House Minority Leader Lawrence F. Cafero Jr., R-Norwalk, said Republican political action committees apparently received five checks totaling \$5,000 from federal investigators. Cafero said he was informed he wasn't a target of an investigation and said the PACs would return the money.

Donovan said he was unaware of the roll-your-own bill -- which died on the Senate calendar last month without action, but is expected to be revived during an upcoming special session authorizing sections of the budget -- until the FBI interviewed him last Wednesday, the day before Braddock's arrest.

"I did not know about it at any point during the legislative session," said Donovan, reading from a statement. He said he was "shocked" to read about Braddock's arrest. "It was like getting punched in the gut," Donovan said.

The second-term speaker, the most powerful person in the House of Representatives, took reporters' questions for about 15 minutes, declining to get into specifics that brush up against the federal investigation, including a request for comment on Soucy's role in his campaign for Congress.

Donovan said he will vote on the budget legislation set for June 12, but he will not preside from the speaker's podium nor negotiate its drafting with legislative leaders.

"Leadership is measured by what you do when bad things happen," Donovan said. "When I learned about this, I fired the staff involved; I hired a thorough and fair former U.S. Attorney as an independent investigator; and I removed myself from any possible conflicts of interest. My reputation is on the line and I know it."

He said he is looking forward to continue campaigning for the congressional seat, with the three-way Democratic primary on Aug. 14.

"You know we're having a tough time here in America, and somebody's got to be fighting for the people," Donovan said in response to a question about how difficult it may be to raise campaign funding going forward. "I have to find a way to get the resources to fight for them."

Republican Mark Greenberg, also running for the 5th District seat, criticized Donovan's refusal to discuss the investigation.

"By refusing to discuss the corruption investigation into his campaign, Chris Donovan raised more questions than he answered. Two days ago, I called on Chris Donovan to resign as speaker and suspend his campaign for Congress, and I continue to maintain that he should step down. Donovan either knew or should have known that this illegal activity was occurring in his campaign. Whether this is a gross violation of the public trust or gross mismanagement, the people of Connecticut deserve better."

Originally published here: <http://www.ctpost.com/news/article/Donovan-vows-to-stay-in-race-shocked-by-3605821.php#ixzz1wpfOQXXW>

DONOVAN: 'NO ONE BOUGHT...MY POSITION OR MY INFLUENCE'

By Mark Pazniokas

The CT Mirror

June 3, 2012

House Speaker Christopher G. Donovan denied Sunday night that he was aware of what the FBI says was a conspiracy by members of his congressional campaign to take contributions to influence tobacco legislation.

"Let me be very clear about this: At no time did I know that anyone might have been trying to funnel illegal contributions to my campaign," Donovan said outside his campaign headquarters. "No one ever made a deal with me as a quid pro quo."

Donovan, a Democrat who has represented this city in the General Assembly for 20 years, said he will neither resign as speaker nor will he entertain ending his campaign for Connecticut's only open congressional seat, the 5th District.

In his first news conference since the arrest of Robert Braddock Jr., who was his campaign finance director, Donovan showed flashes of anger at what he indicated was a betrayal by Braddock and others.

"You want to know what I've been feeling? I've felt heartsick and disappointed. And angry, too," Donovan said. "But no one who has ever known me has ever known me to walk away from a fight that's worth fighting."

The challenge Donovan faces as he tries to stabilize his campaign was evident at the outset of the news conference: His spokesman, Gabe Rosenberg, told reporters, "I have to take a minute to set some ground rules."

In short, Donovan would not discuss any aspect of the investigation of his campaign that wasn't already public.

"Chris's lawyer has made it very clear to us that while she recognizes the importance of Chris speaking directly to the public, we must take great care not to do anything that might interfere with this important federal inquiry," Rosenberg said.

Rosenberg interrupted any questions that reflected on the investigation, calling it "inappropriate" for Donovan to answer. It may have been more accurate to say it would have been inadvisable.

Donovan is under no legal prohibition to refrain from discussing the case, but his lawyer, Shelley R. Sadin, is intent on keeping on good terms with the U.S. attorney's office as Donovan tries to remain a witness, not a target.

Sadin, a white-collar criminal defense lawyer with the Bridgeport firm of Zeldes Needle & Cooper, generally refrains from talking to reporters about her cases. Normally, she would have forbidden someone in Donovan's position from speaking publicly.

But political clients have different goals, especially those who are trying to win a Democratic primary in 10 weeks.

So, Donovan met the press, standing at a lectern on the sidewalk, facing a dozen reporters on a noisy street, occasionally pausing in his answers to let a truck pass. The airhorn of a train stopped the proceedings at one point.

Standing behind him was his wife, Elaine, their college-age daughter, Sarah, and their older son Aaron, who followed his father into union organizing after his graduation from college.

"There is a terrible irony in all of this," Donovan said. "For years, I fought tooth and nail for Connecticut to have the best public financing laws in the country. We passed them -- and they've brought transparency and accountability to our state campaigns. And I find myself in this position, defending myself from what is just unthinkable."

Braddock is accused of conspiring to hide the identity of a donor, who turned out to be an undercover FBI agent, who offered himself as a businessman opposed to a bill taxing roll-your-own cigarettes.

According to an arrest affidavit, the undercover agent conspired with Braddock and others to funnel \$20,000 through straw donors, providing \$10,000 in the last month of the session and another \$10,000 when the bill died from inaction. Each \$10,000 came in four \$2,500 checks.

It is illegal to donate money under another name, and donors in Connecticut are limited to \$7,500 in contributions to a congressional campaign, with \$2,500 allowed for an endorsement convention, \$2,500 for a primary and \$2,500 for the general election.

The tobacco legislation was a Senate bill never acted on in that chamber, so it never came before the House, where Donovan controls the agenda as speaker. The FBI has not released any evidence implicating Donovan.

"Let me say this clearly: No one bought my involvement, my position or my influence on the 'roll your own' legislation or any other. Period," Donovan said.

Donovan said he had been unaware of any question about his campaign finances until Wednesday.

"I only found out about the investigation on Wednesday when the FBI called me out of the blue for an interview," he said. "And I was shocked to read in the news the next day that Rob Braddock had been arrested. It was like getting punched in the stomach."

On Thursday, Donovan fired Braddock, his campaign manager, Josh Nassi, and the deputy finance director, Sarah Waterfall. His friend, Tom Swan, the executive director of the Connecticut Citizen Action Group, took over the campaign.

Swan held a news conference Friday, announcing that Donovan would recuse himself from a leadership role in the June 12 special session and that the campaign had hired former U.S. Attorney Stanley Twardy to conduct an internal investigation.

"Leadership is measured by what you do when bad things happen," Donovan said Sunday. "When I learned about this, I fired the staff involved. I hired a thorough and fair former U.S. attorney as an independent investigator, and I removed myself from any possible conflicts of interest. My reputation is on the line, and I know it."

Donovan said he knew some of his 8,500 donors, but not all. In a modern congressional campaign, it is unusual for a candidate to know every donor, he said.

"But as the candidate whose name and face are on this campaign, I did sign off on hiring key campaign staff," Donovan said. "If anyone is responsible for those decisions, it's me. And I regret each of those hires right now."

Donovan was downplaying, however, the visibility of a \$2,500 check in his congressional campaign. He has raised \$1 million, with \$589,922 coming from itemized donations, \$235,679 from other committees, and \$176,029 in small, unitemized donations.

But fewer than 50 of his 1,384 itemized donations were checks for \$2,500 -- the amounts involved in the FBI investigation. About 200 checks were for \$1,000 or more.

"Friends and supporters contribute," Donovan said. "If they believe in you enough, they get their friends to do the same. Sometimes, they're people you've never met."

Donovan was briefly overcome as he expressed gratitude for support received since Thursday.

"My family has been by my side every minute of this," Donovan said, taking a long pause to compose himself. "And I love you and thank you for being with me."

He has yet to hear from Gov. Dannel P. Malloy or most other top elected officials. Swan said no one has called to urge he quit the campaign.

More than two dozen supporters attended the news conference, including friends from the labor movement, like Dan Livingston, the lawyer who negotiates for the state employees bargaining coalition.

The campaign has tried to maintain a sense of normalcy -- it opened satellite offices over the weekend in Waterbury, New Britain and Danbury -- and dozens of volunteers campaigned door to door.

But it has no fundraising staff, and the ability to wage a full defense is beyond its direct control. It must wait for the U.S. attorney's office to explain what led the FBI to mount a sting operation against his campaign.

For now, Donovan is only a cooperating witness, neither labeled as a target nor assured he is not a target of what the U.S. attorney and FBI says is a continuing investigation.

Originally published here: <http://www.ctmirror.org/story/16523/donovan-no-one-bought-my-involvement-my-position-or-my-influence>

SCRUTINY FOR CONNECTICUT HOUSE SPEAKER

By the Associated Press

The New York Times

June 1, 2012

A federal investigation into the campaign finances of the Connecticut House speaker will not prevent him from running for Congress or force him to step down as speaker, his new campaign manager said Friday.

Speaker Christopher G. Donovan, a Democrat, was not aware of the scheme in which his campaign finance manager was arrested this week and did not take part in it, the campaign manager, Tom Swan, said at a news conference.

"Chris did nothing wrong, and if I thought for one second there was a question about that, I wouldn't be standing here today," said Mr. Swan, who took over as Mr. Donovan's campaign manager on Thursday.

He did indicate, however, that Mr. Donovan would allow the House majority leader, J. Brendan Sharkey, to handle leadership and negotiation responsibilities during a coming special legislative session.

Mr. Swan said the campaign would be hiring a former United States attorney, Stanley A. Twardy Jr., to investigate the allegations. Mr. Swan said Mr. Donovan was cooperating with investigators and would also turn over information from Mr. Twardy's investigation.

Federal prosecutors announced on Thursday that the finance manager for Mr. Donovan's campaign, Robert Braddock Jr., had been charged with conspiracy in a plan conceal the source of \$20,000 in campaign contributions.

Mr. Braddock is free on \$100,000 bail, and his lawyer says he is innocent. No other arrests were made.

The accusations involve so-called conduit campaign contributions, which are donations made by one person in the name of another person, and were connected to an effort in April to stop legislation that would have raised taxes and fees on "roll-your-own" smoke shop owners. The bill was not voted on in the House or Senate, and died when the legislative session ended on May 9.

Mr. Swan said Mr. Donovan fired Mr. Braddock this week as well as Josh Nassi, the campaign manager, and another person in the finance department.

Earlier on Friday, the Senate minority leader, John McKinney of Fairfield, a Republican, called for Mr. Donovan to step down as speaker. He also urged the General Assembly to convene a committee of inquiry to investigate the allegations, because they involved state legislation, and to establish a standing committee on ethics.

Mr. Donovan, of Meriden, is his party's endorsed candidate for the Fifth Congressional District seat being vacated by Representative Chris Murphy, who is running for the United States Senate. Mr. Donovan faces a primary in August against two party rivals, former State Representative Elizabeth Esty of Cheshire and Dan Roberti, a public affairs consultant from Kent.

Originally published here: http://www.nytimes.com/2012/06/02/nyregion/connecticut-house-speaker-christopher-donovan-faces-scrutiny-on-campaign-finances.html?_r=1

CIGARETTE TAX MIGHT BE LEAST DIVISIVE ISSUE THIS ELECTION

By Julie Bien

Moorpark Patch (CA)

June 3, 2012

There may be divisive topics on the ballot but remember to vote or your opinion doesn't count
Once again, it's election time in Moorpark. For the love of democracy, please remember to vote on Tuesday.

Civics 101: If you don't vote (and have the legal ability to), your opinion doesn't count. And I don't want to talk to you about anything vaguely political if you can't take a few minutes out of your day to make check-marks in a handful of boxes. Is it inconvenient to vote if you have a job? Possibly. Does that matter? Uh, no.

One of the more important (although less contentious) issues being voted on this election is whether or not to increase the tax on a pack of cigarettes from \$0.87 to \$1.87.

In Moorpark, where smoking in public has been illegal since 2009, and smoking in restaurants has been banned since 1993, it doesn't seem like much of an issue. Even for those against general taxes, taxing cigarettes seems like a reasonable way to secure some funding for a variety of state programs.

I'll admit that growing up in Moorpark gave me a naïve perception of the nicotine habits of the average American.

According to the CDC, nearly 20 percent of American adults were regular smokers in 2010. Although it's difficult to find an exact number of adult smokers in Moorpark, in 2008, roughly 13 percent of Ventura County adults were smokers—quite a bit less than the national average.

While growing up, I absolutely took for granted my relatively smoke-free environment. In fact, it wasn't until my eighth-grade trip to Washington D.C. that I saw people smoking in public (I know, I know—I was incredibly sheltered.)

As I spent more time outside of Southern California, I realized how rarefied this kind of environment was.

I went to a college in a town where, although the smoking rate was the same as Ventura County, the existing smoking laws there (and by golly, you never would have known there were laws against smoking in public) have done little to curtail the 13 percent of adult smokers from sharing the second-hand smoke with all their friends.

Every time a new cigarette tax appeared on the local and state ballots, I had friends who would groan about how awful it was and how it infringed on their rights. To be fair, in a town where there was a tobacco retailer aptly named, “The Black Lung,” you might expect a little bit of opposition to the tax.

However, the opposition was actually quite strong, with many of the smokers truly feeling that having to pay an additional tax was an infringement of their personal right to choose to partake in nicotine consumption.

It didn’t cross their minds that it was everyone else’s right to not breathe in toxins when leaving their homes.

Verbally vicious debates broke out among my smoking and non-smoking friends—an issue that might seem rather cut and dried to most Moorparkians (and I make this assumption based on the fact that people actually pay attention to smoking ordinances), was a seriously divisive issue where I went to school

The point of all of this is that, as you go to vote on Tuesday, be thankful that although there certainly are divisive topics on the ballot, in Moorpark at least, we seem to stand fairly united on the decision to not support Big Tobacco.

Originally published here: <http://moorpark.patch.com/articles/cigarette-tax-might-be-least-divisive-issue-this-election>

CIGARETTE TAXES AND THE REPUBLICAN RIGHT

By Rich Miller
The Illinois Times
May 31, 2012

As state legislative support for a cigarette tax hike grew in late May, anti-tax crusader Grover Norquist and other conservatives stepped into the Illinois fray.

A top House Republican said over a week ago that the roll call in favor of a dollar a pack cigarette tax hike was in the double digits within his caucus. The tax, which the General Assembly approved this week, would raise \$700 million, including the federal match, to help close the Medicaid program’s gaping \$2.7 billion budget hole.

In return, Republicans won concessions from the Democrats, particularly when it came to sparing doctors from Gov. Pat Quinn’s proposed Medicaid provider rate cuts.

For the past several decades, the House Republicans’ most reliable campaign supporter has been the Illinois State Medical Society. The House GOP always sticks with the docs, no matter what. The Medical Society was against last year’s workers’ compensation reform agreement that the Senate Republicans, including former gubernatorial candidate Bill Brady, supported. The House Republicans sided with the doctors and took a hard line against it. The decision not to cut physicians’ Medicaid payment rates was a huge win for the House Republicans, so they agreed to put votes on the cigarette tax.

Norquist is probably best known for his anti-tax pledge that most Republican members of Congress have signed, and that he aggressively holds them to whenever they start thinking about revenue enhancements. Norquist first allied himself with tobacco companies in the 1990s as part of the national Republican effort to defeat President Bill Clinton's health care proposal, which was funded in part by a cigarette tax hike. He has since fought against cigarette tax hikes in numerous states.

Cigarette tax hikes are by far the most popular tax increases with the public. A poll of southern Illinois voters taken by the Paul Simon Public Policy Institute last year found that 60 percent of them backed a dollar a pack tax hike. A statewide poll taken in 2010 found that 74 percent of Illinoisans – including 71 percent of Republicans – supported a dollar per pack tax increase.

But Joshua Culling, the state-affairs manager for Norquist's group, wrote that Cross' caucus could "ruin the GOP brand in the state for a generation" if it backed the cigarette tax increase. "Tom Cross seems content to cut a deal that will further imperil Illinois' economic outlook while simultaneously eroding the national party's messaging on the toxicity of Obamacare," Culling wrote.

Since April, Cross has done several public events outside Springfield and Chicago to urge that President Obama's health care reform bill be repealed and said he was adamantly opposed to any moves in Illinois to implement the federal law. That refusal led directly to the death of a bipartisan effort by Democratic state Rep. Frank Mautino to set up a health insurance exchange in Illinois.

But Cross' attempts at appeasing his party's right wing apparently didn't go far enough. In a letter sent to supporters, the Illinois Policy Institute's director singled out Leader Cross for criticism, saying the Medicaid proposal "destroys the credibility of leaders who talk about economic freedom only to vote in favor of more heavy-handed government."

And the United Republican Fund, one of the oldest and most conservative GOP organizations in the state, also sent out a press release about the Medicaid compromise and the cigarette tax hike. "The time has come for legislators to stop being the unwitting (or intentional) co-conspirators in the slow demise of our great state. The time has come for leadership and courage. For statesmen instead of politicians. For competence instead of compromise."

The Republican Party's more pragmatic, governing wing has been in full retreat for the past few years as national politics has invaded state government as part of the GOP's messaging against the president from Illinois. That aggressive national push has resulted in far more Illinois Statehouse partisanship, so legislators who supported cigarette tax increases in the past, like Senate Republican Leader Chris Radogno, are now vocally against any tax hike of any sort. Her caucus is even against a proposal to close a loophole that allows commercial roll-your-own cigarette operations to avoid most state sales taxes.

But, in Illinois, some things still trump national party interests. The Medical Society is one of those things. Sorry, Grover. You may have all the Washington, D.C., Republicans scared out of their wits, but things are a little different here.

Originally published here: <http://www.illinoistimes.com/Springfield/article-10084-cigarette-taxes-and-the-republican-right.html>

TOBACCO SHOP OWNER WORRIES OVER TAX INCREASE

Pontiac Daily Leader (IL)

June 1, 2012

Customers at Leo's Tobacco shop, 1714 W. Reynolds St., have been giving owner Leo Melak an earful since the Illinois legislature approved a \$1 per pack tax increase Tuesday.

Customers, Melak said, "are really upset about it. They feel like smokers are being singled out." And if smokers are being singled out, so is Melak's business. Not only does the increase apply to cigarettes, but to all tobacco products sold in Illinois.

Melak said many retailers are predicting a 20 percent decline in tobacco products sold as smokers either quit — or buy their cigarettes elsewhere. Two neighboring states, Indiana and Kentucky, have lower tobacco taxes. "I am definitely worried about it because the tobacco stores losing 20 percent of their business will deeply affect them. It will affect not only the retailer, but also the consumers. It's a tough economy right now and everything is getting expensive. I think most people are going to quit or find other sources to get their tobacco needs." However, being centrally located within the state may have a slight advantage, he added.

"Any county that is near the state line, whether it be Indiana or Kentucky, it will definitely affect them. If you are quite far, it might not, but it's still a very scary situation right now."

The legislation is awaiting Gov. Pat Quinn's signature, which is expected as he supports the measure, as he called for the tax hike as part of his plan to close a \$2.7 billion hole in the state's Medicaid budget. The tax hike on cigarettes and other tobacco products, along with an assessment on hospitals to leverage more federal Medicaid money, will close \$800 million of that gap.

The cigarette tax increase is expected to go into effect June 24, while the increase on other tobacco products would become effective July 1.

The measure passed by a 31-27 vote in the Illinois Senate, and passed the previous week in the House. No Senate Republicans, including Shane Cultra of Onarga and Bill Brady of Bloomington, supporting the measure.

Many Republicans opposed the tax hike on the grounds that deeper cuts should have been made to Medicaid programs. Lawmakers last week approved a bill that is expected to save the state \$1.6 billion through Medicaid program cuts and rate reductions to providers.

"It's not so much we are trying to protect tobacco use, but rather the continuing pattern we see in the Senate of always looking for more revenue," said Senate Minority Leader Christine Radogno.

Radogno also said tobacco use is more prevalent among lower-income people.

"This is a very regressive tax," she said.

Sen. Larry Bomke, R-Springfield, said he doesn't think tobacco taxes are a reliable source of revenue for the state, since tobacco tax hikes are, in part, supposed to discourage smoking.

"I think those folks have been hit heavy enough," Bomke said. "We continue to go back to the same well and depend on a tax that we hope won't be there in the future."

Democratic Sen. John Sullivan of Rushville said his district borders Missouri, which has the lowest cigarette tax in the country at 17 cents per pack. With the tax increase, the Illinois rate will be \$1.98 a pack.

"There's already a huge number of people who will continue to cross over to Missouri and buy cigarettes, and while they're there they will buy gas, groceries and other goods," Sullivan said. "Quincy businesses have certainly expressed their concern."

Bill Fleischli, vice president of the Illinois Association of Convenience Stores, said a study shows the increase will cost the average store \$16,000 in tobacco sales.

"The tax will put facilities out of business," he said. "It will cost jobs."

Sen. Jeff Schoenberg, D-Evanston, the bill's sponsor, responded that convenience store employees, many of whom aren't covered by employer health insurance, might need the Medicaid programs the tax will help finance.

Schoenberg and other supporters also argued the cigarette tax hike will lead 60,000 smokers to drop the habit and cause 80,000 children not to start because of the expense. State officials estimate the Medicaid program spends \$1.5 billion annually to treat tobacco-related illnesses.

Senate Bill 2194 also doubles state taxes on the wholesale price of other tobacco products, like cigars and pipe tobacco. The Department of Revenue said that, since that tax is applied to the wholesale price, it is difficult to determine how it will affect retail prices.

The tobacco taxes together are expected to bring in \$350 million, even if experts are correct that thousands of people will give up smoking as a result. Tobacco tax money will be matched with federal funds to cover \$700 million in Medicaid expenses.

The bill also contains a tax on hospitals that will be used to leverage additional federal Medicaid funds, covering another \$100 million in state expenses.

The final component of the bill spells out in greater detail how non-profit hospitals can maintain their property tax exemptions by providing charity care. The issue has been clouded since the state Supreme Court decision found that a hospital was not providing enough charitable care to qualify for the exemption.

The bill also creates a sales tax exemption for non-profit groups that meet charity care guidelines and an income tax exemption for for-profit hospitals that meet charity care guidelines.

Originally published here: <http://www.pontiacdailyleader.com/news/x40862791/Tobacco-shop-owner-worries-over-tax-increase>

CHANGES TO ROLL YOUR-OWN-CIGARETTE LAWS TAKE EFFECT JULY 1

Lake Stevens Journal (WA)

June 1, 2012

Beginning July 1, 2012, operators of roll-your-own (RYO) commercial cigarette-making machines must abide by the provisions of a bill passed by the state Legislature this spring.

Through Third Engrossed Second Substitute House Bill (3E2SHB) 2565, the Legislature enacted several changes to laws affecting cigarettes made using a commercial cigarette-making machine in a retail store from loose tobacco purchased by customers.

Among the changes for RYO retailers are the requirements to:

- Have a commercial cigarette-making machine license and a cigarette retailer license in addition to their tobacco products retailer license, for each location.
- Use only commercial RYO machines that have secure metering devices.
- Purchase cigarette tax stamps.
- Apply the appropriate number of cigarette tax stamps to the containers provided to customers to carry RYO cigarettes out of the store.

For a more information on the changes required by 3E2SHB 2565, visit our website at Dor.wa.gov/RYO.

Originally published here: http://www.lakestevensjournal.com/county-state/article.exm/2012-06-01_changes_to_roll_your_own_cigarette_laws_take_effect_july_1