

Real Campaign Reform?

An Analysis of George Pataki, H. Carl McCall and
Tom Golisano's Campaign Reform Proposals



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Introduction

It is clear that New York's electoral system is deeply flawed. Many incumbent legislators go unchallenged year after year, and every ten years partisan redistricting allows incumbents to become even more entrenched. We see countless fundraisers throughout the legislative session, a pay-to-play system where many private corporations and individuals receiving contracts and development funds from the state are also campaign contributors, and numerous other dubious fundraising practices which are perfectly legal under standing law in New York. But possibly the most egregious flaw in our electoral system is the contribution limits for campaign donations.

New York State has one of the most lenient campaign finance systems in the country. On the federal level, no individual donor can contribute more than \$1,000 to a political candidate,¹ and no PAC or corporation can contribute more than \$5,000. In New York, corporations can contribute \$5,000 to a candidate for Governor, and all other donors (individuals, PACs, professional associations, etc.) can give up to \$45,400 -- \$14,700 for a primary and \$30,700 for a general election. A given individual donor can contribute \$1,000 for a candidate for President, but \$45,400 to a candidate for Governor of New York.

The contribution limits above apply to "hard money" contributions, given directly to a candidate's campaign. On the federal level, unlimited "soft money" contributions to political parties were recently outlawed under the McCain-Feingold / Shays-Meehan campaign reform bill, passed last year. New York has its own "soft money," a loophole that places no limits on party "housekeeping" accounts. However, New York also allows very large "hard" contributions to political parties, as much as \$76,500 per individual, PAC or corporation, an option that does not exist on the federal level.

New York also has poor disclosure and reporting requirements -- for example, occupation and employer is not reported for individual donors, but it is on the federal level. And there is no requirement that there be any campaign filings during between January 15th and July 15th, the usual legislative session.

Finally, the enforcement of even these lax guidelines is incredibly weak. The Board of Elections, responsible for enforcing campaign finance law, is a committee made up of an equal number of Democrats and Republicans, appointed by party leaders. This group has little power, and even less will, to investigate or punish illegal fundraising and other infractions. The three candidates for Governor, George Pataki, H. Carl

Summary Comparison of Pataki, McCall & Golisano CFR Proposals

For Details, see Appendix A

Individual Contribution Limit

Pataki: \$7,500 - \$30,000*
McCall: \$1,000
Golisano: \$45,400

Corporate Contribution Limit

Pataki: \$5,000
McCall: \$1,000
Golisano: No donations allowed

Party Contribution Limit

Pataki: \$50,000
McCall: \$7,500
Golisano: Unlimited**

Albany Fundraisers During the Legislative Session

Pataki: No events within 25 mi.
McCall: No events within 40 mi.
Golisano: No proposal

Pay-to-Play

Pataki: No restriction.
McCall: Prohibits companies and their executives from donating money for a period of time before and after receiving state contracts.
Golisano: Allows contributions from individuals doing business with the state.

Public Financing

Pataki: None
McCall: Clean Money, Clean Elections Public Financing for qualified candidates who agree not to accept donations over \$100.
Golisano: None

* Varies depending on expenditures on issue ads or self-financed opponents
** Golisano has suggested limiting party spending on candidates' campaigns

1. This limit may be increased to \$2,000 under the McCain-Feingold / Shays-Meehan campaign reform bill passed last year.

McCall and Tom Golisano, have all put forward campaign reform proposals. But the three candidates have vastly different ideas of what constitutes reform. Appendix A provides a detailed side-by-side comparison of the proposals by the three candidates.

Purpose of this Report

The current study focuses on one key aspect of the campaign finance proposals made by Pataki, McCall and Golisano -- the extent to which each would reduce the influence of big money donors directly to the candidates for Governor. The study applies the proposals made by each candidate to the actual fundraising done by the candidates in 2001 and 2002 to see what would change. Would the candidates' proposals reduce big money campaign contributions in New York?

Individual Donors: McCall's plan would limit all contributions to candidates to \$1,000. Governor Pataki's plan would limit individual contributors to \$7,500, but with a provision that this limit could increase to \$30,000 in races in which there is a self-funded candidate or outside spending on independent issue advertisements. Golisano does not place any new limits on individual contributions.

Corporations and Unions: Under New York law, corporations can contribute up to \$5,000 and unions must comply with the campaign contribution limits for individuals and other "political committees" or PACs. Both McCall and Pataki would close the loophole that allows corporations to give the maximum amount (\$5,000) from each of their subsidiaries. In addition, Pataki would limit unions to \$5,000. Golisano would prohibit all corporate, labor and PAC contributions, allowing only campaign contributions directly from individuals.

There are two other significant ways that proposals would impact on contributions from big donors. The first is contributions to and from political parties. Both McCall and Pataki would close New York's

"housekeeping" committee loophole which allows unlimited contributions to parties. Pataki would still allow \$50,000 contributions to parties and unlimited party spending on a campaign. McCall would place a \$7,500 limit on contributions to parties and establish limits on party spending. Golisano would not change contributions to parties but would not allow parties to spend on behalf of candidates.

The other major way of limiting the influence of big money is to provide public financing to candidates who agree to limit spending. Governor Pataki is opposed to public financing. Comptroller McCall's proposal is anchored on a system of public financing known as Clean Money, Clean Elections. Under McCall's proposal, candidates who agree not to accept private contributions of more than \$100, and to limit spending, receive a set and equal amount of public funds. Additional public funds are provided if the candidate is opposed by a privately funded candidate, or independent expenditures in excess of the spending limits. Golisano has not included any public financing provisions in his proposal.

The three proposals also differ on a number of other provisions, as summarized in Appendix A. These include: allowing campaign contributions from those who do business with New York State government; allowing fundraisers near Albany when the legislature is in session; reporting and disclosure of campaign donations; and enforcement of the campaign finance laws.

This report is intended to illustrate the real effects that these three campaign reform proposals would have if enacted, using the example of the 2002 Governor's race. Setting aside the public financing option we will examine how the amounts of money raised by Governor Pataki and H. Carl McCall would be different under these three campaign reform plans.²

2. Golisano is a self-funded candidate, spending only his own money on his campaign, thus this analysis does not apply to him.

Methodology

This study is based on campaign finance reports filed with the New York State Board of Elections, as required by law, encompassing all donations made between January 12, 2001 and July 11, 2002. The data used is comprised of all contributions of \$1,000 or more made to candidates George Pataki and H. Carl McCall on four contribution schedules during three filing periods.³

Our research team combined all of the donations of \$1,000 or more from each distinct individual, corporation and PAC to achieve accurate total contribution amounts under the guidelines proposed by both Governor Pataki and H. Carl McCall.⁴ We then divided these contributions into individuals, partnerships and PACs, corporations, and labor unions, pursuant to the various categories outlined in Governor Pataki's campaign finance reform proposal.

All of the details of Governor Pataki's proposal are based on bill S.5553, introduced at his request. Specific information on Carl McCall's and Tom Golisano's plans came from their published positions and interviews with their campaign staffs.

Findings

Pataki's Proposal

Governor Pataki's campaign finance proposal would mean almost no change in the amounts and sources of money being raised in the 2002 Governor's Race. Because of the presence of Tom Golisano as a self-financed candidate, the stated contribution limit of \$2,500 for the primary and \$5,000 for the general election would both be quadrupled. Thus, Governor's Pataki's contribution limit would be \$30,000 per individual, partnership

or PAC. Carl McCall's contribution limit would be \$22,500 per individual, because he did not compete in a primary contest against Golisano and thus the primary contribution limit of \$2,500 would not be quadrupled.

There were only 55 individuals or groups which contributed more than \$30,000 to Pataki's campaign, and the average contribution among these 55 groups was \$33,604. Only 38 individuals or groups contributed more than \$22,500 to McCall, and the average among these groups was \$32,080.

Governor Pataki's proposal would also limit labor union contributions to \$5,000 and would remove the subsidiary loophole, which would affect some corporations which currently contribute significantly more than the current \$5,000 limit through their subsidiaries. One hundred and thirty two (132) corporations and unions gave more than \$5,000 to Governor Pataki, with an average contribution of \$11,913. Twenty (20) corporations and unions gave more than \$5,000 to McCall, with an average contribution of \$11,860.

Under Pataki's proposal, only 5% of the total money in the Governor's Race would no longer be in the system. Governor Pataki would only lose \$1.1 million, or 4% of his money, while Carl McCall would lose almost \$500,000, or 8% of his current campaign cash.

Reduction in Contributions and Number of Contributors Affected Under Various Proposals

	Pataki Fundraising	McCall Fundraising
Pataki's Proposal	\$1.1 Million (4.2%) 187 donors	\$500,000 (7.8%) 58 donors
McCall's Proposal	\$17.1 Million (64.5%) 3303 donors	\$4.0 Million (65.2%) 702 donors
Golisano's Proposal	\$10.5 Million (40%)*	\$1.8 Million (30%)*

* Correct count of donors affected is impossible due to current reporting problems and coding irregularities

3. Individuals and partnerships (Schedule A), corporate contributions (Schedule B), all other contributions -- PACs, organizations, etc.(Schedule C), in-kind contributions (Schedule D)

4. Currently, there is a loophole which allows each subsidiary of a corporation to give separately. Both candidates' proposals include a provision that would close that loophole.

McCall's Proposal

Under McCall's campaign finance proposal, the two candidates for governor would have significantly less campaign cash, even if both candidates decided not to opt into the full public financing system McCall has proposed. All contributions, be they from individuals, PACs, corporations or unions, would be limited to \$1,000.

Governor Pataki received 3303 contributions of more than \$1,000; the average contribution was \$6,165. McCall received 702 contributions of more than \$1,000, averaging \$6,709.

Under McCall's proposal, not accounting for the possibility of public financing, each candidate would lose 65% of his current total. Governor Pataki have \$17 million less campaign cash, and Carl McCall would have \$4 million less. Thousands of big donors would see their contributions reduced significantly under the McCall proposal.

Golisano's Proposal

Under Tom Golisano's campaign finance proposal, there would be no change to the contribution limits from individuals, but all other contributions, be they from PACs, corporations or unions, would be banned completely.

Under the Golisano plan, thousands of large contributions would be removed, but both candidates would continue to receive contributions as high as \$45,400. Again, analyzing only the contributions of \$1,000 or more, we find that Governor Pataki would lose 40% of his current campaign funds, roughly \$10.5 million. Carl McCall would lose 30%, or \$1.8 million.

Conclusion

The fact that all three candidates for Governor have put forward campaign reform proposals shows that campaign finance is a vital issue which the public feels must be addressed. However, it seems that not all of these proposals are intended to decrease the influence of wealthy individuals and interests on our political process, which is the purpose of campaign finance reform.

Governor Pataki claims that his is the best campaign reform proposal, yet it would result in virtually no change from the status quo. New York State has among the highest contribution limits in the country -- under Governor Pataki's plan this would still be the case. A system where the individual contribution limit is as high as \$30,000 and the party contribution limit is \$50,000 is clearly not committed to getting money out of politics. The limits are so high that less than 150 of Pataki's tens of thousands of campaign contributors would be affected by the change, and he would still have 96% of the money he has currently collected.

Tom Golisano's plan, while it removes a significant amount of money from the system, does so in a way that would further benefit wealthy individuals at the expense of the average citizen. The idea of banning all contributions from labor unions and PACs, many of which are the only way that non-wealthy individuals can pool their resources to actually impact the political process, would only increase the influence of the wealthiest individual contributors, the vast majority of whom also happen to be executives and directors of private corporations. (These individuals already make up the bulk of the contributions that influence our elected officials to the benefit of corporations, since under our current

Contribution Totals Under Various Plans and % of Current Totals Remaining

	Pataki Total	Pataki % of Current Total	McCall Total	McCall % of Current Total	Overall	Overall % of Current Total
Current System	\$ 26,455,165		\$ 6,144,264		\$ 32,599,429	
Pataki's Plan	\$ 25,344,319	96%	\$ 5,666,930	92%	\$ 31,011,249	95%
McCall's Plan	\$ 9,395,221	35%	\$ 2,136,518	35%	\$ 11,531,739	35%
Golisano's Plan	\$ 15,918,228	60%	\$ 4,313,427	70%	\$ 20,231,655	62%

system the individual contribution limit is nine times higher than the corporate limit.) In any case, it is clear that very, very few individuals, no matter how wealthy, give away tens of thousands of dollars expecting nothing in return. This money buys influence, and under Golisano's plan the only option for those without money to compete in the big money game would be made illegal, while the individual contribution limit would remain at a staggering \$45,400.

Carl McCall's is the only plan that would truly open up the political process by removing a significant amount of the money in the system and evening the playing field. McCall is the only candidate who has proposed decreasing contribution limits overall in a fair and even way for all contributors. Although \$1,000 is still a large sum of money, it is more attainable than \$30,000 or \$45,400. With a \$1,000 limit, many more individuals and organizations could participate in the process through making campaign contributions, without being dwarfed by the few extraordinarily large contributors. Also, lower contribution limits would make it easier for non-traditional candidates, those without access to large amounts of wealth or party patronage, to compete for elected office.

However, it is the public financing aspect of McCall's plan which would revolutionize our electoral system. McCall's **Clean Money / Clean Elections** full public financing proposal would give candidates without access to a personal fortune the option to run a credible campaign without becoming beholden to campaign contributors. It would end the dominance of money in politics and restore democracy in our state.

New York State needs **Clean Money / Clean Elections**, a voluntary system of public financing for candidates who show broad public support. Under **Clean Money / Clean Elections**, voters run on issues, not dollars. Elected officials work for their constituents, not their contributors. That's how our government is supposed to work.

Clean Money / Clean Elections provides a well-defined framework where candidates for public office must prove broad public support in order to qualify for a set and equal amount of public funds. In return for these funds, candidates must abide by strict spending limits and agree not to spend their own money and not to accept any private contributions. All funds not spent at the end of an election are returned to the public treasury. Clean Money is a voluntary system that candidates can choose to participate in, and thus does not conflict with standing law or the constitution.

Two states, Maine and Arizona, have implemented **Clean Money / Clean Elections** laws, and two others, Massachusetts and Vermont, have passed Clean Money legislation. The first elections under Clean Money were held in were held for the Maine and Arizona state legislatures in 2000. One third of Maine's current legislators, and one half of Maine's state senate, ran without taking any private money.

Clean Money / Clean Elections legislation has been introduced in the New York State Legislature by Senator David Paterson and Assemblyman Felix Ortiz (S.1638/A.2630). About 50 state legislators have signed on as sponsors, and the legislation has been endorsed by more than 80 citizen organizations, including religious, senior, labor, environmental, tenant, student, women's, community, good government and neighborhood groups.

New York voters deserve more than the best candidates money can buy. It's time that candidates for election in New York turned away from our current system of one dollar, one vote and returned to the ideal of one person, one vote. It's time to replace our current system with **Clean Money / Clean Elections**.

Overview of Campaign Finance Proposals by McCall, Pataki and Golisano – page 1

Issue	Current Law	Comptroller McCall	Governor Pataki	Thomas Golisano
Status		Campaign proposal.	Proposed reforms in June 1999. Introduced into the Senate in June 2001 as S. 5553.	Campaign proposal.
Public Financing	None	“Clean Money, Clean Elections” public financing. Fixed and equal amount of funds to candidates who agree to spending limits and do not accept contributions of more than \$100.	None.	No public financing in his proposal. Golisano said that he would consider accepting public financing if it was an option.
Spending Limits	None	Yes, for publicly financed candidates.	None.	None.
Contribution Limits. Provisions for independent and self-financed candidates.	Very high. General election: \$45,400 statewide. Legislative: \$7,700 senate; \$3,100 assembly (plus primary contributions.)	\$1,000 for all races.	\$7,500 for statewide candidates; \$4,000 to Senate and \$2,000 Assembly. Limits increased to as much as \$30,000; \$16,000 and \$8,000 if independent or self-financed candidates exceed certain spending thresholds.	No change in current law for individual contributions.
Soft Money – Party Contributions	“House keeping” accounts are a soft money loophole. Contributions of \$76,500 allowed to a party and no limit to party spending on a race.	Repeals NY soft money account loophole. Lowers contribution limits to parties to \$7,500. Establishes limits on how much party can give to candidates.	Repeals NY soft money account loophole. Allows \$50,000 contributions to party. No limits on how much parties can give to candidates.	Not clear. Says would ban “soft money” like federal law. Then appears to say would ban all party contributions to support a candidate. However, federal law allows contributions to party. Ending “soft money” federally meant establishing limits on contributions to parties. Doesn’t say if would limit party spending.
Independent Expenditures.	No provisions.	Increases public funding and spending limits to Clean Money candidates outspent by opponents and independent expenditures. Requires reporting of all indep. expenditures. All ads that mention name or party or attempt to influence election, placed within 60 days, considered to be an expenditure. Requires reporting of all ads that include name of candidates.	Subjects issue ads that support or oppose a candidate or party within 60 days of the election to the contribution limits.	No proposals.

Appendix A: Detailed Comparison of McCall, Pataki and Golisano Proposals

Issue	Current Law	Comptroller McCall	Governor Pataki	Thomas Golisano
Union and corporate contributions. Albany Fundraisers	Corporate contributions limited to \$5,000. None	Apply \$5,000 limit to corporate subsidiaries. Prohibits fundraisers during the legislative session within 40 miles of Albany.	Apply \$5,000 limit to corporate subsidiaries and to unions. Prohibits fundraisers during the legislative session within 25 miles of Albany.	Ban corporate and labor contributions. No proposal.
“Pay to Play”	No provisions.	Prohibit campaign contributors from receiving state contracts for a period of time before and after contribution. Applies to company and executives.	No provisions.	Would prohibit campaign contributions from entities that do business with the state, but would allow contributions from individual executives of those businesses.
Improved Reporting and Disclosure	No reporting during legislative session. No reporting of employer or occupation or bundler.	Requires occupation, employer, business address of contributor, transferor, bundlers. Requires campaign contribution reporting on March 31 and May 31, during the legislative session.	Requires reporting of occupation, employer and business address, and of “bundlers”. Requires more frequent reporting of contributions, but does not require reporting during the legislative session.	No proposal.
Better Enforcement	BOE has equal number of Republicans and Democrats and is seen as paper tiger.	Restructures BOE membership along the lines of NYC Campaign Finance Board. BOE has power to subpoena, take civil actions and recommend criminal actions.	Maintains BOE structure and appoints a Campaign Finance Enforcement Officer at the BOE.	No proposal.

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