



## Executive Summary

**C***apital Bargains, Capital Gains* is a study of who made contributions to the New York State legislature in the 1999 and 2000 session and what they got for their money. Our researchers probed the following questions:

- ❑ Who are the major donors — *both PACs and individuals* — behind the New York State Legislature?
- ❑ What are their affiliations and interests?
- ❑ How did the patterns of giving affect the outcome or progress of legislation in the 2000 session?

*The picture that emerges from this in-depth study is that campaign contributions to the New York State Legislature are a great investment, a capital bargain that reaps capital gains.* We find that in almost every case, major campaign contributors win their top priority in the Legislature. Even when they lose their number one goal, they invariably win, by gaining other legislative favors at bargain-basement prices. As investor Warren Buffet was quoted in a *New York Times* op-ed by another Wall Street hotshot, Jerome Kohlberg: "... corporations give for one reason: self-interest. They can easily justify their expenditures because they get an outstanding return on their investments." (July 5, 1998)

**Big money adds up fast.** The report also demonstrates how a small number of givers make up a huge amount of the giving. Legislators raised a lot of money, almost \$50,000 a day, every day, including Sundays and holidays. Remarkably, the 333 PACs and individuals who gave \$10,000 or more donated almost half of the \$26.7 million in campaign contributions.

The report includes political contributions to the 211 incumbent New York State legislators, and the leadership and party committees, in the 1999 and 2000 legislation session. The study includes data from 56,271 contributions reported to the New York State Board of Elections from January 1999 through July 2000.

The study focused on the biggest givers, those groups that gave \$250 or more and those individuals who gave \$1,000 or more. Our researchers classified these larger givers by their interest, allowing us to report on how much was given by various industries, such as health care, banking, real estate and energy.

### **Big Money Adds Up Fast**

**During the 1999-2000 legislative session, New York's state legislators raised a lot of money from a relatively few PACs and people:**

- ❑ The legislators raised \$26.7 million dollars, or about \$50,000 a day
  - ❑ Forty-four percent of the total raised (\$11.9 million) came from 333 PACs and individuals who gave \$10,000 or more.
    - 95 individuals made contributions of \$10,000 or more. Those 95 individuals are .0005 of 1% of all 18 million New Yorkers, but they gave \$2.0 million or 7% of the money raised.
    - 238 PACs made contributions of \$10,000 and up, totaling \$9.9 million, 37% of the money raised.
  - ❑ Contributions of \$1,000 or more made up \$15.2 million, more than half (57%) of the money raised.
  - ❑ Contributions of less than \$100 made up only 3% of the money raised, or \$800,000.
- PACs, including corporations, labor unions and other organizations, give much more money in New York politics than individuals.**
- ❑ PACs — which in this report refers to all entities that make campaign contributions, including corporations, unions, partnerships and political committees — gave \$18.0 million, 67% of the money.
  - ❑ Individuals gave \$8.8 million, or 33% of the total.



## Capital Bargains, Capital Gains



**Businesses and employers give three times as much money as legal and health professionals and three times as much money as labor unions.**

❑ Business and employers gave \$11.9 million, 58% of the \$20.7 million of contributions that had donors categorized.

❑ Legal and health professionals gave \$3.9 million, 19% of all identified contributions.

❑ Labor unions gave \$3.8 million, 18% of the identified contributions. Of this well more than half (63%) came from public employee unions.

❑ Looking just at the private sector, employers gave more than eight times as much as private sector unions.

❑ The top 10 PACs are dominated by labor and professional PACs. Four of the top 10 are labor PACs, including the number 1 and 2. Lawyers and doctors are the number 3 and 4 PACs.

**Twelve industries, led by health care, each gave more than \$500,000 to the legislature. The health care industry gave \$2.9 million, followed by government employees (\$2.4 million) and lawyers and lobbyists (\$2.0 million).**

❑ The top 12 industries, in rank order, are: health care; government employees; lawyers and lobbyists; banking & finance; construction; real estate; communications; insurance; food & alcohol; manufacturing; retail; and energy.

**31 individuals contributed \$25,000 or more, for a total of \$1.2 million, 4.5% of all the money donated.**

❑ People who made their money on Wall Street dominate the list of top individual givers. Ten of the 31 individuals who gave \$25,000 or more, including the top two individuals givers, are financiers.

❑ Of the top 31 donors, 22 are from New York and 9 are from out of state.

❑ The top giver, Lawrence Kadish, who gave \$127,000, came out of the real estate industry. Other top givers include Wall Street execs John Kornreich and Jack Dreyfus and Edgar Bronfman, the head of the Seagrams. The top individual givers

gave large contributions to Republican and Democratic Party committees.

### ***Capital Bargains, Capital Gains***

***In industry after industry and PAC after PAC we find that money brings results in the New York State Legislature, at bargain-basement prices that bring capital returns:***

❑ For campaign contributions of \$930,000 the insurance industry won tax breaks worth \$231 million

❑ For campaign contributions of \$1.9 million the banking and securities industry won tax breaks of well over \$100 million.

❑ Oil heat dealers gave less than \$100,000 and got \$12 million in tax reductions.

❑ The beer industry gave around \$200,000 and got \$8 million in tax breaks.

**Usually it's not as easy to put a dollar value on the returns, but that doesn't decrease the value of the investment:**

❑ The \$3 million dollars given by all sectors of health care is a minute fraction of the billions in sustained funding approved by the Legislature for hospitals, nursing homes and home care agencies.

❑ That same \$1.9 million by the banking industry bought banks freedom from most state regulation and avoidance of any new regulations on privacy or suspicious loan practices.

❑ The Northeast Cartridge Remanufacturers Association gave only \$18,325 to win a preference in state purchasing that is surely worth that many times over to its members.

***When investors compete, the legislature works hard to make everyone a winner:***

❑ The auto dealers PACs gave about \$100,000 and won a franchise protection that is worth tens of millions. But three executives of the Potamkin auto franchise – who might have lost under the new bill – gave \$27,300 to win an exemption from the law that will save their dealership millions of dollars too.

❑ Construction firms and their unions stalemated on the issue of changing workers' compensation but



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united in winning massive new investments in roads and mass transit projects.

***And even when you lose, you are likely to win enough to more than justify your investment:***

❑ The life insurance industry didn't get its top priority – a change in accounting rules that would allow it to increase the value of its assets – but did earn hundreds of millions in new tax breaks;

❑ The real estate industry didn't win deregulation of rents on lofts in New York City, but for its investment of about half-a-million dollars it blocked all other proposals that would benefit tenants at the expense of landlords, saving tens of millions and more for the industry.

***Where do consumers and ordinary citizens stand in this marketplace for our elected officials?*** On the outside, hoping that their pleas will be heard above the din of lobbyists and donors bidding for and against new laws. When consumers have well-funded powerful allies — like the trial lawyers PAC on the issue of protecting the right to sue, or hospitals and health care workers pushing to provide health coverage to the uninsured — they can overcome concentrated interests and money on the other side. When consumers are well organized on a big pocket-book issue — like rent control — they can prevail over big money. When the problem gets bad enough — like the epidemic of medical deaths — the public's right to know if their doctor has ever been disciplined can trump the Medical Society's PAC.

But these are the exceptions. Most of the time consumers are simply not part of the legislative calculation since they bring no purchasing power to the campaign dollar market.

### ***Is this Any Way to Run a Democracy?***

The patriots who founded our country had a vision – a vision of a government of, by and for the people. Today, we have a government of, by and for the wealthy special interests who fund campaigns. This situation has arisen not out of any moral or ethical lapse among elected officials. It has arisen because of the campaign system in the United States, which

makes elected officials dependent on private donors to pay their bills.

To sever the tie between special interest money and elected officials requires a fundamental reshaping of our campaign finance system. There is a growing chorus for reform in New York, as there is around the nation. The question before us is what reforms will realize the goals of returning from the rule of “one dollar-one vote” to “one person-one vote”?

The legislative leadership and Governor Pataki are beginning to agree on some modest measures of reform. The Assembly has approved legislation that would lower campaign contributions, limit spending and provide partial public financing of campaigns. Governor Pataki proposed better disclosure and lower contribution limits in 1999. Senator Bruno announced his support in 2000 for better disclosure and lower contributions to party committees.

But even if what all three leaders have proposed became law, they would not break the domination of big, private money over public elections:

As long as candidates must rely on raising private money to get elected to public office, candidates and our legislature will be the captive of well-financed interests. We need instead a system where candidates can compete by showing broad support from voters instead of narrow support from campaign funders. ***Clean Money Clean Elections***, reform, recently enacted in four states, offers a way of doing so.

***Clean Money, Clean Elections*** reform offers candidates an alternative to soliciting special interest money or spending personal funds to run for office. Under Clean Money, Clean Elections Reform, candidates who demonstrate broad support in their districts, and who are willing to reject private money and limit their spending, receive a fixed and equal amount of campaign funding from a publicly financed fund. They are also eligible for additional public funds, if they are outspent by their opponents or targeted by independent expenditures.

***Clean Money, Clean Elections*** reforms was first approved by the voters of Maine in a 1996 ballot initiative, and has since become law in three other



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states —Massachusetts, Vermont and Arizona.. About one-third of the candidates in Maine and Arizona are running under the new *Clean Money, Clean Elections* programs in those states, the first states to implement their new laws for legislative races in 2000.

*Clean Money, Clean Elections* reforms also include many of the proposals made by the Governor, legislative leadership and others, in Albany, including: better disclosure and reporting; lower contribution limits; an end to soft-money; stronger enforcement; and measures to balance out independent expenditures.

*Clean Money, Clean Elections* legislation has been introduced in the New York Legislature by Senator David Paterson and Assemblyman Felix Ortiz (S.6012/A.8937). Some 20 members of the Senate and more than 30 Assembly members have signed on as sponsors. The approach is supported in New York by some 80 citizen organizations representing religious, senior, labor, environmental, tenant, student, women's, community, good government and neighborhood groups.

### **More to Come**

*Capital Bargains, Capital Gains* is the first in a series of studies that the Public Policy and Education Fund of New York plans to issue on campaign contributions to legislators and the Governor. Using the new system of electronic reporting of contributions, we will continue to build a database of campaign contributions from interest groups and individuals to New York's elected officials. While we won't be able to include all the information in the database in our public reports, we encourage members of the media and public to ask us questions about contributions from interest groups and individuals.

Our investment in compiling the data, and identifying the interests who pay for our elected government, is for the public and we will do our best to answer specific inquiries. Please feel free to email us at [followthemoney@citizenactionny.org](mailto:followthemoney@citizenactionny.org), or call (518) 465-4600 X 107. Each of the studies may also be found on Citizen Action of New York's web site: [www.citizenactionny.org](http://www.citizenactionny.org).



## Capital Bargains, Capital Gains: Campaign Contributions to the New York State Legislature from 1999-2000

### Introduction

While researchers and newspaper reporters often have attempted to follow the money trail behind the headlines in Albany, until recently they have not had the tools to do so. In 1998 the State Legislature and Governor passed legislation requiring all campaign committees — beginning in 1999 — to submit financial reports electronically. This important step toward public access has radically streamlined the research process and has opened new vistas for analysis.

There has been considerable press attention to the issue of legislators holding Albany based fund raisers during the legislative session, prompting the Governor and Assembly Speaker to propose banning fund raisers in the Capital District. This report details that those fund raisers, and other fund raising held around New York, in private meetings, by mail and by phone, raised a total of \$26.7 million during the last legislative session. That's about \$50,000 a day, every day of the year, including Saturdays, Sundays and holidays.

Because of the potential for this much giving to distort the political process, the Public Policy and Education Fund of New York has undertaken a comprehensive process to track political giving in New York State and to make the results broadly available. This report is the first in a new series that will examine the connections between money and politics in New York, a connection that warrants examination before it undermines our democracy.

Our researchers probed the following questions:

- Who are the major donors — *both PACs and individuals* — behind the New York State Legislature?
- What are their affiliations and interests?
- How did the patterns of giving affect the outcome or progress of legislation in the 2000 session?

*The picture that emerges from this in-depth study is that campaign contributions to the New York State Legislature are a great investment, a capital bargain that reaps capital gains.* We find that in almost every case, major campaign contributors win their top priority in the Legislature. Even when they lose their number one goal, they invariably win, by gaining other legislative favors at bargain-basement prices. As investor Warren Buffet was quoted in a *New York Times* op-ed by another Wall Street hotshot, Jerome Kohlberg: "... corporations give for one reason: self-interest. They can easily justify their expenditures because they get an outstanding return on their investments<sup>1</sup>."

*Capital Bargains, Capital Gains* is a study of political contributions to the 211 incumbent New York State legislators in the 1999 and 2000 legislative session. The study includes data from 56,271 contributions reported to the New York State Board of Elections from January 1999 through July 2000.

The study focused on the biggest givers, those groups that gave \$250 or more and those individuals who gave \$1,000 or more. Our researchers classified these larger givers by their interest, using a methodology developed by the Center for Responsive Politics, a non-partisan, non-profit organization based in Washington, D.C. The classification system allows us to report on how much was given by various industries, such as health care, banking, real estate and energy.

*Capital Bargains, Capital Gains* is the first in a series of studies that the Public Policy and Education Fund of New York plans to issue on campaign contributions to legislators and the Governor. Using the new system of electronic reporting of contributions, we will continue to build a database of campaign contributions from interest groups and individuals to New York's elected officials. While we won't be able to include all the information in the



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database in our public reports, we encourage members of the media and public to ask us questions about contributions from interest groups and individuals.

Our investment in compiling the data, and identifying the interests who pay for our elected government, is for the public and we will do our best to answer specific inquiries. Please feel free to email us at [followthemoney@citizenactionny.org](mailto:followthemoney@citizenactionny.org), or call (518) 465-4600 X 107. Each of the studies may also be found on Citizen Action of New York's web site: [www.citizenactionny.org](http://www.citizenactionny.org).

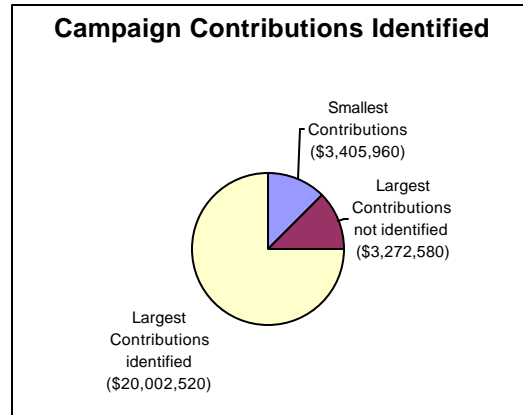
### Methodology

This study is based upon campaign finance reports filed with the New York State Board of Elections, as required by law, from July 1999 to July 2000. It covers campaign giving from January 12, 1999 through July 11, 2000, a time period corresponding almost exactly with the legislative session.

The New York State Board of Election requires campaign committees to provide records of contributions of \$100 or more on computer disks and puts the information on its internet web site: [www.elections.state.ny.us](http://www.elections.state.ny.us). Our research team downloaded the data, and then narrowed the scope of research to focus on contributions raised by incumbent legislators and their campaign committees, including the Republican and Democratic Party committees controlled by the leadership of both houses. We also included the political party committees for each of the two major parties. Contributions to these party committees, which assist candidates directly and indirectly, were included because of the common perception that giving to these committees is the most efficient way to influence legislation in Albany. The report does not include the "housekeeping" accounts, a New York form of soft-money.<sup>2</sup> The data also does not include contributions from one candidate to another or from local party committees.

A total of 56,271 contribution records, from the four contribution schedules, were examined, as reported to the State Board of Elections on four contribution schedules<sup>3</sup>. Our researchers focused on a subset of

contributions and contributors — those groups that gave \$250 or more and those individuals who gave



\$1,000 or more<sup>4</sup>. These donations made up \$23.3 million (87%) of the \$26.7 million given.

Working from the names of donors reported to the Board of Elections, the researchers used a system developed by Larry Makinson and the Center for Responsive Politics in Washington, D.C. to assign each contribution one of 429 category codes based upon the interest or industry represented by the donor.<sup>5</sup>

For contributions from businesses, organizations and political action committees, the entity's name was used to identify the industry and interest. Contributions from individuals were assigned codes based on the individual's employer and occupation. For individuals who were not employed, codes were assigned according to the industry/interest of the spouse, if records revealed that both members of the household had given to the same candidate.

Category codes, based upon the Standard Industrial Classification (SIC) system, were assigned by using the ProCD database, which identifies SIC codes for employers. For individuals, a multi-step research process was used to identify employers and occupations. Unfortunately, New York State disclosure law requires only that individuals report their names and addresses, so researchers had to look elsewhere to find the occupations and employers of individual contributors. Since the federal government and New York City require disclosure of occupation and employer by campaign donors we were able to identify the interests of



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individuals using data filed with the Federal Election Committee and New York City Campaign Finance Board<sup>6</sup>. The vast majority of large donors to state legislators could be identified using these data sources, as most larger donors to the New York State Legislature had given previously to candidates for federal or New York City offices. A variety of Internet searches were used to supplement this basic research if additional information on donors was needed.

Once employers were identified, and category codes were assigned in this manner, those codes were arranged in larger industry and interest groupings, and assigned one of 22 general source codes. These more general codes were used to produce the industry-by-industry breakdowns contained in this report. This report includes data on the top 12 industry groups, each of which accounted for contributions of more than half-a-million dollars.<sup>7</sup>

We were able to successfully identify the interests of PACs and individuals who gave \$20.0 million. That's 75% of all the money contributed and 86% of the contributions of more than \$250 from entities and \$1,000 from individuals. Among contributions from entities, nine out of every 10 dollars that we studied (87%) was identified in this fashion. Among individual contributions, 8 out of every 10 dollars (83%) were identified.

For the purposes of this study, we refer to all businesses, corporations, non-profit organizations, labor unions, law firms or other organized committees as PACs – political action committees. Our analysis puts all givers into one of two categories – individuals and PACs. We did not rely on the information reported in the campaign finance reports to distinguish individuals from groups, because that information is often not reported correctly. Instead we used a common sense rule: an individual is any contributor with a first and last name.

The report also describes the primary legislative interest of the major industries and the largest PACs in each industry. We identified the top lobbying priorities by interviewing legislative staff and lobbyists who are knowledgeable about issues

before the legislature. We also looked at the listings of legislative accomplishments announced at web sites maintained by both houses of the legislature.

While we believe that the discussion of issues is largely an accurate description of lobbying priorities in each industry, we do not intend it to be an exhaustive list of lobbying issues. In fact, knowing observers will have items to add to the list and further observations to make about the rate of return of an investment in the New York State Legislature.

## Findings

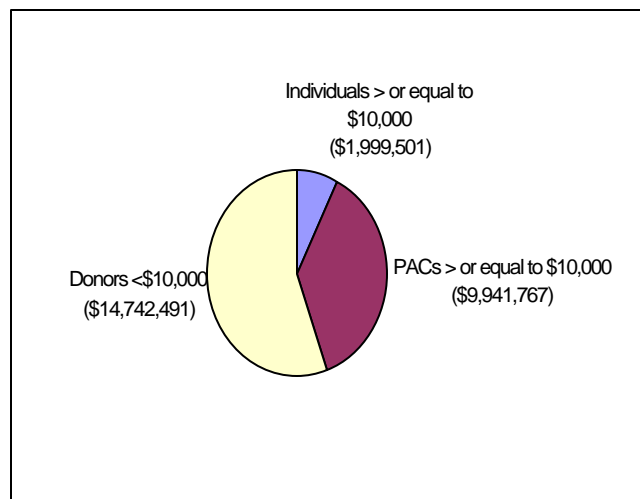
The findings of our research are reported in two sections:

❑ **Big Money Adds Up Fast:** An overview of who gave, including:

- How much money was raised;
- How a few elite PACs and people dominate giving;
- Giving by business, professionals and unions;
- The top PACs;
- The top people.

❑ **Capital Bargains, Capital Gains:** Giving by the top PACs and people in 12 industries and what they wanted from the New York State Legislature.

**Donors Above and Below \$10,000**





### Big Money Adds Up Fast: An overview of who gave

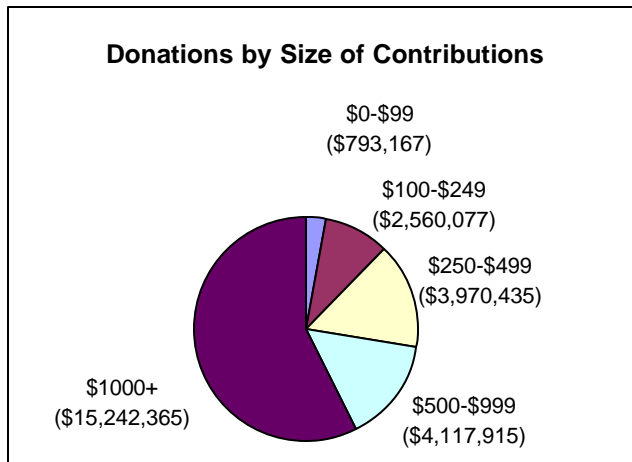
During the 1999-2000 legislative session, New York’s state legislators raised a lot of money from a relatively few PACs and people:

The legislators raised \$26.7 million dollars, or about \$50,000 a day (the exact number is \$48,693).

Forty-four percent of the total raised (\$11.9 million) came from PACs and individuals who gave \$10,000 or more.

95 individuals made contributions of \$10,000 or more. Those 95 individuals are .0005 of 1% of all 18 million New Yorkers, but they gave \$1,999,501 or 7% of the money raised. Actually, since 33 of the top 95 are from out of the state (and out of the New York Metropolitan area), it’s really only 62 New Yorkers, or .0003 of 1% of the Empire State’s 18 million residents;

238 PACs made contributions of \$10,000 and up, totaling \$9.9 million, 37% of the money raised.



Contributions of \$1,000 or more made up \$15.2 million, more than half (57%) of the money raised.

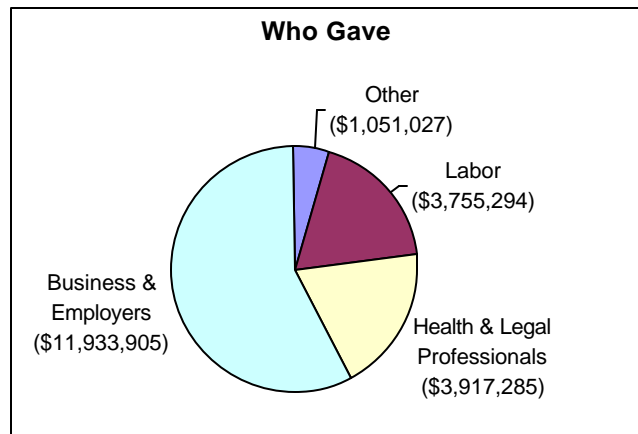
Contributions of less than \$100 made up only 3% of the money raised, or \$793,167.

### PAC Giving

PACs, including corporations, labor unions and other organizations, give much more money in New York politics than individuals.

PACs — which in this report refers to all entities that make campaign contributions, including corporations, unions, partnerships and political committees — gave \$18,046,260, 67% of the money.

Individuals gave \$8.813,754 million, or 33%



of the total.<sup>8</sup>

We note that this differs from federal campaign contributions, where PACs provide only a small share of the giving (about 10 percent in 1996), compared to individuals, which generally provide more than half of the funds.<sup>9</sup>

**Businesses and employers give three times as much money as legal and health professionals and three times as much money as labor unions.**

Business and employers gave \$11.9 million, 58% of the \$20.7 million of contributions that had donors categorized.

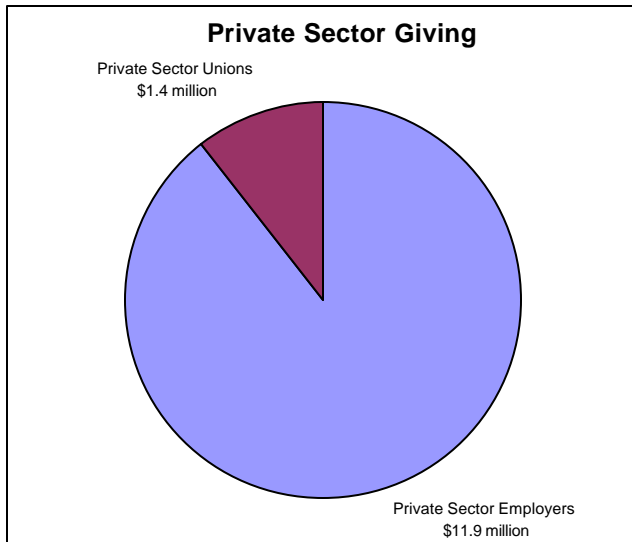
Legal and health professionals gave \$3.9 million, 19% of all identified contributions.

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Looking just at the private sector, employers gave more than eight times as much as private sector unions.



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❑ Other groups – single-issue, military, retired people, homemakers and others- gave only 5% of the money, \$1.0 million.

**While total business and employer contributions dwarf professional and labor, the top 10 PACs are dominated by labor and professional PACs. Four of the top 10 are labor**

**PACs, including the number 1 and 2. Lawyers and doctors are the number 3 and 4 PACs.**

The Service Employees International Union, including its major local 1199, which represents health care workers, was the top political contributor in New York, donating \$618,818, or 3% of the money identified and 2% of all the money given.

- SEIU gave the single biggest gift, of \$76,500. Actually, SEIU and its locals, gave \$76,500 on four separate occasions: three times to the Democratic Assembly Campaign Committee and once to the NYS Senate Republican Campaign Committee. \$76,500 is the maximum gift that a PAC can give a political party in a year.

❑ In the next tier, below SEIU, is the New York State United Teachers, the largest teacher’s union in New York (\$515,631) and Law PAC (427,528), which represents trial lawyers.

❑ The other PACs in the top 10 represent state and local government workers, dentists, hospitals, and beer wholesalers.

### ***Business Tax Breaks Benefit Many Industries***

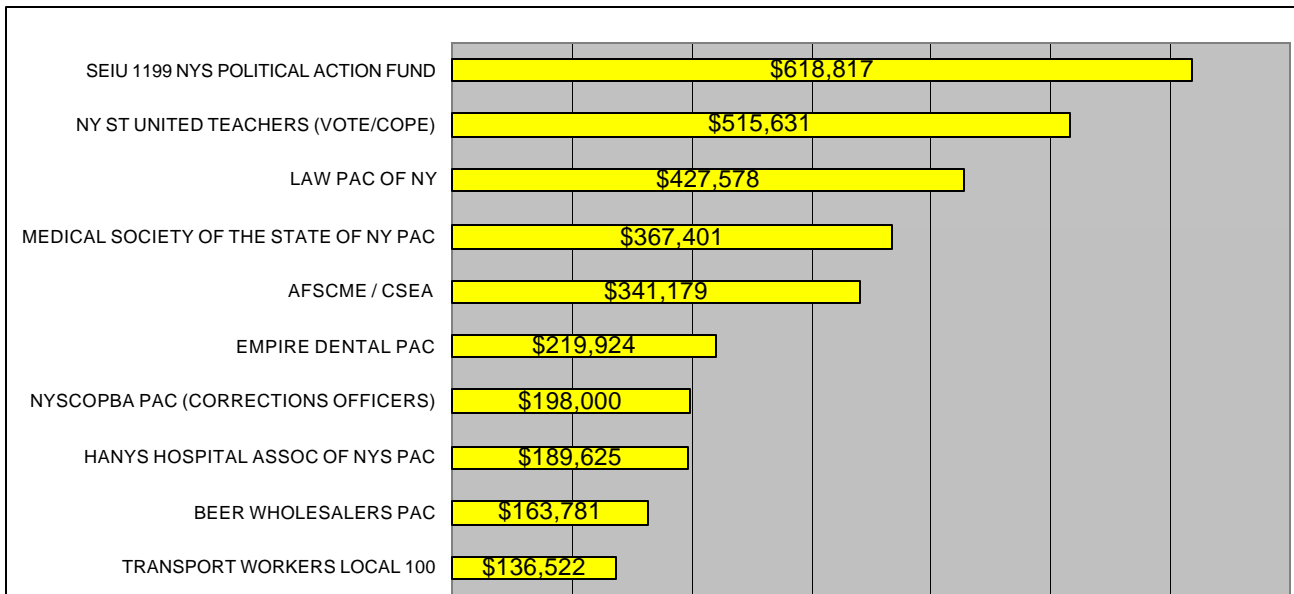
In both 1999 and 2000 the legislature enacted hundreds of millions of dollars in business tax cuts. The cuts amounted to more than \$175 million in 1999 and almost \$500 million in 2000.

In 2000 – an election year with a big budget surplus – the legislature enacted \$178 million in sales and use tax exemptions that benefited a variety of businesses as well as farmers. In the same year the legislature reduced the corporate franchise tax by \$122 million.

These cuts came on top of reducing the Gross Receipts Tax on utilities by \$386 million, with the up-front benefit all going to manufacturers. And on top of further tax cuts worth millions to banks, insurers, securities firms, beer makers and sellers and others.



### Top 10 PACs

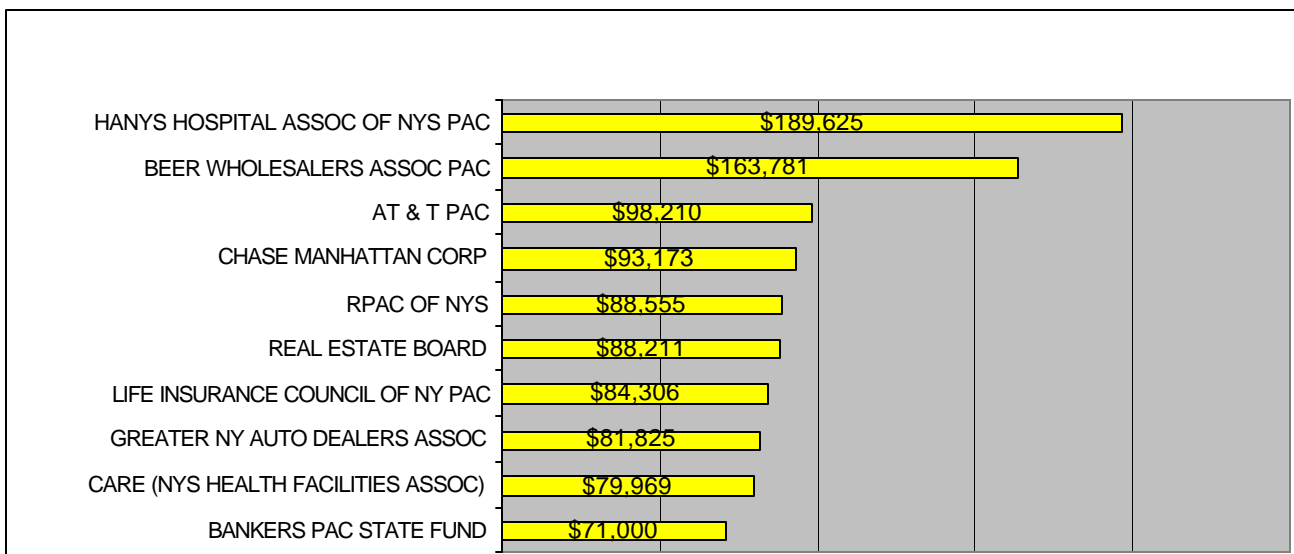


### Top 10 PACs among business, professional and labor groups.

□ **Business and Employers:** The top 10 business and employer PACs represent diverse industries, including hospitals and nursing homes, beer wholesalers, AT&T, realtors, banks, life insurance companies and car dealers.

- The Health Care Association of NYS PAC, representing hospitals and nursing homes, was the top employer group, donating \$196,700.

### Top 10 Employer PACs





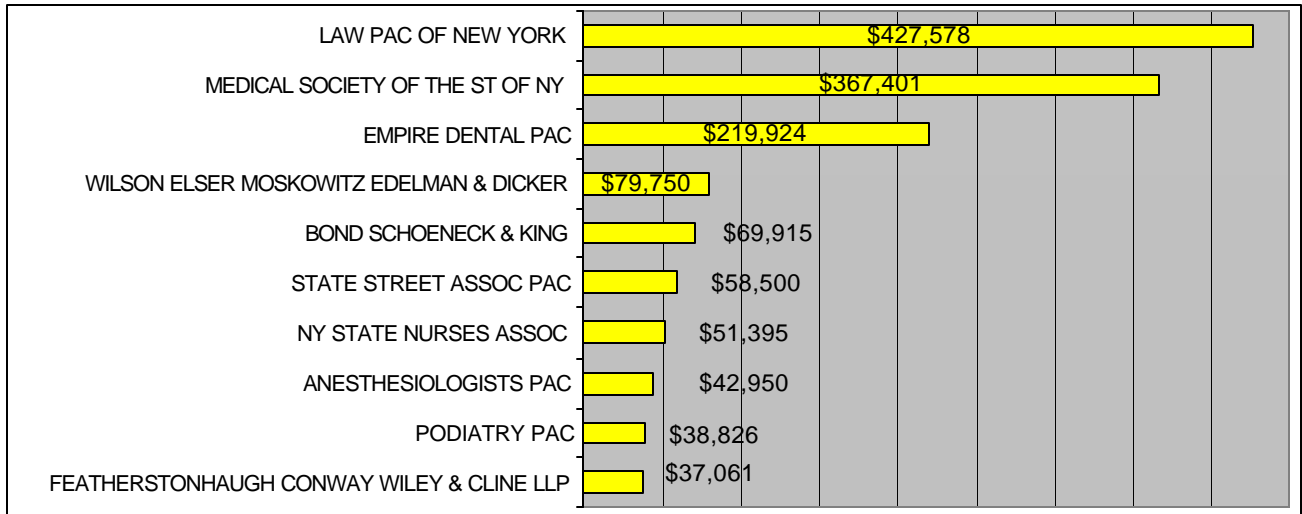
## Capital Bargains, Capital Gains



❑ **Legal and Health Professionals:** PACs representing lawyers, lobbyists and health professionals make up the top 10 professional PACs.

- The trial lawyers PAC led in professional giving, with a total of \$427,578.
- Four other law firms, all registered lobbyists, are among the top 10 professional PACs.
- Doctors (\$367,401) and dentists (\$219,924) are the leading health care professional PACs.

### Top 10 Legal & Health Professional PACs

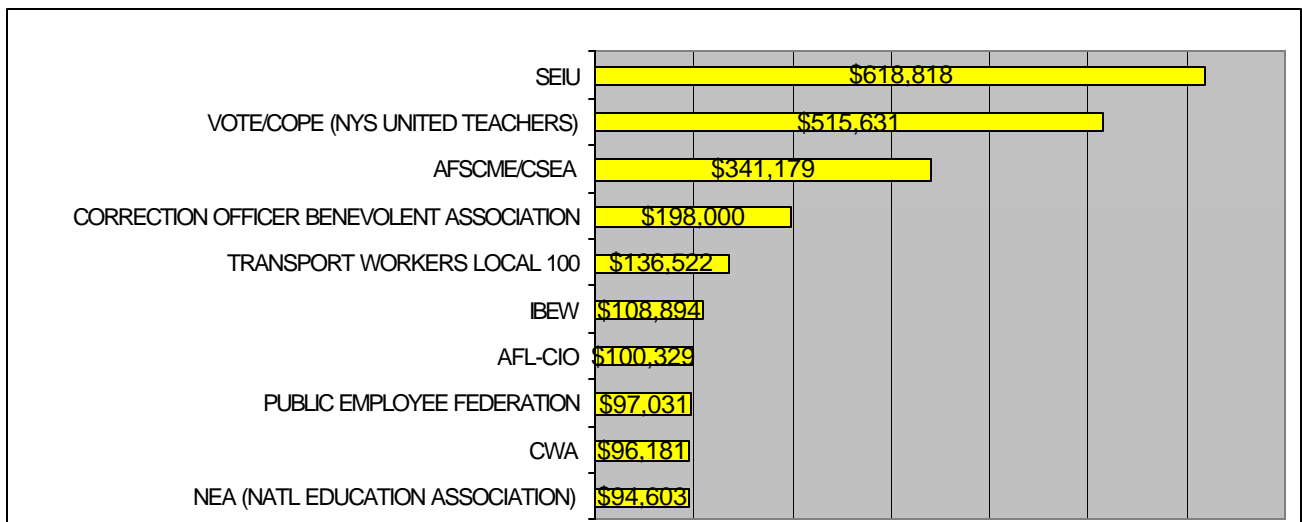


❑ **Labor:** Union PACs representing workers whose jobs rely on government funding dominate the top 10 union PACs.

- Seven of the top 10 union PACs represent public employee unions.
- The top private sector union, SEIU, represents an industry - health care - that relies on government funding and policy for much of its revenue.

*(Note: Unions often have contributions from national, state and local units. In this report the total for a union includes all the contributions).*

### Top 10 Labor PACs





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### Individual Donations

**31 individuals contributed \$25,000 or more, for a total of \$1.2 million, 4.5% of all the money donated.**

❑ People who made their money on Wall Street dominate the list of top individual givers. Ten of the 31 individuals who gave \$25,000 or more, including the top two individuals givers, are financiers.

❑ The top giver, Lawrence Kadish, and three more of the top individual donors, come out of the real estate industry.

❑ Of the top 31 donors, 22 are from New York and 9 are from out of state.

**The following are profiles of the six individuals who contributed \$50,000 or more:**

❑ Realtor **Lawrence Kadish** gave \$127,000, including \$120,000 to the Republican Party and \$7,000 to Democratic Assemblyman Brian McLaughlin. Kadish, a realtor with major investments in New York and Florida, makes his New York home in Westbury on Long Island. A member of the national Republican Regents, Kadish is one of the top national givers to the Republican Party, contributing more than \$500,000 in soft and hard money to Republicans in 1999 and 2000.

❑ **John Kornreich**, Managing Director of Sandler Capital, contributed \$85,500, all to Democrats, with the largest contribution of \$75,000 to the Democratic Party. A Long Island resident, Kornreich's company has major investments in cable systems. He is a big Democratic donor on the national level too, giving \$200,000 in soft money to national Democratic Party committees in 2000.

❑ Financier **Jack Dreyfuss** gave \$76,500, in one gift to the Democratic Senatorial Campaign Committee. A New York City resident, Dreyfuss is the founder of the Dreyfus Corporation, which pioneered mutual funds. In 1994 Dreyfuss merged with Mellon Bank and The Boston Company. Dreyfuss has not been a big donor on the federal level.

❑ **Edgar Bronfman**, Chairman of The Seagram Company Ltd., gave \$72,150, all to the Republican Party. The Seagram Company Ltd., headquartered in Montreal, operates in four global business segments: **music, filmed entertainment, recreation and spirits and wine.** Bronfman, who lists New York City as his address, has contributed to Republican and Democratic candidates on the federal level, but has favored Democrats in Washington. His largest federal contribution in this election cycle is \$100,000 to the Democratic National Committee.

❑ Energy executive **Bill Koch** gave \$50,000 to the Democratic Senatorial Campaign Committee. Koch, whose home is in Florida, is the founder of the Oxbow Group of oil companies, one of the top privately-held companies in America and has financed successful defenses of the America's Cup in yacht racing. Koch's New York contribution is unusual; there is no record of him making political donations to federal candidates in this election cycle.

❑ **Robert Abplanalp**, founder of Precision Valve Corporation, gave \$50,000 to the Republican Party. Abplanalp developed the modern aerosol can and Precision Valve is the world's largest manufacturer of aerosol valves. Abplanalp, who lists his address as Yonkers, made contributions to Senator John McCain and Mayor Giuliani in 1999 and 2000.

*Please refer to Top 31 Individuals table on next page.*

❑ *The legislature cut estate taxes in 1999 by \$8 million, a change that will most benefit wealthy individuals.*



## Capital Bargains, Capital Gains



### 31 Individuals Who Gave \$25,000 or More

<b>Name</b>	<b>Amount</b>	<b>Employer</b>	<b>State</b>
Lawrence Kadish	\$127,000	First Fiscal Fund	New York
John Kornreich	\$85,500	Sandler Capitol	New York
Jack Dreyfus, Jr.	\$76,500	Dreyfus Charitable	New York
Edgar Bronfman, Jr.	\$72,150	Joseph E. Seagram & Sons	New York
Bill Koch	\$50,000	Oxbow Industries	Florida
Robert Abplanalp	\$50,000	Precision Valve Corporation	New York
Finn Casperson	\$47,500	Knickerbocker Management Co	New Jersey
Thomas Poole	\$45,250	Halen Construction	New York
Lisa Perry	\$40,000	Perry Capitol	New York
Slaner Larkin	\$37,000	Women's Sports Foundation	New York
Elinor Urstadt	\$35,000	Unavailable	New York
Henry Kravis	\$34,300	Kohlberg Kravis Roberts	New York
Charles Ergen	\$34,000	Echostar Communications	Colorado
Bernard Mendik	\$32,500	The Mendik Corp	New York
Dirk Ziff	\$30,000	Ziff Brothers Investments	New York
Marc Nathanson	\$30,000	Falcon Cable TV	California
Agnes Gund	\$30,000	Museum of Modern Art	New York
Bruce Gelb	\$28,000	Bristol Meyers Squibb	New York
John Whitehead	\$27,500	AEA Investors	New York
Bernard Rapoport	\$25,000	American Income Life Insurance	Texas
Andrew Saul	\$25,000	Saul Partners	New York
Timothy Collins	\$25,000	Ayco Company	New York
Jared Abbruzzese	\$25,000	CIA Wireless	New York
Neil Bluhm	\$25,000	Jim B Realty Corporation	New York
Philip Levine	\$25,000	OnBoard Media	Florida
Eve Weinstein	\$25,000	Elegant Films	New York
Frederick Fish	\$25,000	Frederick F. Fish Investments	New Jersey
Jane Clark	\$25,000	Clark Estates	New York
Alfred Estrada	\$25,000	Pan Am Enterprises	Florida
David Feinberg	\$25,000	Feinberg Properties	New York
Wayne Reaud	\$25,000	Reaud Morgan Quinn	Texas

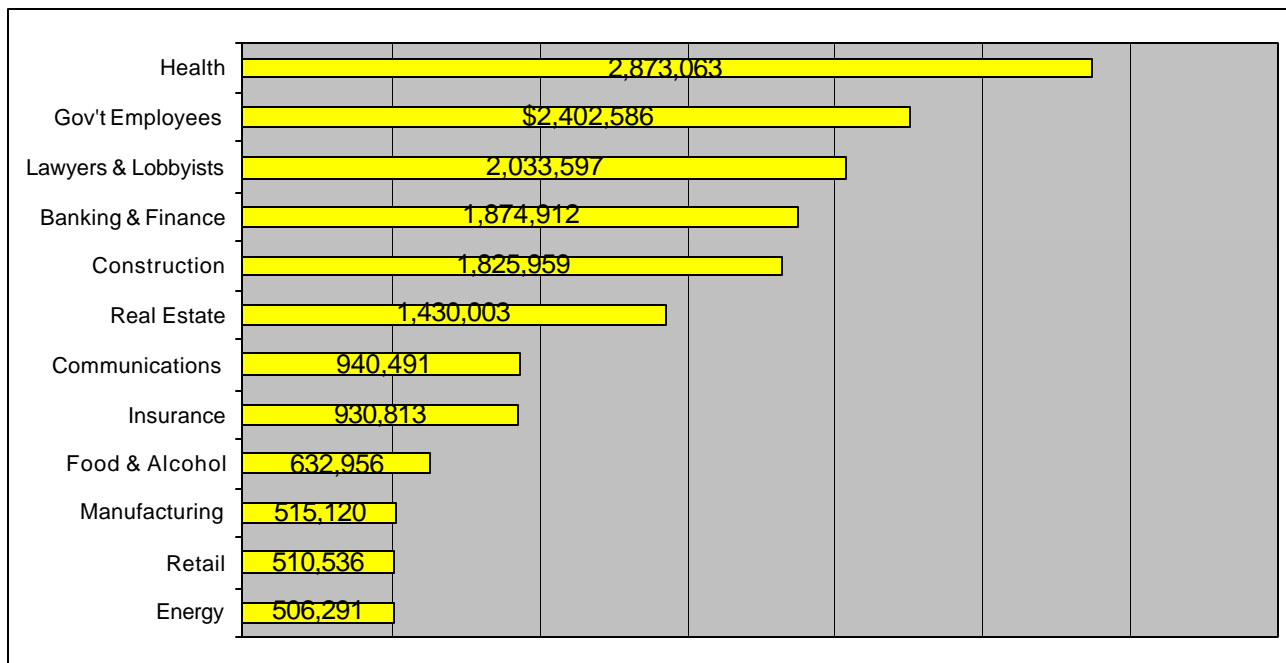


**Capital Bargains, Capital Gains: The top givers in each industry and what they wanted from the legislature.**

In the following section we report on the top givers in each of the 12 industry groups that contributed \$500,000 or more to state legislators. In each sector we also identify the priority legislative issue for the top PACs in that industry. In short, we report on what the PACs hoped to gain through their campaign contributions.<sup>10</sup>

**The top 12 industries**, in rank order, are: health care; government employees; lawyers and lobbyists; banking & finance; construction; real estate; communications; insurance; food & alcohol; manufacturing; retail; and energy.

**Top 12 Industries**





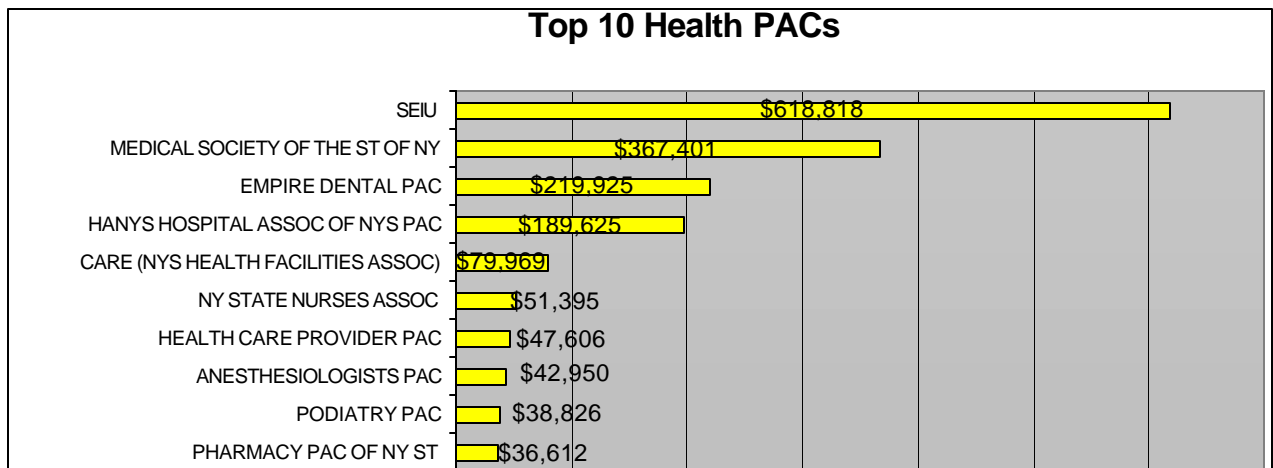
Health Care: Rank # 1 – Total giving: \$2.9 million

Industry Summary: The issue that dominated the 1999 legislative session was health care, culminating in the passage just before New Year’s Day of the Health Care Reform Act (HCRA). So it is no wonder that more money was given by health care interest groups than any other industry in 1999 and 2000. In December the legislature passed a new HCRA law that established new programs to provide health coverage to uninsured families and continued high levels of funding for hospitals. The legislature rejected appeals by big business to substantially revamp the system by cutting funding to hospitals.

The health care industry has many well-funded groups, with both complementary and competing

insurance programs like Child Health Plus. HCRA also sets the rates that the Medicaid program pays hospitals. The final HCRA deal also included an agreement by Governor Pataki to not propose major cuts in Medicaid in the next three state budgets.

The Service Employees International Union, SEIU, the union that includes Local 1199, gave a total of \$618,818. SEIU/1199 was successful in its efforts to pass a HCRA bill that included its top priorities: protecting hospital funding and expanding health coverage to uninsured adults. Hospitals, represented by HANYS (hospitals and nursing homes); CARE (for-profit nursing homes); and the Health Care Provider PAC (for-profit home care agencies) were



interests, including hospital workers, doctors, dentists, nurses, hospitals, nursing homes, home-care agencies, HMOs, pharmacies, drug companies and other health professionals. Together they gave \$2.9 million, 15 % of all the campaign contributions identified.

Top Issues in Health Care:

The Health Care Reform Act (HCRA): Every sector of the health care industry was focused in 1999 on HCRA. HCRA governs billions of dollars spent on hospitals, money raised through taxes, health insurance premiums and fees on health services. The funding is used to educate doctors, subsidize hospitals and clinics that serve people without health coverage and provide health

also backers of state funding through HCRA and Medicaid.

Medicaid budget. As part of the HCRA negotiations, the Governor and legislative leaders agreed to protect the Medicaid from cuts for three budget years. In addition to SEIU and the hospitals, nursing homes, home care agencies and other health care worker unions (such as AFSCME) benefit from avoiding cuts in Medicaid.

Doctor Profiling. This new law, vigorously opposed by the Medical Society, which gave \$367,401, will give consumers information about malpractice suits and other disciplinary actions taken against doctors. The Medical Society was successful in weakening provisions of the law.



## Capital Bargains, Capital Gains



❑ **HMO Liability:** HMOs, represented by the Health Plan Association PAC (\$18,000) stopped legislation to make HMOs and health insurers legally liable when they make a medical decision that harms a patient. The legislation was supported by doctors, trial lawyers, nurses, hospitals and consumer groups and opposed by the health insurance industry and big business. Passed the Assembly only.

❑ **Health Care Whistle Blower Protections:** This new law, pushed by the New York State Nurses Association as well as health care and

opposed by hospitals, nursing homes and pharmacies, will provide job protection for health care workers who complain publicly about problems with the quality of care delivered. The top individual donor in the health care industry was Bruce Gelb (\$28,000), a Bristol Meyer Squibb executive. The pharmaceutical companies oppose legislative proposals to lower the price of prescription drugs, through either the State using its purchasing authority or imposing price controls; neither measure passed.

### Top Individual Donors in Health

Name	Amount	Employer	State
Bruce Gelb	\$28,000	Bristol Meyers Squibb	New York
Anthony Salerno	\$16,505	Healthcare Associates	New York
Samuel Waksal	\$14,000	Inclone Systems	New York
Robert Burnett	\$10,000	Self	California
Simon Pelman	\$9,900	Green Park Care Center	New York

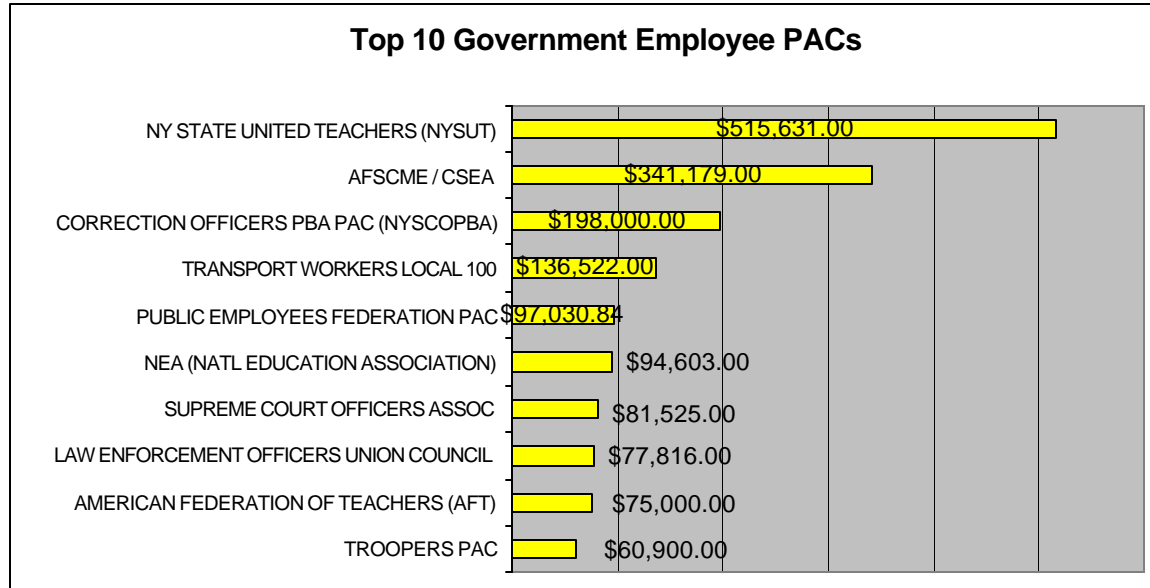


Government Employees: Rank #2 - Total giving: \$2.4 million

**Industry Summary:** Government employee unions push for wages and benefits for workers and retirees and oppose lay-offs. The unions benefit both from being big donors and by organizing their members to work on legislative elections. Backed by the Wall Street

**State Budget:** The State Budget included an increase of \$1.1 billion in education funding, and grew at a rate significantly higher than inflation in the 2000-2001 budget.

boom feeding a state budget surplus, government employee unions were largely successful in enacting their agenda.



The top priority was making an annual cost of living adjustment (COLA) permanent for retired public employees in the state pension system, a system that also covers many local government employees.

This industry does not have a list of top individual givers; none were identified.

**Top Issues for Government Employees:**

**Retiree COLA:** In 2000 the legislature agreed, after no action for many years, to make an annual cost of living adjustment (COLA) permanent for retired public employees in the state pension system, a system that also covers many local government employees.

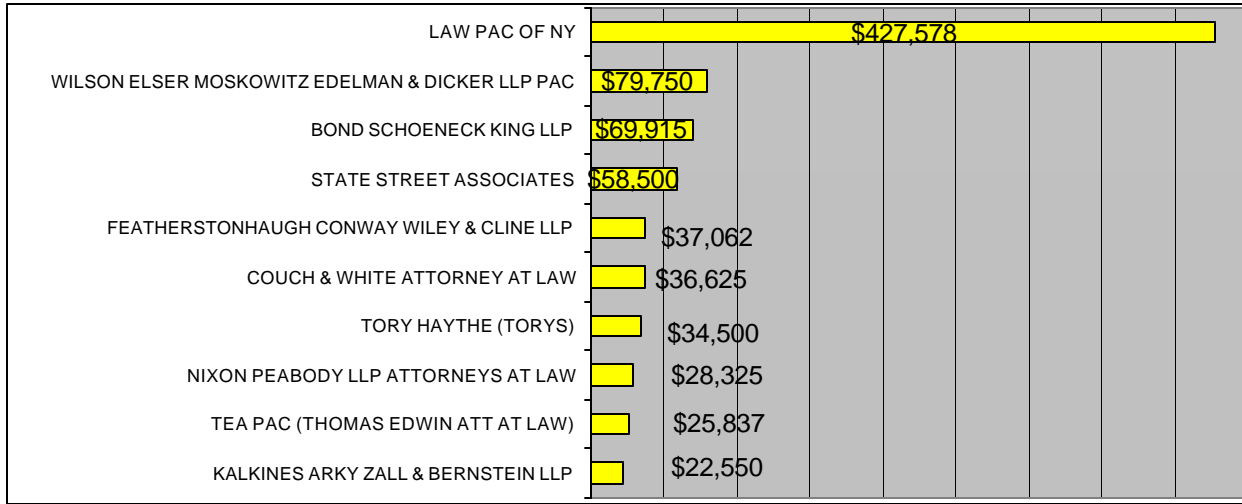
**Contract Negotiations:** While not strictly a legislative issue, difficult contract negotiations between the Pataki administration and the major public employee unions dragged on through most of the 1999-2000 legislative session. Public employee unions made their case for a stronger contract – and the money to pay for it – with the state legislature.

**School Reform:** The legislature and governor agreed to establish a limited number of charter schools during the 1999 legislative session. Teachers’ unions argued against charter schools and, while unable to block the legislation, significantly shaped its provisions.



Lawyers and Lobbyists: Rank #3 - Total Giving: \$2.0 million

Top 10 Lawyer & Lobbyist PACs



Industry Summary:

The #1 industry player LAW PAC (\$427,578), which represents trial lawyers, was successful in achieving its top priority: blocking a comprehensive amendment of tort laws in New York that would erect a variety of barriers and limits to liability claims.

The other top 10 law PACs are law firms and all but two (TEA PAC and Tory Haythe) are registered lobbyists. Law firms and lobbyists represent a broad variety of issues, reflecting the agenda of their clients. For example, the top law firm, Wilson, Elser, Moskowitz, Edelman & Dicker LLP (\$79,750 in campaign contributions), lobbies for 53 clients, ranging from Albany Medical Center, to PriceWaterhouseCoopers, to Niagara Mohawk, to the Hebrew Home for the Aged at Riverdale to the Suffolk County Association of Municipal Employees.

Top Issues in Law:

**Tort Reform:** LAW PAC, the trial lawyers lobby, stopped proposals in the legislature to make major changes in tort laws that would reduce the liability of professionals, manufacturers, businesses, local governments and others. Consumer groups — who almost never make campaign contributions — also opposed the tort legislation, which was supported by a coalition of business, doctors, insurance companies and local governments.

**HMO Liability:** Trial lawyers favored legislation to make HMOs and health insurers legally liable when they make a medical decision that harms a patient. The legislation was also supported by doctors, nurses, hospitals and consumer groups and opposed by the health insurance industry and big business. Passed the Assembly only.

Top Five Lawyer & Lobbyist Donors

Name	Amount	Employer	State
Wayne Reaud	\$25,000	Reaud Morgan Quinn	Texas
Robert Smith	\$20,000	Paul Weiss Rifkind Wharton	New York
John O'Quinn	\$20,000	O'Quinn Kerensky	Texas
Leonard Litwin	\$17,150	Glenwood Management	New York
George Shebitz	\$15,500	George Shebitz & Associates	New York

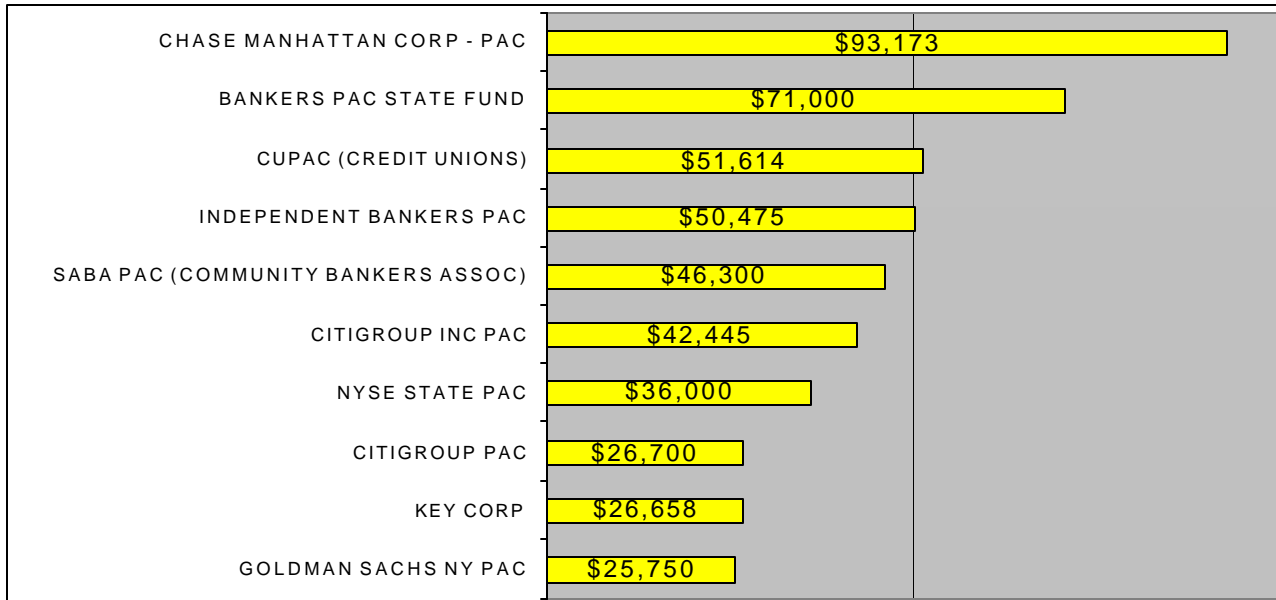


# Capital Bargains, Capital Gains



## Banking and Finance: Rank #4 - Total Giving: \$1.9 million

### Top 10 Banking & Finance PACs



#### Industry Summary:

Banks and bank lobbying groups make up eight of the top 10 banking and finance PACs. The banks were successful in winning their top priority, legislation to allow state chartered to operate under federal regulation. Banks won a \$100 million tax break in 1999 and both banks and securities firms won a variety of other tax breaks in 2000. Banks also successfully blocked any attempts to enact consumer protections on privacy or lending.

When it comes to individuals it is financiers who are the big money in the industry. As reported above, many of the top individual donors come out of Wall Street, including John Kornreich, Finn Casperson, Jack Dreyfus, Henry Kravis and Dirk Ziff.

#### Top Issues in Banking and Finance:

##### Top Five Individuals in Banking & Finance

Name	Amount	Employer	State
John Kornreich	\$85,500	Sandler Capitol	New York
Jack Dreyfus, Jr.	\$76,500	Dreyfus Charitable	New York
Finn Casperson	\$47,500	Knickerbocker Management	New Jersey
Henry Kravis	\$34,300	Kohlburg Kravis Roberts	New York
Dirk Ziff	\$30,000	Ziff Brothers Investments	New York

**Wildcard banks:** The legislature agreed to continue to give state-chartered banks the same powers as national banks. Consumer groups argued that state chartered banks provide more consumer protections of bank charges and practices.

**Tax Breaks:** Banks won a \$100 million reduction in corporate taxes in 1999. In 2000 the legislature approved rules to reduce taxes on banks that manage mutual funds, gave new tax breaks to securities and commodities brokers and passed a retroactive tax credit for a merger and acquisition.

**Financial privacy:** Banks opposed efforts to allow consumers to restrict credit card companies from selling or exchanging the personal information of credit card holders, a measure that did pass the Assembly. Neither house acted on proposals — opposed by banks — to improve on new federal guidelines for financial privacy.

**Predatory Lending:** Banks successfully opposed proposals to prevent mortgage companies and home improvement contractors from making questionable sales of high-rate mortgages. Passed Assembly.



## Capital Bargains, Capital Gains



**Construction: Rank #5 - Total giving: \$1.8 million**

**Industry Summary:** Both construction employers and unions make significant contributions to the legislature, resulting in enactment of common priorities and no legislative action where the bosses and workers disagree. Three of the top ten PACS — including the top two — are unions: the Operating Engineers and the Laborers. Seven of the top PACs are contracting firms or contractor PACs. The industry won major increases in state funding of transportation but deadlocked on issues of workers' wages, compensation and safety.

Thomas Poole, of Halen Construction, was the top individual donor to the legislature, contributing \$45,250.

### ***Top Issues in Construction:***

□ **State Funding of Transportation and Other Public Projects.** The State Legislature and Governor agreed to increase spending for road, bridges and transit by \$575 million. The parties also agreed to place a \$3.8 billion transportation bond act on the ballot. The state budget also included numerous construction projects.

□ **Workers' Wages, Compensation and Safety:** Construction firms support a variety of measures aimed at lowering the cost of workers' pay and compensation and limiting liability for accidents. The items were all opposed by unions representing the construction workers. Construction firms asked the legislature to:

- Eliminate continued workers' compensation payments when a worker permanently loses part of his or her functioning due to a work-related injury. Also, to replace state generated workers compensation guidelines with an American Medical Association guideline that, unions argue, does not reflect the conditions of individual workers.

- Eliminate the requirement that construction firms pay the prevailing wage, reflective of union pay rates, for projects financed with state funding that are for public purposes.

- Eliminate employer liability for accidents on construction scaffolding.

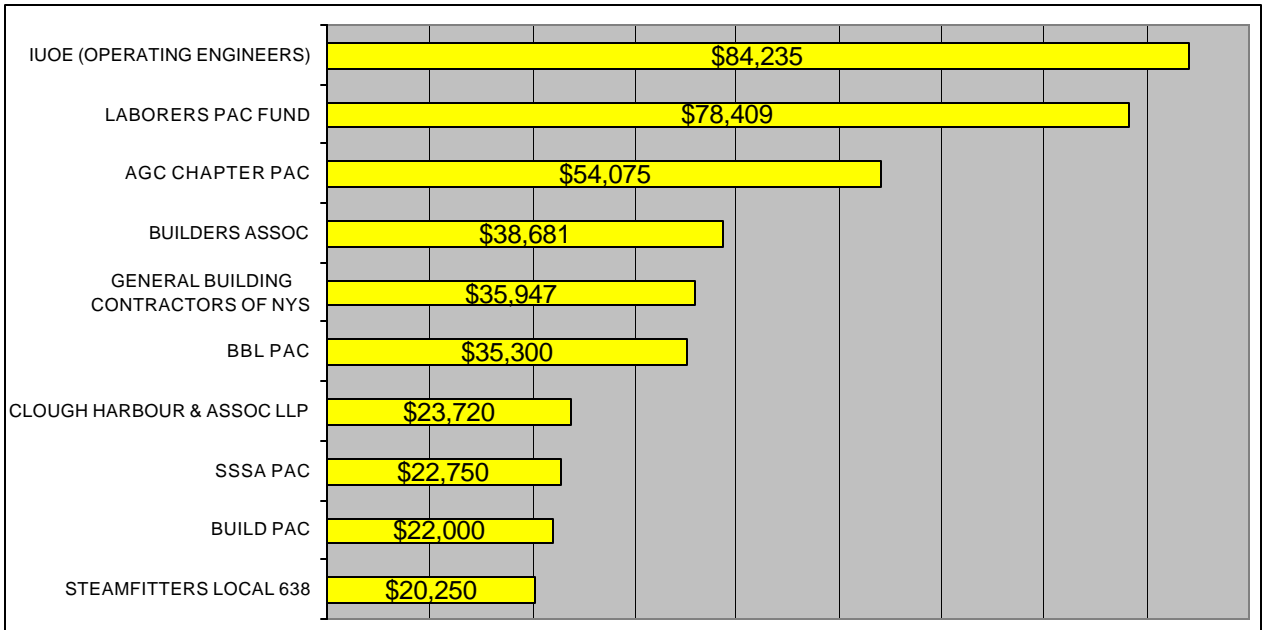
***Refer to next page for chart and table.***



# Capital Bargains, Capital Gains



## Top 10 Construction PACs



## Top Five Individuals in Construction

Name	Amount	Employer	State
Thomas Poole	\$45,250	Halen Construction	New York
Earle Mack	\$19,500	Mack Company	New York
Joel Picket	\$11,000	Gotham Construction	New York
Joel Mounty	\$10,600	Mountco Construction	New York
Rocco Trotta	\$8,700	Liro-Kassner	New York



# Capital Bargains, Capital Gains



## Real Estate: Rank #6 - Total giving: \$1.4 million

**Industry Summary:** The real estate industry is one of the only large industries – life insurance being the other - that failed to enact its top priority. The four top PACs in the industry, which together spent more than \$300,000, wanted the legislature to end rent regulation on lofts in the 1999 legislative session. But the memory of widespread public opposition to weakening all rent regulation in 1997, combined with active opposition from loft tenants in 1999, resulted in extending loft protections for two more years.

However, realtors were successful in stopping a number of other proposals to provide new protections for tenants and owners of condos and coops.

Individual realtors are big givers, led by Lawrence Kadish's \$127,000 in contributions.

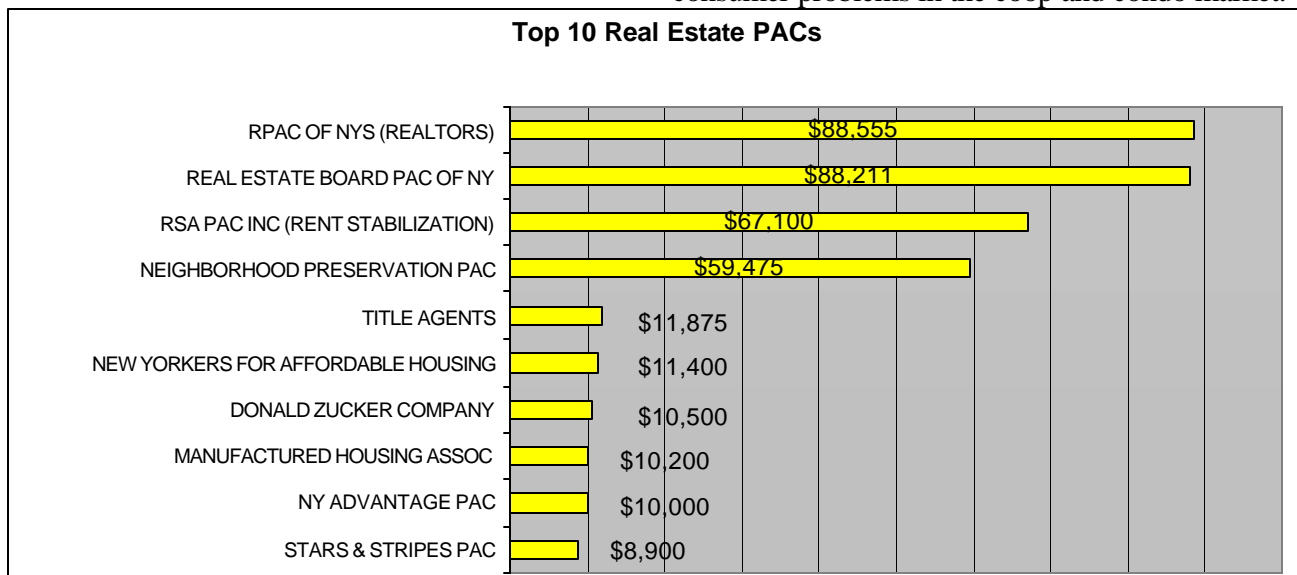
### Top Issues in Real Estate:

**Loft rent protection:** The real estate industry failed to block further extension of regulation on lofts used by residential tenants. The loft law was extended from July 1999 through June 2001.

**Rent regulation of major capital improvements:** Realtors blocked proposals by tenant groups to put limits on the length of time tenants have to pay for Major Capital Improvements. Currently tenants have to pay for these increases permanently — even after improvements are fully paid-off by the landlord.

**Mitchell-Lama Housing:** Realtors opposed proposals to extend rent regulation, and protect tenants from buy-outs, in buildings built under the Mitchell Lama tax credit program. The measures passed the Assembly.

**Coops and Condos:** Realtors successfully blocked proposals to alleviate a number of consumer problems in the coop and condo market.



### Top Five Individuals in Real Estate

Name	Amount	Employer	State
Lawrence Kadish	\$127,000	First Fiscal Fund	New York
Bernard Mendik	\$32,500	The Mendik Corporation	New York
David Feinberg	\$25,000	Feinberg Properties	New York
Neil Bluhm	\$25,000	Jim B Realty Corporation	Illinois
Donald Ledduke	\$20,000	Unavailable	New York



## Capital Bargains, Capital Gains



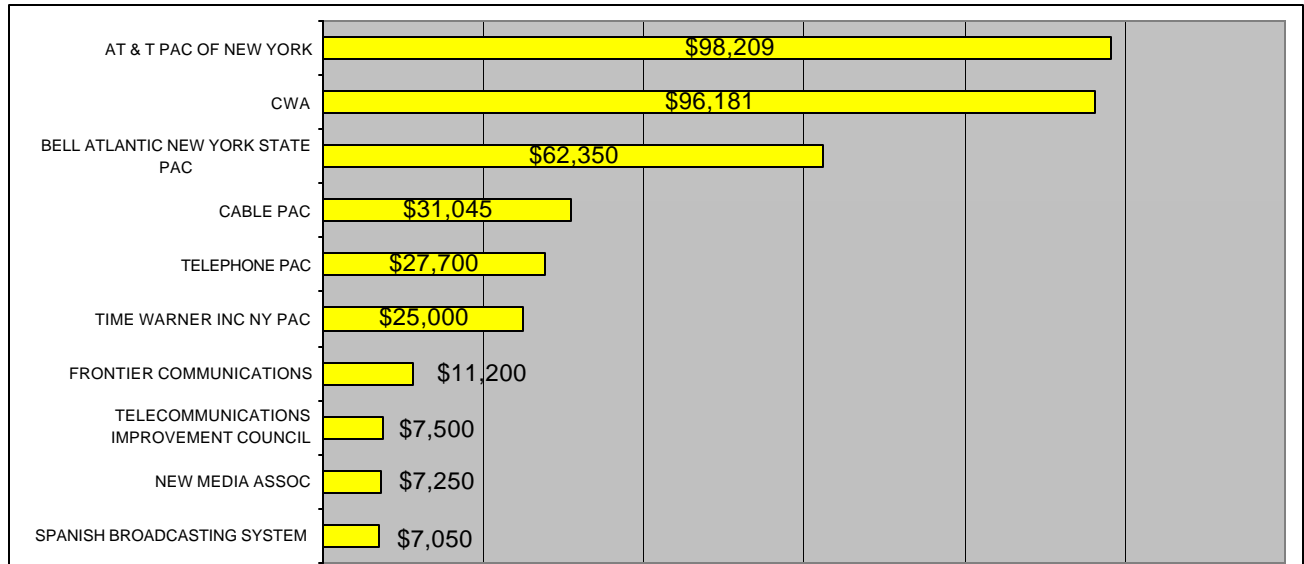
### Communications: Rank #7 - Total giving: \$940,000

**Industry Summary:** Most of the money in communications is a spillover from battles at the Public Service Commission (PSC) on deregulation of telephone service. Phone and cable companies are the big spenders, along with the union that represents phone workers. The PSC enacted a comprehensive new rule in late 1999 that allowed Bell Atlantic to enter the long-distance market, despite the opposition of other long-distance carriers. Other deregulation issues include protecting

#### *Top Issues in Communications:*

**Telephone Deregulation:** The PSC approved Bell Atlantic's entry into the long-distance market in the fall of 1999, after a multi-year review process, and with conditions that require continued monitoring of how well Bell Atlantic is allowing customers to choose another carrier for local phone service. Entry into the market was the top priority for Bell Atlantic – the #3 communications PAC - but opposed by long distance companies such as AT&T,

#### Top 10 Communication PACs



workers jobs from mergers, consumer quality protections, and rate regulation.

The industry also won millions of dollars in tax breaks in the form of exemptions from sales tax for purchase of major equipment.

While the top PACs represent phone companies, the top individuals in communications come from cable TV and films.

the #1 PAC in this industry. The phone companies are also pushing the PSC and legislature to loosen remaining rate regulations, arguing that they are antiquated in a new era of competition.

**Tax Breaks:** The communications industry also got new tax breaks from the legislature. Cable companies, and other new communications providers, got an exemption from sales tax that used to only apply to phone equipment. Internet data



## Capital Bargains, Capital Gains



centers, which do web site hosting, also won a sales tax exemption. Radio and TV broadcasters won an exemption from sales tax on much of the standard equipment needed to operate their business. The tax breaks are included in a package of sales and use tax reductions worth \$178 million; the value of the specific tax breaks to the communications industry was not estimated.

❑ **Quality and Jobs:** CWA, the union that represents phone company workers, was the #2 PAC. Its top issues are to keep jobs in New York from being lost in mergers and downsizing and to maintain standards for quality service to consumers. The phone companies are pushing the PSC to weaken quality standards and want to avoid any specific controls on maintaining jobs.

### Top Five Individuals in Communications

Name	Amount	Employer	State
Charles Ergen	\$34,000	Echostar Communication	Colorado
Marc Nathanson	\$30,000	Falcon Cable TV	California
Eve Weinstein	\$26,000	Elegant Films	New York
Philip Levine	\$25,000	OnBoard Media	Florida
J Barrett	\$16,000	Telergy	New York

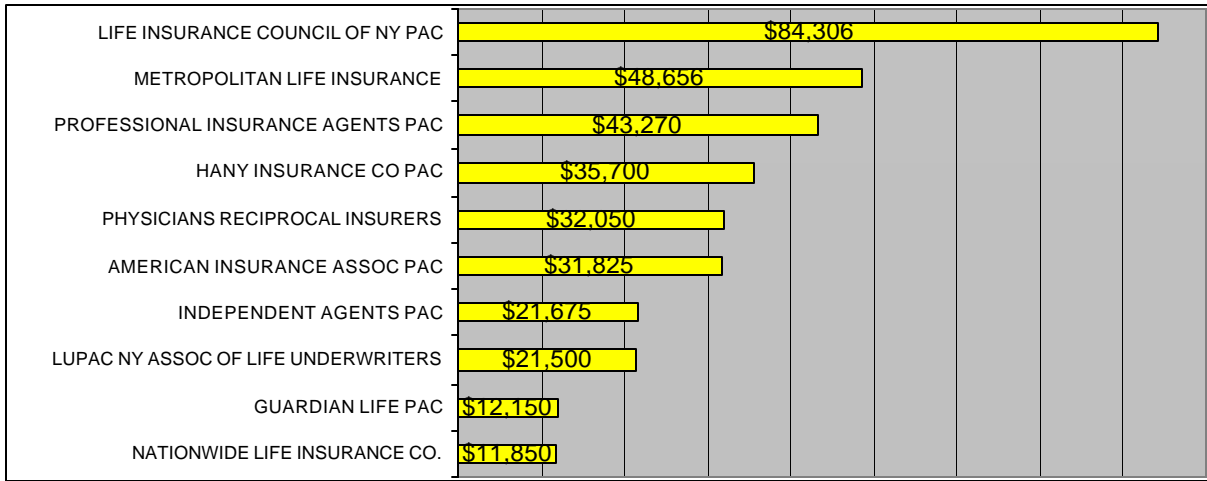


# Capital Bargains, Capital Gains



**Insurance: Rank #8 - Total giving: \$931,000**

## Top 10 Insurance PACs



### Industry Summary:

The top insurance PACs lobby on life insurance, commercial liability and property and casualty issues<sup>11</sup>. While the industry failed to win its top priority in 2000 - on accounting and rate change – it won more than \$231 million in tax reductions in 1999 and 2000. Its other top priorities remained stalled in the legislature.

**Life Insurance Accounting:** The life insurance industry failed to win its top priority, a change in accounting procedures that would allow the industry to claim a higher value for assets now on the books.

**Tax Breaks:** New York based insurers won tax reductions of \$53 million in 1999 and \$28 million in 2000. The 2000 budget also gave the industry \$150 million in tax credits for investing in New York.

### The Life

Insurance Council of New York (LICONY) is the largest single PAC, with \$84,306 in donations; many LICONY

Name	Amount	Employer	State
Bernard Rapoport	\$25,000	American Income Life Insurance	Texas
David Duffy	\$5,000	Blasland Bouck & Lee Inc	New York
James Tisch	\$5,000	Loews Corporation	New York
Frank O'Brien	\$4,250	Fuller & O'Brien	New York
Douglas Land	\$4,000	The Chesapeake Group	New York

### Top Five Individuals in Insurance

members are also major donors, including Metropolitan Life, the # 2 insurance PAC, at \$48,656.

Bernard Rapoport, the Texas based head of American Income Life Insurance, was the top individual donor.

**Commercial Insurance:** Insurance companies failed to win legislation that would end Insurance Department review and approval of benefits and rates for much commercial liability insurance.

### Top Issues in Insurance:

**Tort Reform:** The insurance industry — facing opposition from the trial lawyers PAC — failed to move broad legislation that would reduce both the number and cost of liability awards.

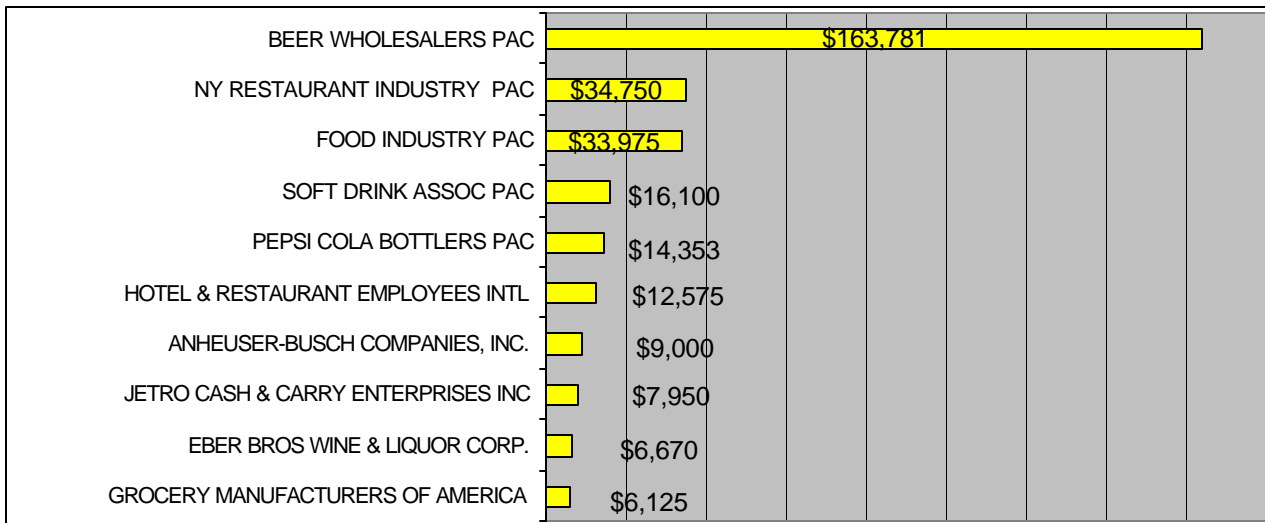


# Capital Bargains, Capital Gains



## Food & Alcohol: Rank #9 - Total giving: \$633,000

### Top 10 Food & Alcohol PACs



**Industry Summary:** By far the biggest PAC is the Beer Wholesalers (\$163,781), which represent sellers of beer and soft drinks to stores and directly to consumers. The Beer Wholesalers interests are largely aligned with some of the other top PACs in the industry, that represent beer, wine, liquor and soft drink companies.

The top lobbying issue for this group is stopping any expansion of the bottle deposit bill, which does not currently cover non-carbonated beverages. Environmentalists argue for an expansion of the law to reduce waste. The industry has also pushed – without success – to raise the fee it gets for redeeming returned bottles

The beer industry won millions of dollars in tax

breaks in both 1999 and 2000 totaling \$9 million. The alcoholic beverage tax on beer was reduced and an exemption given for medium sized breweries. In addition to the large contributions from the Beer Wholesalers PAC, Genessee Brewing — which benefited from the exemption — made \$4,333 in campaign contributions.

The NY Restaurant Industry PAC (\$34,750) and the Hotel and Restaurant Employees Union (12,575) clashed over rules on how the minimum wage applies to restaurant workers who get tips. Restaurants also blocked any new rules on smoking in their establishments.

Edgar Bronfman, the Chair of Joseph Seagram & Sons, dwarfed any other individual in this industry by giving \$72,150, all of it to the Republican Party.

Name	Amount	Employer	State
Edgar Bronfman	\$72,150	Joseph E. Seagram & Sons	New York
M. Anthony Fisher	\$10,000	Fisher Brothers	New York
Dennis Riese	\$7,700	Riese Organization Corporate Group	New York
Arnold Wadler	\$4,500	Metro Media Corporation	New Jersey
Tony Mazzarella	\$4,027	Waterfront Crab House	New York

**Top Five Individuals in Food & Alcohol**



### Top Issues in Food & Alcohol:

❑ **Bottle Bill:** The legislature failed to act on proposals to extend the bottle deposit bill to non-carbonated soft drinks, bowing to the wishes of the top PAC in this industry, the Beer Wholesalers PAC. However, the PAC was not successful in winning an increase in the fee it gets for redeeming returned bottles

❑ **Tax Breaks:** The legislature reduced the alcoholic beverage tax on beer by 1 cent in 1999 and 1.5 cents in 2000. The tax breaks are worth at least \$8 million. The legislature also agreed to expand the exemption from the tax on medium sized breweries, a move aimed at reducing taxes by \$1 million for two New York brewers: FX Matt and Genessee

❑ **Minimum Wage and Tips:** The legislature enacted new rules governing the base minimum wage that restaurants must pay to their workers. Workers that get tips must be assured of receiving a minimum wage from a total of the base wage and tips. The legislature increased the base and tied future adjustments to action by the federal government.

❑ **Smoking in Restaurants:** Restaurants lobbied successfully to block tighter restrictions on smoking in their establishments.

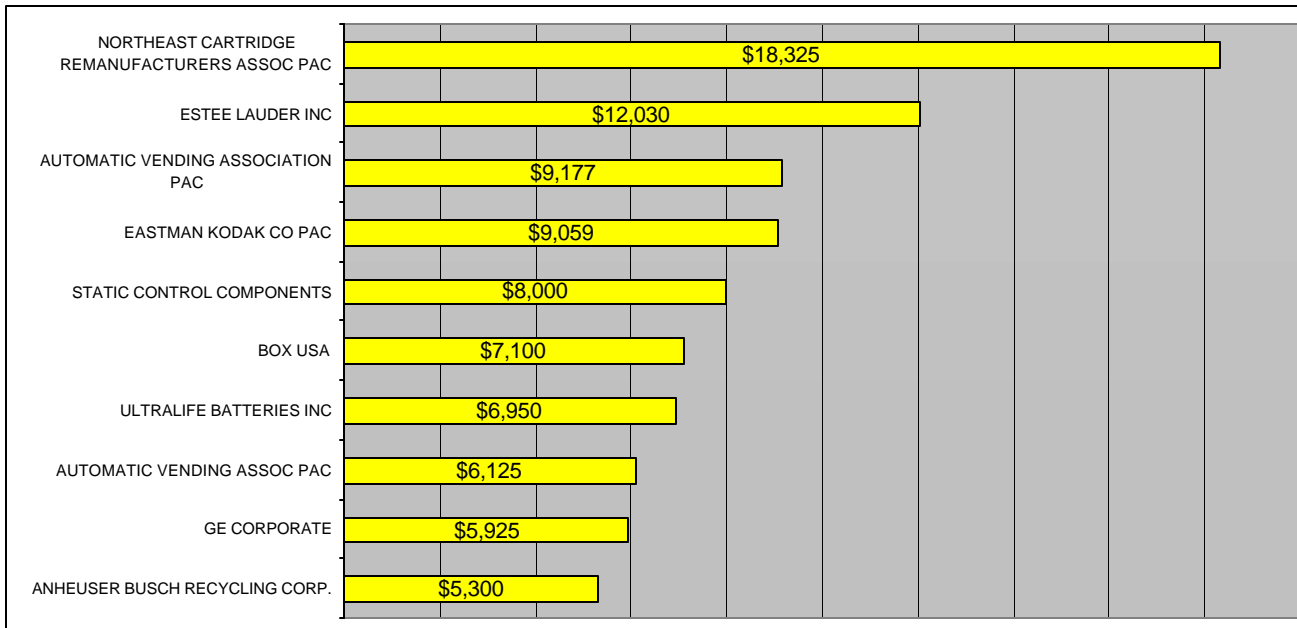


# Capital Bargains, Capital Gains



**Manufacturing: Rank #10 - Total giving: \$515,000**

## Top 10 Manufacturing PACs



**Industry Summary:** Manufacturing is a powerful sector lobbying on policies that effect all manufacturers, such as lower taxes, tort reform and cuts in workers' compensation. But when it comes to individual givers, there are no big players. Instead, individual companies, or manufacturing groups, are often successful in winning legislative action on targeted assistance, through economic development, tax breaks or specific regulations. For instance, the #1 manufacturing PAC, the Northeast Cartridge Remanufacturers Association (\$18,325), successfully won a state procurement preference.

As an industry, manufacturers were successful in winning the long sought after elimination of the gross receipts tax on energy. The tax was eliminated for manufacturers in the 2000 legislative session, retroactive to January 1.

Robert Abplanalp, head of Precision Valve based in Yonkers, was the top individual giver in this

### Top Five Individuals in Manufacturing

Name	Amount	Employer	State
Robert Abplanalp	\$50,000	Precision Valve Corporation	New York
Crandall Bowles	\$15,000	Spring Industries	North Carolina
Alan Gerry	\$10,300	Granite Associates	New York
Jo Carole Lauder	\$10,000	Estee Lauder	New York
Paul Goldenberg	\$8,000	Paul's TV & Video	California

industry, with a \$50,000 contribution to the NYS Republican Party.

### Top Issues in Manufacturing:

**Gross Receipts Tax:** The Legislature and Governor agreed to immediately eliminate the entire gross receipts tax on energy costs, a savings of tens of millions of dollars to manufacturers. Most – but not all – of the GRT is being phased out for other commercial and residential users over a number of years.

**Remanufacturing:** The top manufacturing PAC, the Northeast Cartridge Remanufacturers Association (\$18,325), won legislation that establishes a preference to the purchase of remanufactured products (over new) when the products meet standards and a preference for purchasing for remanufactured products made in New York.

**Tort Reform:** Manufacturers — along with a broad coalition of business, insurance companies, doctors and local governments — failed to move broad legislation that would reduce both the number and cost of liability awards.

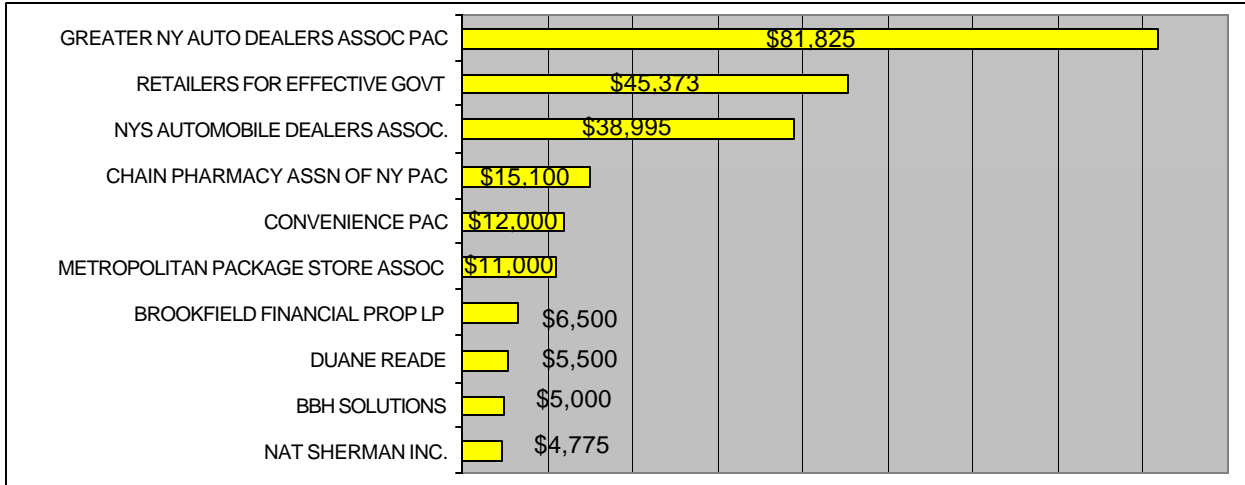


# Capital Bargains, Capital Gains



**Retail: Rank #11 - Total giving: \$510,000**

## Top 10 Retail PACs



**Industry Summary:** The biggest legislative change for consumers in the retail industry was the elimination of the sales tax on clothing under \$110, a priority of the #2 PAC, Retailers for Effective Government (\$45,373). The tax cut was delayed in 1999 but went into effect in 2000.

Retailers had other concerns too, reflecting their segment of the industry. The #1 and #3 PACs both represent automobile dealers who were successful in winning their top priority, a law preventing dealers from selling new cars without a franchise license. However the law had a provision that exempted only the Potamkin dealership, three of whose employees are the top individual contributors in

retail, giving a total of \$27,300.

### Top Issues in Retail:

**Sales Tax on Clothing:** New York eliminated the state sales tax of 4% on clothing items that sell for under \$110, a popular measure for consumers and a boost for the industry, which had argued for years that it was losing customers to New Jersey and Massachusetts.

**Auto Dealerships:** Both houses of the legislature stopped auto dealers from selling a new car without a franchise license. But a provision in the law exempted the Potamkin dealership, which created the practice.

## Top Five Individuals In Retail

Name	Amount	Employer	State
Ted Bessen	\$12,775	Potamkin Auto Center	New York
Alan Potamkin	\$9,450	Potamkin Company	Florida
Robert Potamkin	\$5,075	Planet Automotive	Florida
Chung Yeun Li	\$4,500	Joan's Super Savings Center	New Jersey
Michael Halpern	\$4,500	International Shoppes	New Jersey

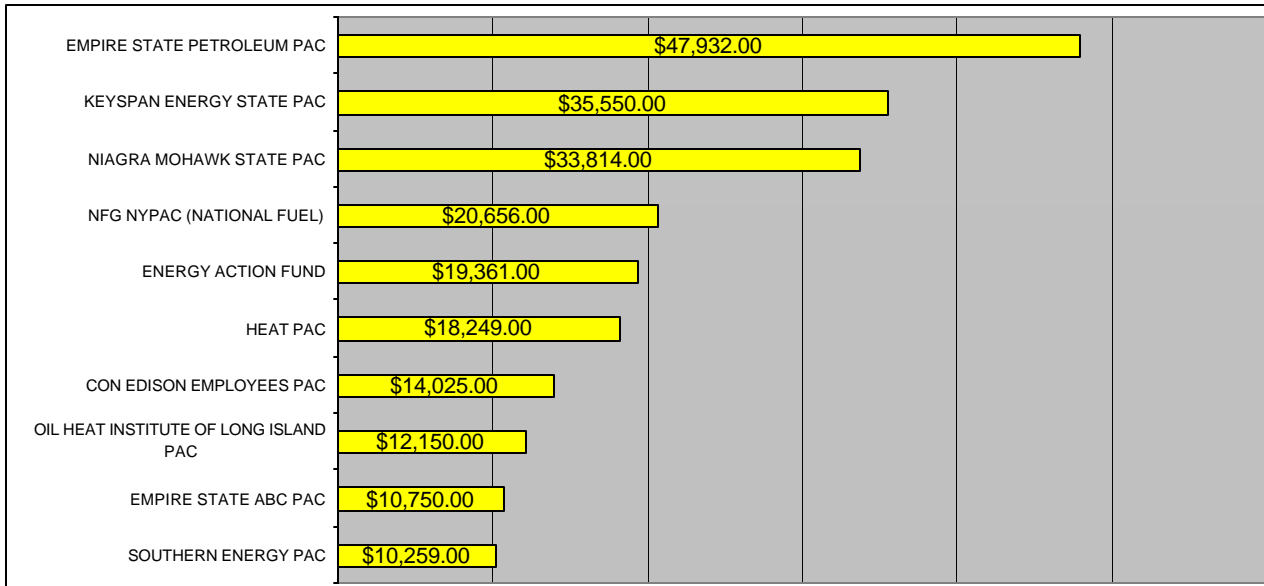


# Capital Bargains, Capital Gains



Energy: Rank #12 - Total giving: \$506,000

## Top 10 Energy Donors



**Industry Summary:** Utilities and oil heat dealers dominate the energy industry. Utilities were successful in pushing for an eventual elimination of most of the gross receipts tax — a cut of \$386 million from utility bills — and in blocking legislation action on energy deregulation. Oil heat dealers won a continued reduction in taxes on commercial home heating oil and in tax credits for homeowners who replace underground tanks.

Bill Koch, head of Oxbow Industries — an oil company — was the top individual donor, giving \$50,000 to the Democratic Senatorial Campaign Committee.

### Top Issues in Energy:

**Gross Receipts Tax:** The legislature agreed to immediately eliminate the gross receipts tax on manufacturers and to phase out most of the tax on commercial and residential users over the next

several years. The tax relief is valued at \$386 million over several years.

**Energy Deregulation:** Utilities successfully blocked efforts in the legislature to enact laws governing deregulation of the utility industry. The Public Service Commission has passed far-reaching rules encouraging energy deregulation in New York.

**Other Utility Issues:** Utilities also blocked measures to establish a \$350 million/year bank for financing energy efficient technologies and to govern siting of new utility plants.

**Oil Heat Taxes:** The Empire State Petroleum PAC won a total of \$12 million decrease in taxes on the commercial use of oil heat. The industry also got the legislature to put aside up to \$20 million to provide \$500 tax credits to homeowners who replace old – and potentially leaky – underground tanks.

Name	Amount	Employer	State
Bill Koch	\$50,000	Oxbow Industries	Florida
Oscar Porcelli	\$2,500	Gaseteria Oil Corporation	New York
Gary Segal	\$2,000	Five Star Electric	New York
Santo Petrocelli, Jr.	\$2,000	Petrocelli Electric Company	New York
Gerald Putman	\$1,750	NY State Electric & Gas Corporation	New York

Top Five Individuals in Energy



## Conclusion and Recommendations

### ***Capital Bargains, Capital Gains***

***In industry after industry and PAC after PAC we find that money brings results in the New York State Legislature, at bargain-basement prices that bring capital returns:***

- ❑ For campaign contributions of \$930,000 the insurance industry won tax breaks worth \$231 million
- ❑ For campaign contributions of \$1.9 million the banking and securities industry won tax breaks of well over \$100 million.
- ❑ Oil heat dealers gave less than \$100,000 and got \$12 million in tax reductions.
- ❑ The beer industry gave around \$200,000 and got \$8 million in tax breaks.

**Usually it's not as easy to put a dollar value on the returns, but that doesn't decrease the value of the investment:**

- ❑ The \$3 million dollars given by all sectors of health care is a minute fraction of the billions in sustained funding for hospitals, nursing homes and home care agencies.
- ❑ That same \$1.9 million by the banking industry bought banks freedom from most state regulation and avoidance of any new regulations on privacy or suspicious loan practices.
- ❑ The Northeast Cartridge Remanufacturers Association gave only \$18,325 to win a preference in state purchasing that is surely worth that many times over to its members.

***When investors compete, the legislature works hard to make everyone a winner:***

- ❑ The auto dealers PACs gave about \$100,000 and won a franchise protection that is worth tens of millions. But three executives of the Potamkin auto franchise – who might have lost under the new bill – gave \$27,300 to win an exemption from the law that will save their dealership millions of dollars too.
- ❑ Construction firms and their unions stalemated

on the issue of changing workers' compensation but united in winning massive new investments in roads and mass transit projects.

***And even when you lose, you are likely to win enough to more than justify your investment:***

- ❑ The life insurance industry didn't get its top priority – a change in accounting rules that would allow it to increase the value of its assets – but did earn hundreds of millions in new tax breaks;
- ❑ The real estate industry didn't win deregulation of rents on lofts in New York City, but for its investment of about half-a-million dollars it blocked all other proposals that would benefit tenants at the expense of landlords, saving tens of millions and more for the industry.

***It's not a secret that political donations bring high returns.*** Just ask Warren Buffett, the financier who is one of the wealthiest men in the world due to his genius at looking for a good investment, "... corporations give for one reason: self-interest. They can easily justify their expenditures because they get an outstanding return on their investments."<sup>12</sup>

***Where do consumers and ordinary citizens stand in this marketplace for our elected officials?*** On the outside, hoping that their pleas will be heard above the din of lobbyists and donors bidding for and against new laws. When consumers have well-funded powerful allies — like the trial lawyers PAC on the issue of protecting the right to sue, or hospitals and health care workers pushing to provide health coverage to the uninsured — they can overcome concentrated interests and money on the other side. When consumers are well organized on a big pocket-book issue — like rent control they can prevail over big money. When the problem gets bad enough — like the epidemic of medical deaths — the public's right to know if their doctor has ever been disciplined can trump the Medical Society's PAC.

But these are the exceptions. Most of the time consumers are simply not part of the legislative



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calculation since they bring no purchasing power to the campaign dollar market.

### ***Is this Any Way to Run a Democracy?***

The patriots who founded our country had a vision – a vision of a government of, by and for the people. Today, we have a government of, by and for the wealthy special interests who fund campaigns.

This is as evident in Albany as it is in Washington, D.C.

This situation has arisen not out of any moral or ethical lapse among elected officials. It has arisen because of the campaign system in the United States, which makes elected officials dependent on private donors to pay their bills.

The cost of a competitive election campaign for a New York State Senate seat in 2000 will be well over \$1 million. So, New York lawmakers, like those in Congress, go to those who are most likely to give — the wealthy elites and special interests that have something they want from the legislature.

Even among the elites who give, there is an elite. The 95 individuals who gave as much as \$10,000 together contributed almost \$2 million, 7% of the money donated to the legislature. These individuals, and the 238 PACs that gave \$10,000 and up, together donated \$11.9 million, almost half (44%) of all the money. The small donor that campaigns like to celebrate in rhetoric - the person or group that gives less than \$100 – made up only 3% of the money given to our state legislators.

This system has had dramatic impacts on our democracy. The few, monied interests receive a disproportionate share of lawmakers' time, whether it's at a \$500-a-plate fund raising reception or in a special meeting that the donors have requested. In debates over public policy, this tilts the playing field in favor of those who have money, rather than allowing for a fair debate or an objective assessment of facts.

Voters, most of whom do not make any political contributions, feel left out. The exchange of large sums of money between donors and candidates

amplifies the viewpoints of donors and special interests and undermines voters' faith in elections, government, and political participation. Further, the system reduces electoral competition. Fewer good people run for office because they don't want to spend the time that is required to court large donors for their campaigns. Those that do run are handicapped by an uneven playing field, where the advantage goes to the candidate with the best access to cash, rather than the candidate with the most experience or the best ideas.

### ***How to Break this Connection?***

To sever the tie between special interest money and elected officials requires a fundamental reshaping of our campaign finance system. There is a growing chorus for reform in New York, as there is around the nation. The question before us is what reforms will realize the goals of returning from the rule of "one dollar-one vote" to "one person-one vote"?

The legislative leadership and Governor Pataki are beginning to agree on some modest measures of reform<sup>13</sup>. Both the Governor and Majority Leader Bruno have proposed more detailed disclosure and timely reporting of campaign contributions and both have also proposed tougher enforcement of campaign finance laws. They have also proposed lowering the amount of soft-money in the system, although the soft-money contribution limits proposed by both would remain very high.

The Governor and Assembly Speaker Silver agree on the need to lower New York's very high limits on campaign contributions. They have also each proposed to ban fund-raisers during the legislative session in the Capital District. Both Pataki and Silver have proposals to try to compensate for spending outside of the normal campaign finance system, from independent expenditures.

Among the three leaders, only Speaker Silver has proposed a system for candidates to voluntarily limit spending in exchange for some public financing of elections<sup>14</sup>. The Speaker's legislation, fundamentally the same as that written by the Assembly leadership almost a quarter-century ago, would provide a



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dollar of public funds for every dollar of private funds in donations of up to \$500 to qualified candidates.

While it is encouraging that both Governor Pataki and Senator Bruno have recently joined the Assembly Leadership in proposing campaign finance reforms, the outlook for fundamental reform in New York remains poor. Because both Pataki's and Bruno's proposals came at the end of legislative sessions – and have seen no legislative action – they are widely viewed as being offered for political cosmetics and not with any intention to move reform.

***But more fundamentally, even if what all three leaders have proposed became law, they would not break the domination of big, private money over public elections:***

- ❑ Better disclosure and reporting is welcome – the public's right to know is a precondition for any change – but knowing won't, by itself, dam the flood of special interest money.

- ❑ Lowering campaign contributions, as we've seen at the federal level, still leaves candidates to rely on larger donors.

- ❑ Ending soft-money in New York – the enormous, unregulated contributions to parties – would be an important reform, although not one as of yet proposed by any of the leaders. Still, as was apparent in federal elections before the discovery of soft-money just a few years ago, candidates must still rely on private donations from big donors and those who can bundle lots of larger checks.

- ❑ Beefed up enforcement of campaign finance laws in New York is long overdue – the current set-up is designed for political paralysis with an equal number of people from each major party. But we first need laws worth enforcing.

- ❑ Even the Speaker's proposal for partial public financing has been found wanting when field-tested in New York City. The New York City system, which provided a 1-to-1 match of public dollars for private gifts up to \$1,000, still left candidates reliant on large donors<sup>15</sup>. That's why the City Council enacted a new law in 1998 that increases the match to 4-1 for contributions up to \$250<sup>16</sup>.

As long as candidates must rely on raising private money to get elected to public office, candidates and our legislature will be the captive of well-financed interests. We need instead a system where candidates can compete by showing broad support from voters instead of narrow support from campaign funders. ***Clean Money Clean Elections*** reform, recently enacted in four states, offers a way of doing so.

***Clean Money, Clean Elections*** reform begins to restore the principle of “one person, one vote” that lies at the core of our democracy. ***Clean Money, Clean Elections*** reform offers candidates an alternative to soliciting special interest money or spending personal funds to run for office. Under Clean Money, Clean Elections Reform, candidates who demonstrate broad support in their districts, and who are willing to reject private money and limit their spending, receive a fixed and equal amount of campaign funding from a publicly financed fund. They are also eligible for additional public funds, if they are outspent by their opponents or targeted by independent expenditures.

***Clean Money, Clean Elections*** reforms was first approved by the voters of Maine in a 1996 ballot initiative, and has since become law in three other states —Massachusetts, Vermont and Arizona. About one-third of the candidates in Maine and Arizona are running under the new ***Clean Money, Clean Elections*** programs in those states, the first states to implement their new laws for legislative races in 2000.

The programs have drawn participation from candidates in both major parties, even though there was some initial resistance from party leaders. Candidates – including incumbents — are finding enthusiasm from voters in the field, who understand that candidates are spending less time fund raising and more time talking to people in their districts

***Clean Money, Clean Election*** systems are being phased in Vermont, where the law applies only to statewide candidates in 2000, and in Massachusetts, where candidates will begin campaigning under the new rules for elections in 2002.



*Clean Money, Clean Elections* (CMCE) reforms are designed to accomplish the following goals:

❑ **Reduce and limit campaign spending.**

CMCE sets strict spending limits, and prevents the extraordinarily high amounts spent on recent campaigns for Governor and some legislative races.

❑ **Stop the flow of special interest money.**

CMCE limits campaign contributions to participating candidates to no more than \$100 and to other candidates to \$1000.

❑ **Give regular people a fair shot at winning office.** CMCE candidates, who collect a set number of \$5 contributions from voters in their districts, receive a fixed and equal amount of public funds, enough to run a competitive campaign. Under CMCE, you don't need to be rich or raise money from well-funded special interests, to run for office.

❑ **Stop the endless money chase.** Under CMCE, candidates qualify for office and can then spend their time raising issues, instead of raising money.

❑ **Restore the principle of “one person, one vote.”** Now, the candidate who raises the most money is considered the front-runner. With CMCE, candidates receive a fixed and equal amount of funding, so they can concentrate on campaigning for votes, not dollars.

CMCE reforms also include many of the proposals made by the Governor, legislative leadership and others, in Albany, including: better disclosure and reporting; lower contribution limits; an end to soft-money; stronger enforcement; and measures to balance out independent expenditures.

*Clean Money, Clean Elections* legislation has been introduced in the New York Legislature by Senator David Paterson and Assemblyman Felix Ortiz (S.6012/A.8937). Some 20 members of the Senate and more than 30 Assembly members have signed on as sponsors. The approach is supported in New York by some 80 citizen organizations representing religious, senior, labor, environmental, tenant, student, women's, community, good government and neighborhood groups.



### Footnotes

<sup>1</sup> “Soft Money is Bad Business”, Jerome Kohlberg, *New York Times*, 7/5/98.

<sup>2</sup> Seven committees were included. Five leadership committees: Democratic Assembly Campaign Committee; NYS Senate Republican Campaign Committee; Democratic Senatorial Campaign Committee; NYS Democratic Senate Campaign Committee; and the Republican Assembly Campaign Committee. Two party committees: NY Republican State Committee and NYS Democratic Committee. Future reports will include reporting on housekeeping accounts.

<sup>3</sup> Individuals and partnerships (schedule A); corporate (schedule B); all other (schedule C); and in-kind contributions (schedule D). Loans to candidates’ campaign committees (Schedule I) were not included.

<sup>4</sup> Under current law in New York the contribution limit for the state senate is \$4,900 in a primary and \$7,700 in the general election. The Assembly limits are \$3,100 in the primary and \$3,100 in the general election. There are additional limits on giving by members of the same family. The maximum contribution to a party committee in any one year is \$76,500. The maximum amount that an individual may contribute to all candidates and PACs combined is \$150,000 in one year. While there is a \$5,000 annual limit on corporate giving there is no limit on PAC giving to all candidates.

<sup>5</sup> The Center for Responsive Politics is a non-partisan research group that investigates giving to candidates for federal office and makes that information available to the media and all interested members of the public. For a complete description of the category coding process, see the Center’s “Follow the Money Handbook,” Larry Makinson, Washington, D.C., 1994.

<sup>6</sup> The “Open Secrets” database of the Center for Responsive Politics, [www.opensecrets.org](http://www.opensecrets.org), which includes official campaign finance records filed by candidates for

federal office; and the database of the New York City Campaign Finance Board, [www.cfb.nyc.ny.us](http://www.cfb.nyc.ny.us), which includes records of NYC elections.

<sup>7</sup> Researchers who are interested in information on industries that are not included in this report should inquire by email to: [followthemoney@citizenactionny.org](mailto:followthemoney@citizenactionny.org).

<sup>8</sup> While campaign filings in New York have separate schedules for corporations, individuals and other entities, the reporting by political committees often does not follow these categories. For this report, we considered an individual any contributor with a first name and last name.

<sup>9</sup> Direct giving by businesses and labor unions is prohibited in federal campaigns, so special interest giving usually flows through individuals or PACs. An analysis of giving to 1996 federal candidates by the Center for Responsive Politics in Washington, D.C., found that individuals provided 55.5% of the campaign dollars that year, while PACs provided just 10%. The other funds came from candidates themselves (7%), political parties (11%), public funds (9%), and other (8%).

<sup>10</sup> We remind the reader that in this section the total amount of money is the \$19.5 million we identified, which represents 87% of the donations of \$250 or more by PACs and \$1000 or more by individuals. There was an additional \$3.0 million of these contributions we could not identify and \$4.9 million in contributions below this threshold. For further discussion, please see the section on methodology.

<sup>11</sup> HMOs are included in the health sector. Commercial insurance companies also lobby on health insurance issues.

<sup>12</sup> As quoted by Jerome Kohlberg in a *New York Times* oped of July 5, 1998 entitled “Soft Money is Bad Business”.

<sup>13</sup> Governor Pataki’s proposals are in program bill #92, first introduced in 1999. Senator Bruno’s proposals were



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introduced by Senator Maltese as S8098 in 2000. The Assembly has passed speaker Silver's legislation for years; the 2000 bill number is A6940B.

<sup>14</sup> *The Supreme Court's 1976 decision, Buckley v. Valeo, requires that any spending limits be voluntary. Public financing is the incentive given to candidates who agree to limit spending.*

<sup>15</sup> In 1997, 91% of Mayor Giuliani's campaign funds came in contributions of \$1,000 or more.

<sup>16</sup> Assemblyman Jim Brennan has introduced legislation (A7463) to provide public financing for state elections, modeled after the 1998 New York City law.