

Campaign Finance Talk

The Voice of the Michigan Campaign Finance Network

December 2002

Proxies Overshadow Candidate Committees in 2002 Gubernatorial Election

Proxy groups, mainly the state Republican and Democratic parties, spent more than three times as much as the candidates' own campaign committees in Michigan's 2002 gubernatorial general election campaign. Lieutenant Governor Dick Posthumus and Attorney General Jennifer Granholm each accepted \$1.125 million in public funds for the fall election campaign and therefore were obliged to limit their spending to \$2 million each through their candidate committees. The political parties and the Michigan Chamber of Commerce, on the other hand, spent at least \$13.5 million.

Approximately \$10 million of the third party spending paid for undisclosed television "issue" advertising that did not appear in any campaign finance report. Aside from television advertising, the Republican Party reported \$1.3 million in independent expenditures supporting Mr. Posthumus. The Democratic Party reported spending an additional \$87,000 for independent expenditures supporting Ms. Granholm and \$117,000 opposing Mr. Posthumus.

The Michigan Campaign Finance Network (MCFN) conducted a sweep of the public advertising files for 25 television broadcasters in all the state's television markets in the weeks following the November 5th election. Records of issue ad purchases were available in the public files from 17 of the 25 stations. Of the remaining eight stations, four disclosed purchase summaries for the Democratic and Republican parties and the Chamber to MCFN. The four remaining stations stead-

fastly refused to disclose any data, despite an appeal that the information was controversial and in the public's interest to know. Using data from the Campaign Media Analysis Group (CMAG), MCFN conservatively calculated estimated values for advertising buys at the four remaining stations.

Why use a proxy?

Three factors contribute to the strategy of campaigning through proxies. First, it allows the supporters of the respective candidates to spend beyond the limit that is imposed on candidates as a condition of accepting public financing.

Secondly, it accommodates very large contributions. Contributions to the parties or political action committees (PACs) are not subject to any limits in Michigan. Whereas individuals can give a maximum of \$3,400 to a statewide candidate's committee and PACs can give a maximum of

Third Party Television Advertising in Michigan's 2002 Gubernatorial General Election

	Estimated Total	Amount Disclosed
Supporting Granholm/Opposing Posthumus		
MI Democratic State Central Committee	\$ 7.2 million	\$ 0
Supporting Posthumus/Opposing Granholm		
MI Republican State Committee	\$ 3.7 million	\$ 2.2 million
MI Chamber of Commerce	\$ 1.1 million	\$ 0
Total	\$12.0 million	\$2.2 million

\$34,000, they are allowed to give as much as they want to the parties, who, in turn, can make independent expenditures without limit. Likewise, national party organizations are allowed to contribute without limits to the state parties.

Finally, the issue ad loophole allows campaigns to bring corporate and union treasury money into play. Corporations and unions are prohibited from making contributions to candidates, the parties or PACs for electioneering purposes. However, issue ads are not considered to be electioneering under state law, so unions and corporations are free to make contributions to fund them.

Furthermore, in contrast to federal law, where such soft money contributions are reported to the Federal Election Commission, soft money contributions to the state parties are not reported to the Secretary of State.

Why does it matter?

Just as so-called aggressive corporate accounting has caused investors to withdraw from financial markets, “creative” accounting in election campaigns is alienating to voters. Our democracy would be better served by a campaign finance system where limits are real and all spending is clearly on the books.

— *An expanded version of this report, including various funding vehicles involved in the gubernatorial primary campaigns, is online at www.mcfn.org.*

Lame Duck Gaming

One of the controversial acts of the lame duck Legislature was the passage of a resolution directing Governor Engler to negotiate a Class III gaming compact with the Gun Lake Band of Pottawatomis Indians. In 1998, at the time the last four Indian gaming compacts were being negotiated, the governor wrote to then-Speaker of the House Chuck Perricone that he would not negotiate another gaming compact, specifically not with the Gun Lake Band. Over time, the governor’s position changed and he said he would negotiate a compact with the Gun Lake Band if the Legislature directed him to do so. During the last week of the lame duck session, the Legislature resolved that the governor should negotiate the compact.

Supporters of the compact cited the fact that the state has negotiated a compact with all the state’s other federally recognized tribes and said it was a matter of equity. Furthermore, they argued, the tribe would proceed with the casino development with or without the compact and the state would simply miss out on a badly needed revenue stream if it didn’t negotiate. Opponents, including nearly the entire west Michigan delegation of both chambers, argued that their constituents did not want gaming and the related social problems in their region.

Three Mount Pleasant businessmen, identified by *The*



Detroit News as financial partners in the proposed casino, W. Sidney Smith, Barton LaBelle and James Fabiano, put \$115,000 into the Governmental Consulting Services Inc. (GCSI) PAC this election cycle to make campaign contributions to House members and lobby for the compact. Their contributions were more than 90% of the money received by the PAC. In defending the effort, a GCSI spokesman said, “That’s the way everyone who gets involved does it. It’s called democracy.”

LaBelle, Smith and Fabiano, along with their respective spouses, have also been generous supporters of Governor Engler’s campaigns over the years. They have collectively given more than \$40,000 to the governor’s campaigns over his last two elections. Campaign finance records for 1990 and all prior years have been destroyed, so there is no verifying the full extent of their campaign contributions. But perhaps the fact that the governor has appointed Smith and Fabiano to the Board of Trustees of Central Michigan University, where Fabiano is currently vice-chairman, and LaBelle to the Transportation Com-

mission, where he is currently chairman, speaks to the depth of the relationships.

Was this deal an inevitability that was simply done sooner rather than later, and serendipitously benefits the governor’s old friends? Did the Legislature strong-arm Governor Engler and make him do a deal he didn’t want to do? Did the governor strong-arm the Legislature to give him cover to do a hurry-up deal (no resolution was actually required to negotiate the compact)? Or was this simply lame duck legislative sausage-making? You have to connect the dots and decide for yourself.

There is room for honorable persons to disagree about what drove the resolution. But this case is a striking example of a contradiction in the laws governing gaming interests and campaign contributions in Michigan. Those who are financial stakeholders or significant suppliers to state regulated casinos (the three Detroit casinos) are prohibited from making contributions to candidates for public office. But that is a provision of the state’s gaming law, not the campaign finance law. And the state gaming law does not govern tribal gaming facilities. Because the campaign finance law is silent on financial stakeholders in gaming facilities, those who are involved in tribal gaming facilities (other than the tribes, themselves) are free to invest in candidates.



— FROM THE DESK OF THE DIRECTOR —

Dear Friend,

When I joined the Michigan Campaign Finance Network two years ago, many people I talked with had a vague uneasiness about campaign finances, but very few people really knew how the game is played. I think we have had some real success in telling the story and providing the media with the data and information that make them more effective in telling the story. This is the issue that touches all other issues.

By the time you receive this newsletter, I hope you will have seen a story in your local newspaper based on the front-page article of this newsletter. I am reasonably confident that you will, because nobody else has researched this story the way we have. And it is a very important story — one that covers most of the money that was spent for the gubernatorial campaign.

Our research was critically important in helping persuade a number of newspapers around the state and the Representative Assembly of the State Bar of Michigan to take a

stand in support of public funding for Michigan's Supreme Court campaigns. There is still plenty more spadework to be done before this reform ideal becomes a reality, but we are an important part of the process of persuading opinion leaders.

I am very proud to let you know that our Board of Directors is growing. This month five distinguished new members have joined us: State Senators Alma Wheeler Smith and Joe Schwarz, who are both leaving the Senate due to term limits, but bringing us their deep commitment to integrity in public policy; former State Representative Bill Bobier, who served in the House with distinction as a champion for campaign finance reform; John Mayer, who has had a long career as a state and federal court administrator, and brings a long-term interest in public funding of judicial campaigns; and Patrick Diehl, associate director of the Michigan Environmental Council.

There is one area, however, where we need your help. MCFN is a

publicly supported non-profit 501 (c) (3) organization. Currently, most of our funding comes from foundations and organizations concerned about campaign finance reform. In the next two years, the IRS requires us to receive a minimum of 10% of our support from individuals and a more diverse base of organizations. Already, several individuals and organizations have given us their financial support. Won't you join them? Your contribution gives you the satisfaction of knowing you are supporting an important cause, and it is tax deductible.

We appreciate your support. Thank you for being part of the MCFN 'family.' I hope you and your family enjoy a wonderful holiday season.

Sincerely,

Rich Robinson
Executive Director

Yes! I support the important work of the Michigan Campaign Finance Network.

(Please check all that apply.)

- Enclosed is my tax-deductible donation of \$_____.
- I would like to receive regular email updates.
- I would like to assist with public education on campaign finance issues.

Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Tel: _____ Fax: _____ Email: _____

The Michigan Campaign Finance Network is a 501 (c) (3) non-profit organization. Mail this coupon to: 1310 Turner Street, Ste B, Lansing, MI 48906.

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The voice of the

Michigan Campaign Finance Network



1310 Turner Street, Suite B, Lansing, Michigan 48906
(517) 482-7198 • Email: mcfn@mcfn.org
www.mcfn.org

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News from around the Nation

CO Amendment 27

On November 5th, Colorado voters passed a constitutional amendment that sets meaningful contribution limits and campaign accountability. Maximum contributions are \$200 for legislative candidates, \$500 for statewide candidates and \$500 into and out from a PAC. Small donor PACs that don't accept more than \$50 from an individual are allowed to give \$5,000 to a statewide candidate.

In addition, the amendment ends sham issue advocacy by requiring that all communications with the name or image of a candidate must be dis-

closed and cannot be funded with union or corporate treasury money. For details, see www.voterrevolt.org.

Money scandal rocks Wisconsin Legislature

Wisconsin's Democratic Senate Majority Leader Chuck Chvala was charged with 20 felony counts and Republican Speaker of the Assembly Scott Jensen was charged with three felonies and a misdemeanor in October in a major 'money in politics' scandal. The investigation began with a focus on legislative caucus staff campaigning on the state's time. As things began to unravel, lobby-

ists came forward complaining that campaign contributions were extorted in exchange for legislative action. For an archive of stories, see the site of the Wisconsin Democracy Campaign, www.wisdc.org.

Massachusetts voters mix message on campaign finances

Massachusetts passed a Clean Elections law in 1998 to provide public financing for state elections. But the Massachusetts Legislature defied funding the law until earlier this year when the Massachusetts Supreme Court ordered the state to provide funding for candidates who met the law's requirements. On November 5th, the situation was muddied further when the state's voters faced two advisory questions on the ballot. In all 11 House districts where voters faced a question of whether the Legislature should fund the Clean Elec-

tions, they said 'yes' by a two-to-one margin. Yet statewide, voters said 'no' to using tax money to fund campaigns by a three-to-one margin. Article summaries are available at www.boston.com/globe.

Clean Money candidates to take office

Three-fifths of the new Maine legislature and one third of the new Arizona legislature ran publicly financed campaigns in November. In Arizona, Governor-elect Janet Napolitano was also a Clean Money winner. The dark cloud around this silver lining is that independent expenditures and issue ads remain a major money factor in publicly funded races. The Arizona Democratic Party spent more than \$1.1 million for opposition issue ads to bolster Napolitano, roughly a third of all spending on her behalf.