

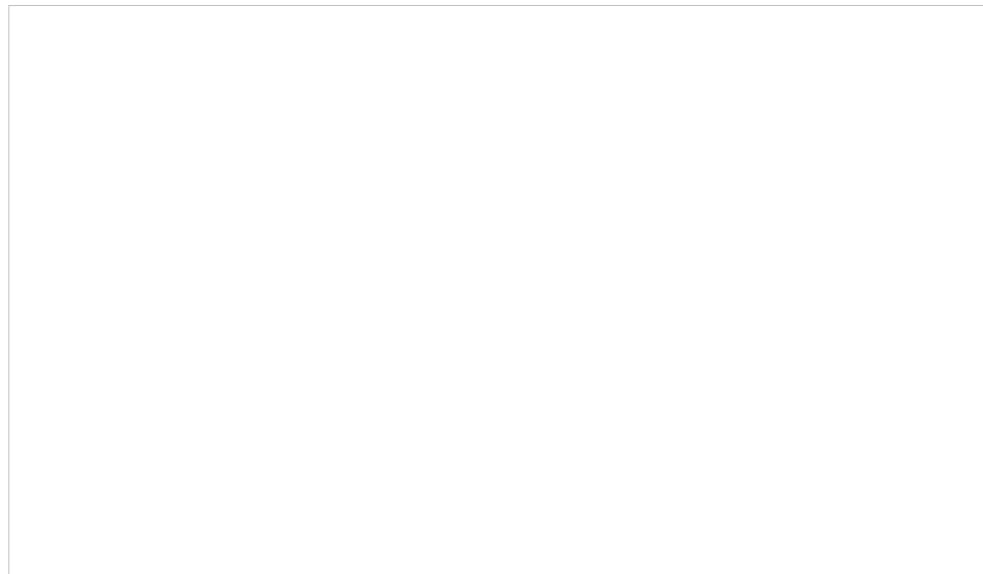
How Government Process Is Manipulated By Corrupt People: LESSON 1

Mon, 22 Sep 2014 19:46:48, newstips66, []

A CASE STUDY:

Does the power broker Chaka Fattah run a crime family?

— Jillian Kay Melchior is a Thomas L. Rhodes Fellow for the Franklin Center for Government and Public Integrity. She is also a Senior Fellow at the Independent Women's Forum.



In late August, a great crack resounded across Philadelphia's Democratic establishment when Gregory Naylor, a prominent political consultant, entered a [guilty plea](#) in federal court, implicating not only himself but also a U.S. congressman and several of his key allies in a sordid and complex fraud scheme involving taxpayer dollars and campaign finances. The plea memorandum mentions only "Elected Official A," but numerous details corroborate the identity of Representative Chaka Fattah, one of the most powerful men in Philadelphia. The son of a vocal black nationalist activist, Fattah cut his teeth in politics in the late 1970s when he was just 22, running with a friend for election to the city commission. Though he lost that election, Fattah learned a valuable lesson about political organization and spent the subsequent decades building one of the most effective political machines in Philly, an effort that eventually won him not only local prestige but also ten terms in Congress.

Naylor and Fattah have dominated the African-American faction of Philadelphia's Democratic party and "have, for years, been major figures in the political discussion here, recognized for their ability to determine the outcome of races," says Dan Fee, a political consultant who has worked for Ed Rendell, the former governor, and other major Pennsylvania candidates. Furthermore, as a senior member of the House Appropriations Committee, which manages more than \$1 trillion in federal discretionary spending, Fattah excelled at bringing the federal bacon home to Philadelphia. "I think probably Chaka was more successful at delivering to his constituents than any number of congressmen — certainly [he is] the most successful in Philadelphia, or the Pennsylvania delegation, for that matter," says Carl Singley, the former dean of Temple University Law School.

Now, after Naylor's guilty plea, many of Philadelphia's top Democrats see the congressman as vulnerable. A surprisingly juicy read, the plea memorandum details the alleged misdeeds not only of Fattah but also of several other political big shots who supported him.

"My God, [the feds] must have had an awful lot of stuff for Greg Naylor to dime out Chaka Fattah just like that," says Jim Foster, the publisher of the *Germantown Chronicle* and a longtime observer of Philadelphia politics who mounted a symbolic challenge against Fattah two years ago, winning 1.4 percent of the vote as an independent.

Singley says, "I have heard any number of people are exploring the possibility of running for that job," adding that he's saddened to see political and legal difficulties for a man long considered "one of our brightest stars." He continues: "I wouldn't call it a feeding frenzy, but the speculation is rampant, and all kinds of names are circulating, and all kinds of people are preening and walking around and are putting their toe in the water, so to speak. I think people are lining up because, inevitably, they think that seat is going to be available."

The plea memorandum focuses in large part on an alleged fraud scheme that Fattah ran during and after his unsuccessful bid for mayor in 2007.

An early front-runner, Fattah nonetheless found himself short of cash and sought to overturn Philadelphia's \$5,000-per-individual, \$20,000-per-political-committee campaign-contribution caps, but the state appeals court ruled against him.

So, the plea memorandum says, Fattah "engaged in a scheme to violate the applicable Philadelphia campaign finance laws and contribution limits by secretly arranging for and receiving a \$1 million campaign contribution in the form of a personal loan from long-time friend and political supporter, Person D."

The plea memorandum does not identify this million-dollar donor, but the *Philadelphia Inquirer* [reported](#) that "according to numerous sources, the loan was provided by Alfred Lord," who until 2013 was the chief executive of Sallie Mae, the quasi-governmental student-loan corporation. Lord did not return repeated phone calls from National Review Online, but [according to the Inquirer](#), he had earlier donated \$100,000 to Fattah's mayoral exploratory committee.

To obtain this unlawful campaign cash, the plea memorandum says, Fattah turned to another political consultant, "Person B," who served as the middleman, guaranteeing the \$1 million loan and funneling it to Naylor, who in turn spent \$600,000 of it on media buys and "[street money](#)" on Election Day.

And, the *Philadelphia Inquirer* [suggests](#), that middleman was also a hotshot: D.C. consultant Tom Lindenfeld, a former partner to David Axelrod who has most recently worked as a strategist for D.C. mayoral candidate Muriel Bowser.

(Bowser quickly dropped Lindenfeld after Naylor entered his guilty plea. Lindenfeld did not return phone and LinkedIn messages, but Bowser tells NRO by e-mail: "I'm quite surprised by the allegations out of Philadelphia today. I have the highest expectation of transparency from my campaign team; Tom no longer has a role on the campaign.")

Despite the alleged illicit loan, Fattah ended up losing his primary bid for mayor. To pay back the money, the plea deal says, Fattah used taxpayer dollars funneled through a not-for-profit, disguising the transactions with fake contracts.

Enter the Educational Advancement Alliance (EAA), a not-for-profit that just happened to be run by [Karen E. Nicholas](#), Representative Fattah's former director of constituent services.

Thanks in large part to Fattah's congressional patronage, the not-for-profit had a steady flow of taxpayer money. Between 2009 and 2011, EAA [received](#) more than \$21 million from the federal government. Likewise, Department of Energy [records](#) released in 2010 show the not-for-profit receiving millions of dollars in funds from the U.S. Department of Education, the U.S.

Department of Justice, the U.S. Department of Housing and Urban Development, and the National Aeronautics and Space Administration. EAA also received funding from Sallie Mae.

At Fattah's bidding, the not-for-profit inked a fake contract with a tech firm friendly with the congressman, which in turn inked a fake contract with the political-consultant middleman, according to the plea memorandum. Essentially, it alleges, these bogus deals allowed Fattah to steal \$600,000 in federal money and use it to pay off the secret campaign loan.

EAA's number has been disconnected, and so were all numbers listed in records for its CEO, Nicholas, who also did not respond to an NRO interview request sent through LinkedIn. Fattah's office told National Review Online to email his spokesperson for a comment; his spokesperson did not answer the email before publication. After this article was published, a spokesperson e-mailed a comment from the congressman to NRO. "In all my years as a public servant I have never engaged in any illegal conduct," Fattah says.

Beyond the campaign-financing fraud, Naylor also pleaded guilty to a separate scheme "initiated" by Fattah, according to the memorandum: Naylor admitted that he used Fattah's campaign funds to pay down the substantial student-loan debt of Chaka Fattah's son, Chaka Fattah Jr. The money was channeled through Naylor's consultancy, the plea memorandum says, and billed as work that Fattah Jr. never actually did. Altogether, the plea memorandum says, Naylor paid off \$22,663 in student-loan debt in 33 separate payments using Fattah's misappropriated campaign cash.

Chaka Fattah Jr., who is 31 years old and has worked as an education and business consultant, was [indicted](#) in August on numerous fraud and tax charges. They include stealing from the Philadelphia School District, lying on tax returns, and obtaining bank loans using inaccurate information. Fattah Junior pleaded not guilty to these charges, and he has filed suit against the IRS seeking \$10 million in damages for harming his reputation and his business.

"I am innocent of these allegations," Fattah Jr. tells NRO. "I am confident that after I have my day in court, the public will understand that I didn't break any laws. I'm looking forward to the opportunity to show that I have always been a legitimate businessman." Fattah Jr. declined to comment on the Naylor plea memorandum, noting that no related charges have been filed against him.

Meanwhile, his father has remained unusually close-lipped, initially declining several interview requests from Philadelphia papers. "While Fattah has not responded to requests for comment from the *Daily News*, he has been [busy tweeting](#), including four pictures he tweeted of himself with President Obama in a 24-hour period Monday and [Tuesday]," one local reporter [wrote](#) last week. Fattah did appear on local radio, but said regarding Naylor that he was "not going to respond to an allegation that hasn't been made."

Finally speaking to the *Inquirer* yesterday, Fattah urged the media to focus on his positive accomplishments, saying: "We stand by our very declarative statement: Not today, not any day that I've been an elected official — this includes decades, all right? — have I been involved in illegal conduct."

Fattah is up for reelection this fall, and the suggestion of scandal doesn't yet seem to be hurting his popularity among the electorate. His Republican challenger, Armond James, has barely registered among voters: On Twitter, his campaign has only 159 followers.

The federal government has, to date, filed no charges against Representative Fattah. But Naylor's damning plea memorandum signals possible future prosecution, which would be forthcoming even as Fattah fends off challengers within his own party. For the congressman, it's no longer sunny in Philadelphia.

— *Jillian Kay Melchior is a Thomas L. Rhodes Fellow for the Franklin Center for Government and Public Integrity. She is also a Senior Fellow at the Independent Women's Forum.*

ANOTHER CASE STUDY:

Companies run by Andrew Cuomo's biggest donors have won millions in state grants: records

EXCLUSIVE: At least seven companies that received a total of \$15.25 million in grants from state Regional Economic Development Councils are linked to \$1.25 million in donations to Cuomo's campaign treasury since 2010, the records show.

BY [Glenn Blain](#), [Kenneth Lovett](#)

NEW YORK DAILY NEWS

ALBANY — Several companies run by big-time donors to Gov. Cuomo have won millions of dollars in state economic development grants since he took office, state records show.

At least seven companies that received a total of \$15.25 million in grants from state Regional Economic Development Councils are linked to \$1.25 million in donations to Cuomo's campaign treasury since 2010, the records show.

One of those companies, Taylor Biomass LLC in Orange County, was awarded \$1 million in 2013 to build a waste-to-energy facility.

Its president, James Taylor, gave Cuomo's campaign more than \$100,000 since 2010, including \$34,000 this year, campaign finance records show. And the company and its affiliates gave Cuomo another \$50,000, including \$12,500 this year.

In another case, BFC Partners, of Brooklyn, won \$3.5 million in 2013 to construct Empire Outlets, a planned development on Staten Island featuring 100 designer outlets and a posh hotel just steps from the ferry terminal.

BFC donated \$25,000 to Cuomo's campaign in 2014, the year following the grant. And three of the company's partners, Donald Capoccia, Joseph Ferrara, and Brandon Baron, have ponied up a combined \$81,500 since 2010.

 New York Daily News; Photo by Chester Higgins Jr./The New York Times

Cuomo aides said the grants cited by the Daily News represent a fraction of the more than 2,600 projects awarded \$2.2 billion in funding since 2011 under the Regional Economic Development Council program.

The aides also said the governor's office has no formal role in selecting who receives the awards. The projects, they pointed out, are recommended by the 10 regional councils, under a system Cuomo established in 2011 to create competition for the hundreds of millions of dollars in state funding distributed each year.

The Cuomo-controlled Empire State Development Corp. scores the recommendations and picks the winners, which Cuomo typically announces in a public ceremony.

Cuomo aides said the process is far better than the old "member item" system in which state legislators picked projects in their districts to fund, without much vetting. The aides also argued that some donors to the governor applied for project funding but did not receive grant money.

"To suggest any conflict or connection here is absurd as the recommendations for all of these projects are made by local community representatives," said Cuomo aide Melissa DeRosa.

 <http://bfcnyc.com/> In another case, BFC Partners, of Brooklyn, won \$3.5 million in 2013 to construct Empire Outlets, a planned development on Staten Island featuring 100 designer outlets and a posh hotel just steps from the ferry terminal.

Cuomo aides said several of the companies cited by The News, including Taylor Biomass, received state and federal funding for other projects in the past. Some of the grants, they said, funded projects that already were under way before Cuomo even became governor.

In one case cited by The News, a \$2 million grant for the Dover Knolls Development, a plan to renovate an abandoned psychiatric hospital in Dutchess County, was withdrawn when the developer sold the project.

The company, its parent, Benjamin Millennium Group, and assorted affiliates contributed a combined \$271,700 to Cuomo, and the company's president at the time, Alvin Benjamin, gave \$25,000 in 2011.

Bill Mahoney, of the New York Public Interest Research Group, said the awarding of grants tied to donors raises questions. "Businesses rarely contribute to candidates for purely altruistic reasons – in most cases, they're hoping to help their bottom lines," Mahoney said.

"If Gov. Cuomo had fulfilled his promises to overhaul the campaign finance system, perhaps there wouldn't be concerns over decisions like these."
