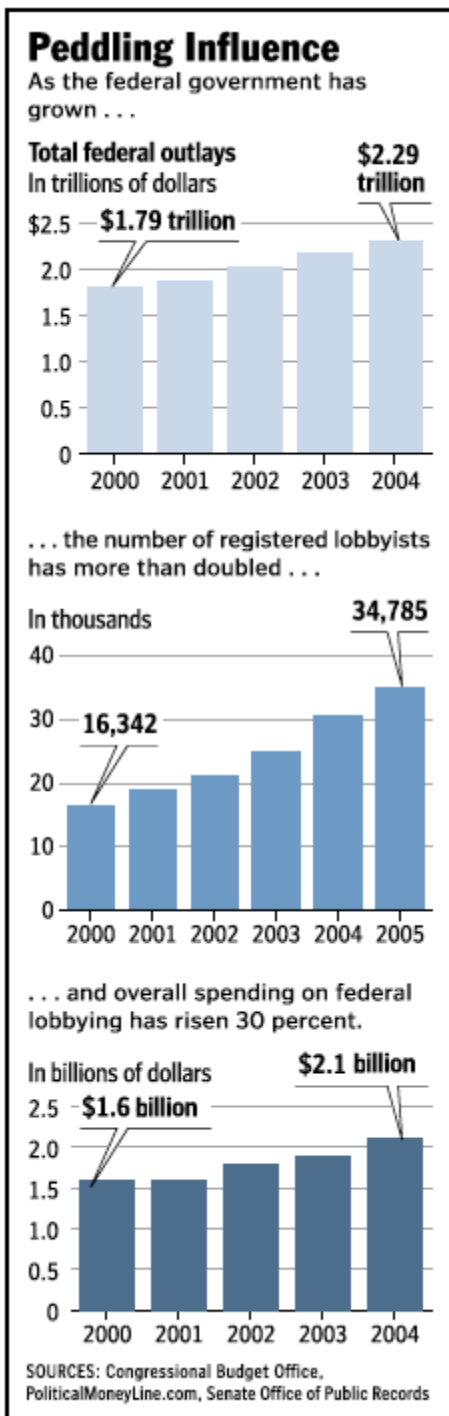


## The Road to Riches Is Called K Street

Lobbying Firms Hire More, Pay More, Charge More to Influence Government

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To the great growth industries of America such as health care and home building add one more: influence peddling.

The number of registered lobbyists in Washington has more than doubled since 2000 to more than 34,750 while the amount that lobbyists charge their new clients has increased by as much as 100 percent. Only a few other businesses have enjoyed greater prosperity in an otherwise fitful economy.

The lobbying boom has been caused by three factors, experts say: rapid growth in government, Republican control of both the White House and Congress, and wide acceptance among corporations that they need to hire professional lobbyists to secure their share of federal benefits.

"There's unlimited business out there for us," said Robert L. Livingston, a Republican former chairman of the House Appropriations Committee and now president of a thriving six-year-old lobbying firm. "Companies need lobbying help."

Lobbying firms can't hire people fast enough. Starting salaries have risen to about \$300,000 a year for the best-connected aides eager to "move downtown" from Capitol Hill or the Bush administration. Once considered a distasteful post-government vocation, big-bucks lobbying is luring nearly half of all lawmakers who return to the private sector when they leave Congress, according to a forthcoming study by Public Citizen's Congress Watch.

Political historians don't see these as positive developments for democracy. "We've got a problem here," said Allan Cigler, a political scientist at the University of Kansas. "The growth of lobbying makes even worse than it is already the balance between those with resources and those without resources."

In the 1990s, lobbying was largely reactive. Corporations had to fend off proposals that would have restricted them or cost them money. But with pro-business officials running the executive and legislative branches, companies are also hiring well-placed lobbyists to go on the offensive and find ways to profit from the many tax breaks,

loosened regulations and other government goodies that increasingly are available.

"People in industry are willing to invest money because they see opportunities here," said Patrick J. Griffin, who was President Bill Clinton's top lobbyist and is now in private practice. "They see that they can win things, that there's something to be gained. Washington has become a profit center."

Take the example of Hewlett-Packard Co. The California computer maker nearly doubled its budget for contract lobbyists to \$734,000 last year and added the elite lobbying firm of Quinn Gillespie & Associates LLC. Its goal was to pass Republican-backed legislation that would allow the company to bring back to the United States at a dramatically lowered tax rate as much as \$14.5 billion in profit from foreign subsidiaries.

The extra lobbying paid off. The legislation was approved and Hewlett-Packard will save millions of dollars in taxes. "We're trying to take advantage of the fact that Republicans control the House, the Senate and the White House," said John D. Hassell, director of government affairs at Hewlett-Packard. "There is an opportunity here for the business community to make its case and be successful."

The Republicans in charge aren't just pro-business, they are also pro-government. Federal outlays increased nearly 30 percent from 2000 to 2004, to \$2.29 trillion. And despite the budget deficit, federal spending is set to increase again this year, especially in programs that are prime lobbying targets such as defense, homeland security and medical coverage.

In addition, President Bush has signed into law five major tax-cut bills over the past four years. His administration has also curtailed regulation. Over the past five years, the number of new federal regulations has declined by 5 percent, to 4,100, according to Clyde Wayne Crews Jr., a vice president of the Competitive Enterprise Institute. The number of pending regulations that would cost businesses or local governments \$100 million or more a year has declined even more, by 14.5 percent to 135 over the period.

Companies have had to redouble their lobbying merely to keep track of it all. "Much of lobbying today is watching all the change that's going on in Washington," Cigler said. "Companies need more people just to stay apprised of what regulators are doing."

At the same time, government activism has presented potential problems for business. "As government grows, unless you're right there to limit it, it can intrude in just about any industry," Livingston said. "There are agencies that love to do things and acquire new missions. People in industry better have good lobbyists or they're going to get rolled over."

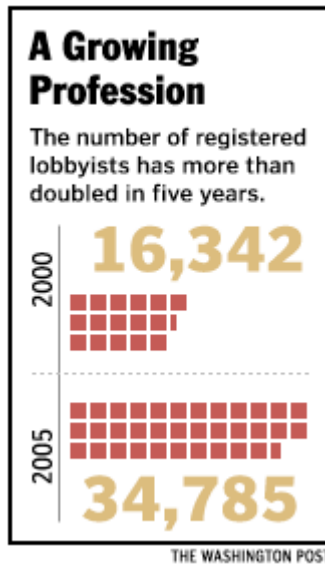
But whether it is to protect themselves against harm or to win more benefits, executives and insiders say they have no choice but to hire lobbyists who are deeply rooted in official Washington and its complexities. "Hiring a lobbyist is part of system these days," said Kent Cooper, co-founder of PoliticalMoneyLine, a nonpartisan compiler of lobbying and campaign-funding information.

Jonas Neihardt, vice president of federal government affairs for Qualcomm Inc., the San Diego technology company, agreed: "Without professional lobbyists I don't see how a company can monitor everything that's going on or provide the inputs that are necessary to explain why rules and laws have to be changed."

The result has been a gold rush on K Street, the lobbyists' boulevard. Quinn Gillespie has added at least 16 clients and six professionals since its co-founder, Edward W. Gillespie, announced last November that he was returning after a stint as chairman of the Republican National Committee. Barbour Griffith & Rogers LLC, another lobbying firm, increased the number of lobbyists to 15, from eight in 2003.

The owner of a large lobbying shop said that five years ago he could hire veteran Capitol Hill staffers for \$200,000 a year or less. Now the going rate is closer to \$300,000 a year and the most-sought-after aides can

expect even more. In 2002, Susan B. Hirschmann, chief of staff to House Majority Leader Tom DeLay (R-Tex.), had so many lobbying offers that she enlisted Robert B. Barnett, the attorney for Bill Clinton and Sen. Hillary Rodham Clinton (D-N.Y.), to receive and filter them.



For retiring members of Congress and senior administration aides, the bidding from lobbying firms and trade associations can get even more fevered. Well-regarded top officials are in high demand and lately have commanded employment packages worth upward of \$2 million a year. Marc F. Racicot, a former Montana governor who chaired the Republican National Committee, will soon collect an annual salary of \$1 million-plus as president of the American Insurance Association.

The fees that lobbyists charge clients have also risen substantially. Retainers that had been \$10,000 to \$15,000 a month for new corporate clients before President Bush took office now are \$20,000 to \$25,000 a month or more, lobbyists say.

All-Republican lobbying firms have boosted their rates the most. Fierce, Isakowitz & Blalock and the Federalist Group report that at the end of the Clinton administration, \$20,000 a month was considered high. Now, they say, retainers of \$25,000 to \$40,000 a month are customary for new corporate clients, depending on how much work

they do.

Such fee inflation is widespread, even by newcomers. Venn Strategies LLC, a bipartisan lobbying firm that opened in 2001, has doubled its retainer for new clients. "When we first started, most of them came in at \$7,500 a month or \$10,000 a month," said Stephanie E. Silverman, a principal in the firm. "Now retainers are more in the \$15,000- and \$25,000-a-month range."

Corporate clients accept the extra cost as the price of success in Washington. At the turn of the year, the American Ambulance Association decided to step up its lobbying and switched to Patton Boggs LLP, the Capitol Hill powerhouse, from a smaller lobbying shop across town. In the process it boosted its lobbying budget by about a third, to more than \$300,000 a year.

"It is essential we have a very strong presence," said Robert L. Garner, president of the association. "It's pricey, but it's the cost of doing business in the federal environment."