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Oregon Gov. John Kitzhaber, fiancée provide new green energy scandal for Democrats

Controversy creates new questions for billionaire environmental activist Tom Steyer

By Kellan Howell

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What do you get when you mix a governor, his ambitious fiancée, a billionaire environmentalist and some handsome green energy consulting contracts? In Oregon, they have collided to produce an influence-peddling scandal that threatens to end Gov. John Kitzhaber's tenure.

Mr. Kitzhaber, a Democrat, faced increasing pressure Thursday within his own party to resign over accusations that his fiancée sought to use her relationship with the governor to land lucrative consulting contracts for her green energy consulting business.

The top two Democrats in Oregon's Legislature — Senate President Peter Courtney and House Speaker Tina Kotek — met with Mr. Kitzhaber to urge the four-term governor to step down, joining a growing chorus of leaders hoping to stem the scandal with a resignation.

"Unfortunately, the current situation has become untenable, and I cannot imagine any scenario by which things improve," said State Treasurer Ted Wheeler, a Democrat. "Oregon deserves a governor who is fully focused on the duties of state."

Mr. Kitzhaber remained defiant and said he intended to stay in office.

The scandal carries larger repercussions for national Democrats, who have worked hard to put to rest a controversy in President Obama's tenure over the failures of taxpayer-funded green energy companies such as Solyndra that had political ties to party bigwigs.

Oregon's controversy has created new questions for billionaire environmental activist Tom Steyer, a major Democratic supporter and bundler for Mr. Obama. It also has renewed questions about whether the nation's embrace of clean energy has become a lobbying bonanza that enriched some well-heeled Democrats.

Oregon's scandal centers around the governor's fiancée, Cylvia Hayes, who has been acting first lady as she awaits her wedding to Mr. Kitzhaber.

While serving as an unpaid policy adviser for the governor's office, Ms. Hayes collected \$118,000 in fellowship and consulting fees from the Clean Economy Development Center, a Washington-based nonprofit, for work on low-carbon fuel standard legislation in Oregon.

Ms. Hayes never disclosed the payments on her ethics filings for the governor's office.

The Clean Economy Development Center went out of business after the IRS pulled its tax-exempt status. Before it did, the center received funding for Ms. Hayes' fellowship from another nonprofit, the Energy Foundation, which in 2012 received \$200,000 in funding from Mr. Steyer's "TomKat" Charitable Trust, according to the group's latest 990 tax form.

The Energy Foundation hired Ms. Hayes directly in 2013 for communications work, giving her a contract of \$50,000, according to documents and interviews.

The web of payments, the failure to disclose and questions about influence peddling have prompted the state's attorney general to open an ethics investigation. Republican state lawmakers also have demanded a suspension of the new fuel legislation, which would keep Oregon's low carbon fuel standards in place instead of expiring this year.

"The actions of Gov. Kitzhaber and his fiancée, Cylvia Hayes, are questionable. Disclosures of possible conflicts of interest is normal operating behavior for policymakers. Acting as an environmental policy adviser to the governor while also receiving payments from an outside environmental group seems worthy of disclosure," said Nicole Kaeding, a budget analyst with the Cato Institute.

The Washington Times made multiple attempts to reach out to Ms. Hayes for comment through the governor's office and her consulting firm, 3E Strategies, but Ms. Hayes did not reply.

She told the Portland Tribune in December that the Clean Economy Development Center paid her \$30,000 in 2011 and \$88,000 in 2012 and that her "primary work was to implement communications strategies promoting clean economy development."

Mr. Steyer, Mr. Kitzhaber and Ms. Hayes appeared together at an environmental dinner in November 2013 celebrating environmental accomplishments in the West. Mr. Steyer has given \$100,000 to the Oregon Democratic Party through his NextGen Climate Action political movement.

Mr. Steyer's office did not return repeated emails seeking comment. A San Francisco-based hedge fund manager, the billionaire environmentalist was a fundraising bundler for both of Mr. Obama's presidential races and a heavy supporter of Democratic causes across the country.

Jenny Coyle, communications manager for the Energy Foundation, told The Times that the foundation provided the Clean Economy Development Center \$50,000 in 2011 and \$25,000 in 2012 for the fellowship program in which Ms. Hayes participated. She was the center's only fellow.

Ms. Coyle said Ms. Hayes worked to develop communication strategies to help promote education and analyses about the benefits of clean energy businesses and jobs in Oregon and the Pacific Northwest region. After her fellowship with the clean energy center ended, the Energy Foundation contracted Ms. Hayes through 3E Strategies to continue the same work through December 2013 and has not worked with her since.

"Cylvia helped us develop communications strategies that we could use to address a wide range of audiences about education and analysis that shows the benefits of clean energy and economic development," Ms. Coyle said.

Ethics watchdogs and state newspapers blasted Ms. Hayes and Mr. Kitzhaber for not disclosing any of the payments and accused the pair of using their positions for private gain.

"More ugliness may surface, but it should be clear by now to Kitzhaber that his credibility has evaporated to such a degree that he can no longer serve effectively as governor," the editorial board of the state's largest newspaper, The Oregonian, wrote in a statement last week. "If he wants to serve his constituents he should resign."

Speculation that the governor would resign peaked Wednesday when Secretary of State Kate Brown cut short a trip to Washington and quickly returned to Oregon at the behest of Mr. Kitzhaber. On Thursday, Ms. Brown issued a statement saying she had a "strange" and contradictory conversation with Mr. Kitzhaber about succeeding him as governor before leaving the nation's capital, but when she arrived, he asked why she had returned.

"This is clearly a bizarre and unprecedented situation," Ms. Brown said.

Mr. Kitzhaber told reporters Wednesday night that he had no intention of resigning.

"I realize I have been getting a lot of pressure from many corners to do so, but I don't intend to do so," he said, adding that the thought of stepping down hadn't crossed his mind.

"I got elected, a lot of people spent a lot of time and money and energy to get me into this position and I owe it to them to do the job as best I can."

Republicans have used the revelations to try to kill or delay clean energy legislation that they oppose.

"For the Democrats to run this bill right at the start of session is irresponsible and harmful to Oregon families, given the cloud of secrecy surrounding its conception and advocacy," said Senate Republican leader Ted Ferrioli, as reported by the Daily Surge. "The Legislature should

be focused on the priorities that matter to Oregon taxpayers, including a transportation package that improves public safety and infrastructure for all Oregonians."

Attorneys for Mr. Kitzhaber and Ms. Hayes say the ethics commission does not have jurisdiction over Ms. Hayes because technically she is not a public official.

"She was never a part of state government. She certainly gave the governor her thoughts and opinions on certain matters on which he conferred with her, as often occurs with spouses, friends and supporters of other elected officials," attorneys Jim McDermott and Stephen Janik wrote in their court filing. "The elected official is obviously free to do whatever he or she deems appropriate with respect to such thoughts or opinions, including ignoring them."

Although Ms. Hayes has been removed from Mr. Kitzhaber's official website as "Oregon's First Lady," she still uses the title in her bio on her consulting firm's website.

This isn't the first time Ms. Hayes has sparked controversy. Earlier this year, she admitted to committing marriage fraud by accepting \$5,000 to wed an Ethiopian immigrant 11 years her junior in 1997 to secure a green card for him. The couple never lived together and the marriage, Ms. Hayes' third, ended with a divorce in 2002.

Four months after she married the immigrant, named Abraham Abraham, Ms. Hayes and another man bought a \$245,000 piece of property with the intention of starting an illegal pot growing business, she has said.