

Campaign Finance Talk

The Voice of the Michigan Campaign Finance Network

February 2002

Gubernatorial campaign finance reports:

What you see, and what you don't

The first gubernatorial campaign finance reports of the 2002 election cycle summarize fundraising through December 31, 2001, and were filed on January 31st. Summaries are shown in the following table:

“issue ads” in the 2000 Supreme Court campaigns.

- “Independent expenditure” campaigns spending hundreds of thousands of dollars and financed by few wealthy individuals have marked recent elections (see “Personal PACs” on pages 4-5 in

	Contributions & Receipts	Expenditures	Balance
Dick Posthumus	\$ 1,006,671	\$ 207,803	\$ 798,869
John Schwarz	115,025	39,759	75,266
Jim Blanchard	1,028,030	388,804	639,226
David Bonior	864,670	183,755	680,915
Jennifer Granholm	2,843,510	794,818	2,048,692
Alma Wheeler Smith	129,797	100,859	28,938

As of February 4th, only David Bonior has filed for public match funding (in the amount of \$473,000), although all other candidates except Jennifer Granholm have suggested that they will apply for public funds. Granholm has not indicated her plans. Those candidates who accept public funding are limited to spending \$2 million from their candidate committee in each election.

Candidates Bonior, Posthumus, Schwarz and Wheeler Smith filed their reports electronically. Candidates Blanchard and Granholm did not, making analysis of their reports considerably more difficult.

Those who would handicap the race based on fundraising should be advised to keep in mind that considerable spending in contemporary campaigns is not part of the candidate committees and can be entirely off the books. Consider these facts:

- Millions were spent on unreported

this newsletter).

- The Posthumus Leadership Fund (renamed The Leadership Fund in September 2001) had raised \$870,000 by October of 2001, but unlike other years and other leadership PACs, it was not spending money on contributions to other candidates' committees. The Leadership Fund had spent \$560,500, including \$91,000 for payroll and \$357,000 on campaign consultants Linder and Associates, Dickerson and Govan and the Sterling Group.

What is the bottom line? These campaign finance reports show only a fraction of the money that will be raised and spent in this year's gubernatorial primary and general elections. There will be public match funds, parallel “independent expenditure” campaigns and unreported issue ad campaigns. More importantly, these figures provide no insight on the candidates' positions on issues in a year when the state faces pivotal tax, fiscal and service decisions.

Shays-Meehan debate Feb. 12

Speaker Dennis Hastert has announced that the Shays-Meehan campaign finance reform bill will be debated in the U.S. House of Representatives on February 12 with the vote scheduled for later in the week. A majority of the members of the House signed a discharge petition to bring the House counterpart to the McCain-Feingold bill to the House floor.

It is hard to say what the outcome of the vote will be. There will surely be attempts to introduce poison pill amendments to the bill, and the weak alternative Ney-Wynn bill probably will be introduced as a diversionary tactic. Nonetheless, the Enron debacle has raised the national consciousness about the insidious influence of money in politics and this gives Congress a chance to take a stand of conscience. The bill would kill the parties' soft money slush funds and ban bogus issue advertising by unions and corporations who are otherwise prohibited from using treasury money for election activity.

This bill is not a complete solution to the campaign finance morass, but there are times in politics when it is wise to take half a loaf. Call or email your member of Congress and let him or her know how you feel about the bill. Phone numbers and addresses can be found on www.house.gov.

Campaign Finance Talk with... Joe Schwarz

State Sen. Schwarz discusses his run to be governor & campaign finance reform

This is the third in the series of interviews with Michigan's 2002 gubernatorial candidates.

Q. Why are you running to be governor?

A. There needs to be a moderate voice in the Republican Party. The interests that control the apparatus of the Republican Party, in more ways than one, are single-issue interests. I don't think you can win statewide with that kind of structure. All the polling data I've seen say you can't. The most recent polls show 47% of voters leaning Democrat to independent. The Republican numbers are down to about 38% leaning Republican to independent. That is a 180-degree change from the way things were four or six or eight years ago. That tells you something about the Republican Party as an organization. It also tells you something I learned with the McCain primary effort in early 2000: the biggest political party in Michigan is independent. The number of voters on the left who are attached at the hip to the Democratic Party, and the number of voters on the right who are attached at the hip to the Republican Party is relatively small. The largest number can be labeled independent ticket splitters. I am running to give those independents a voice.

Q. We're in a difficult budget situation in Michigan. How will you bring balance to the state's budget as governor?

A. It's been said by some of the self-appointed pundits around the state that anyone who wants to be governor of Michigan starting in January 2003 has to be nuts. The economy is still going to be in difficult shape. Even if there is a bounce in the economy in the second and third quarters of calendar year 2002, the Research Seminar on Quantitative Economics in Ann Arbor indicates we will still be in a low point in the eco-

nomical cycle in January 2003. The FY 2003 state budget that goes into effect in October 2002 is going to be the most difficult to put together that we have seen in many years. The Senate Fiscal Agency indicates that if we just roll things over from the current fiscal year, the general fund would be in deficit by \$880 million and the school aid fund would be in deficit nearly \$500 million. So there are some big problems out there. There are going to have to be significant cuts across the board. There will be cuts in areas where we haven't had to make cuts, at least not in the last decade. I'm talking about K-12 education, the community colleges and the universities. The new governor is going to have a very difficult job, because he or she isn't going to be able to give everybody everything they want. The governor is going to have to make hard decisions to defend the well being of the people of the state of Michigan and defend the basic services provided by the state.

Q. As a physician and a legislator, what about the health area? Can we afford to cut any more from Medicaid reimbursements?

A. If you just roll things over from 2002 to 2003, we'll need an additional \$100 million because our Medicaid match requirement is going up by that much. This is an area where the states are coming together to tell the Congress that we are in pretty dire fiscal circumstances and we just can't afford an increase of that magnitude. I believe, in spite of well-intentioned efforts, we have chronically under-funded Medicaid. With state revenues declining and the general economic slow-down, we're going to see Medicaid rolls increasing with no way to handle them. The hospitals and health providers across the board are screaming because they are losing money on every Medicaid patient they see. You have some of the Medicaid managed care organizations in huge financial trouble.

And some of the most financially sound Medicaid providers are saying they just can't continue because this is such a losing proposition. One of the biggest tasks for the new governor will be restructuring Medicaid. I think it is structurally flawed. We have to take a look at the Medicaid pharmaceutical coverage and physicians' costs and hospital costs. The Medicaid mental health program is in trouble. I could go on and list problem after problem with Medicaid.



Q. With all this budgetary pressure, declining revenues and cuts in education and health care, is it prudent fiscal management to continue with the tax rollbacks?

A. One of the first things I would do as governor, if it hasn't been done already, would be to put as much pressure as possible on the Legislature to stop the rollbacks of one tenth of one percent in personal income tax and the Single Business Tax for two years. That would help by about \$250 million dollars per year. It doesn't solve the whole problem, obviously, but it certainly helps to solve the problem. This has to be done. I know the hard-core supply-siders always feel that there should be more tax cuts to provide economic stimulus and they won't buy it. But you get to a point — and we are there — where you endanger people and you endanger serv-

ices that the state is required by law to provide, if you don't have the revenues. We can't patch this hole from the budget stabilization fund, because it has been drawn down to balance the FY 2001 and FY 2002 budgets and it won't fill the hole. We're also draining the Merit Scholarship Trust that's funded by the tobacco settlement funds. That recharges every year, but it's like robbing Peter to pay Paul. We want to get that trust set up so it will be funded in perpetuity, but there are escape clauses in the master settlement based on tobacco sales falling below some threshold level, so that really isn't guaranteed.

Q. The readers of this newsletter are concerned about the impact of money in state politics. The concern being that public policy should serve the public interest, not the private interests of campaign contributors. Do you see problems with the influence of money in state politics?

A. There is no way a Republican, Democrat or independent can run for statewide office without raising a significant amount of money. You just can't do it. In politics at this level, money equates to legitimacy. Now, if every dollar that was raised and spent in an election cycle was raised and spent by a registered candidate committee, and the source of those funds was disclosed in full at the time the contribution was made, you'd weed out most of the problems that we have. The way things are now, there are ways to get money to a candidate's campaign or a cause that are nothing more than money-laundering operations. That is something that needs to be cleaned up. And it's going to be hard to do. One of the reasons John McCain and I are such good friends is that we both believe this is something that has to be done, but we belong to a party that doesn't. To cover the de facto money laundering operations in political contributions with the same patina of First Amendment rights as a contribution to a candidate is a real stretch. Soft money is a way to get large sums of money, a great deal of it corporate or union money, into a campaign with no accountability as to its source. That is wrong. But the system is awash with money. And since money equates with legitimacy you have this tremendous drive to raise money. It doesn't seem to make any difference where the money comes from, as long as you get

the most money.

Election cycles last too long, they require too much money, and I believe we are going to have to go to a system of some form of quasi-public funding for all statewide campaigns, not just the gubernatorial. And I say that after thinking about this for a lot of years. To suggest that money doesn't buy anything in politics, especially big dollars given at an opportune time in an election cycle, is the

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Q. At the federal level, the McCain-Feingold bill is saying, if a political advertisement includes the name or image of a candidate within the window of an election, regardless of whether it uses words like "vote for" or "defeat," it is an election expenditure. And such expenditures have to be governed according to the rules thereof. If we treated "issue ads" as election expenditures at the state level, would you see that as part of the solution?

A. Yes, I would. You have to be tired of seeing ads with a disclaimer that says the Committee for Ethereal Purposes. Come on. Who are these people, and where did they get their money?

Q. You mentioned that there should be some form of public funding for all statewide offices. This summer, the American Bar Association's Standing Committee on Judicial Independence recommended voluntary full public funding for Supreme Court campaigns in states that elect their high court. Do you see the Supreme Court campaigns as a special case that should be given particular consideration for a public funding system?

A. Yes, if you continue to elect the Supreme Court, which I suspect we will do. But I think it would be better to appoint justices under a merit appointment system. You could have the bar association and a panel of citizens recommend a list of qualified candidates from which the governor could select. The important thing would be to have the

candidates judged by their peers to be qualified. That would be my first choice.

My second choice would be to provide public funding for the campaigns. The Supreme Court elections of 2000 were horribly ugly. And nobody had a corner on the market for ugliness. It was ugly to the point of being unseemly, and I don't want to see that in judicial elections.

Q. The major campaign finance bill of this session in the Legislature limited

the amount that can be bundled for a statewide candidate to \$34,000, the same amount a political action committee can contribute directly to a candidate. The rationale that was offered was that this would limit out-of-state influence in state elections, and it would put all interest groups on an even playing field. But the federal Republican and Democratic party organizations transferred \$24 million of soft money to the state parties in the last election cycle, and this bill doesn't address that. It doesn't address hundreds of thousands of dollars worth of unreported issue ads that were paid for by the U.S. Chamber of Commerce in our Supreme Court elections, and that's outside money. And as far as the even playing field, I can name a PAC that received \$650,000 from one individual and turned around and spent more than \$300,000 on three Supreme Court candidates last fall. My point is, this bill didn't begin to address the issue of how much money can come into a campaign from an interest group or an individual, and if it genuinely was intended to limit out-of-state money in Michigan elections, it left a gaping hole. Wouldn't the stated objectives of this bill be better served by establishing limits on contributions to PACs and the parties, as we have on federal PACs and the federal parties' political accounts?

A. I don't disagree with what you are saying.

Q. Should we have limits on contributions to parties and PACs?

A. Yes, I think we should. You're getting

Schwarz continued on page 4

into the arcane areas of campaign finance when you talk about the things you mentioned. This is what McCain talks about, and this is what I mean when I say the system is awash in money. Money is there for only one purpose. The money is there to buy something, whatever the issue du jour is for the organization that is funneling the money in. I think the influence can be seen clearly over a period of years if you look at a candidate who has received a certain amount of money from some source. There isn't any free lunch.

This system is like a lot of things that you see in this country if you follow them closely over a period of years. It's going to crumble of its own weight. There will be some major scandal or series of scandals in the next decade that will lead to major election reform at both the federal and state level. The way we fund campaigns for state offices and the United States Congress is going to change. I'm offended by the way the money is handled, and by who puts the money in, in many cases. The shameless quest for money by a lot of my colleagues who are seeking office makes you want to say, "Don't you know you're selling your soul, pal?" If you sit down with somebody and ask them for a big check, do you really believe in your heart of hearts there's no quid pro quo? Some people actually believe there isn't, and those are the ones I want to introduce to my friend the tooth fairy.

Note: Sen. Schwarz gave this interview in December before many of the details of the Enron scandal had come to light.

Enron and the regulatory black hole

The unraveling Enron story appears to be the 'money in politics' scandal of a decade. It is widely noted that Enron and

its employees have contributed more than \$2 million dollars of hard and soft money to George W. Bush's campaigns to be governor of Texas and president of the United States. U.S. Attorney General John Ashcroft, Texas Attorney General John Cornyn, the Houston

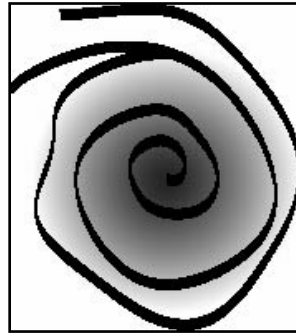
Department and three federal judges have recused themselves from the investigation due to personal connections and campaign contributions from Enron. There seem to be new story lines emerging every day.

The initial focus of the Bush administration is the collapse of Enron's stock value and the devastating impact on former Enron employees who have lost their retirement savings. The administration is advocating new rules for employer stock in 401(k)s. This may be good politics, because tens of millions of Americans hold such plans and there is broad empathy for this tragedy. However, much of that lost equity was the product of irrational exuberance that matched the run-up of any 'dot com' stock, and the lost billions were never based on any real price to earnings ratio. Prices inflated wildly, then

deflated even faster because earnings had been grossly misrepresented.

The real policy story of Enron is the catastrophic failure of a radical libertarian attempt to remove all public oversight from futures markets for energy, to create a 'regulatory black hole.' The trading of energy derivatives was Enron's core business and Enron rode this market from obscurity to a position as the seventh biggest corporation in America.

There is a 'money in politics' story here that hasn't received the coverage it deserves.



Deregulating contracts and the market

Dr. Wendy Gramm, chairperson of the Commodity Futures Trading Commission (CFTC) throughout the presidency of President George H. W. Bush, took a hands-off approach to regulation of energy futures contracts throughout her tenure with the 41st president, a posture that suited Enron's business plan. During the lame-duck period after Bill Clinton's election in 1992, with the specter of regulation ahead, Dr. Gramm introduced a rule to institutionalize an exemption from regulation for energy futures contracts, and succeeded in passing that rule one week before Clinton's inauguration. Former Congressman Glen English of

Enron continued on next page

Voluntary Electronic Project update:

E-filing up 65%

The annual campaign finance reports for 2001 were due on January 31, and there was a significant improvement in the number of electronic filers among current legislators. There were 33 electronic filers among House members, compared to 19 last election cycle. E-filers included Speaker Rick Johnson and Representatives Jason Allen, Ray Basham, Patricia Birkholz, Ken Bradstreet, Cameron Brown, Rich

Brown, Sandy Caul, Gene DeRosset, Stephen Ehardt, Pan Godchaux, John Hansen, Artina Tinsley Hardman, Gilda Jacobs, Jerry Kooiman, Mike Kowall, Charles LaSata, Alexander Lipsey, David Mead, Tom Meyer, Mickey Mortimer, Michael Murphy, Andy Neumann, William O'Neil, John Pappageorge, Steve Pestka, Randy Richardville, Joseph Rivet, Doug Spade, Tony Stamas, Barbara Vander Veen, Steve Vear and David Woodward.

In the Senate, there were five e-filers, compared to four last election cycle,

including Senators Loren Bennett, Bob Emerson, Bill Schuette, Dale Shugars and Ken Sikkema.

Thanks to all of you who contacted your legislators and asked them to file electronically. Electronic filing makes a dramatic difference in the transparency of campaign finance reports. When all candidates for state office are known at the filing deadline in May, MCFN will again encourage all candidates to file electronically. It is very important for candidates from your district to hear from you at that time. Elected officials do care what their constituents think.

Enron continued

Kansas, then-chairman of an Agriculture sub-committee with jurisdiction over the CFTC and now president of the National Rural Electric Cooperative, described Gramm's action as "the most irresponsible" he had seen in 18 years in Congress. Gramm resigned from the CFTC on January 20, 1993, and five weeks later she was on Enron's board of directors and audit committee, a position that enriched her personally by more than \$900,000 over the next decade. Not incidentally, Dr. Gramm's husband, Texas Senator Phil Gramm, has been a favorite recipient of Enron campaign contributions, totaling more than \$97,000.

The story became much hotter in 2000. Senator Gramm, Chairman of the Senate Banking Committee, sought to pass a bill that would go beyond deregulating energy futures contracts, and would deregulate the markets themselves. Markets such as the New York Mercantile Exchange are subject to CFTC oversight and report trading prices and volumes. Senator Gramm's bill sought to end that oversight for energy futures. A federal interagency working group with standing committee members including Alan Greenspan, Chairman of the Federal Reserve, Arthur Levitt, Chairman of the Securities and Exchange Commission, Lawrence Summers, Secretary of the Treasury, and William Rainer, Chairman of the CFTC, unanimously opposed the bill. A House version of the bill passed, but it went nowhere in the Senate. Then, three days after the U.S. Supreme Court finally decided the 2000 presidential election, with attention largely diverted, Senator Gramm and now-retired Rep. Thomas Ewing helped reintroduce the legislation, this time with a new bill number. The bill was attached to the appropriations bill and passed without a hearing. When combined with California's electricity deregulation law, this act allowed Enron to operate an electricity auction closed to public oversight, EnronOnline.

Market distortions in California

The impact of the new deregulation was immediate and dramatic. California was thrown into an unparalleled energy crisis. Enron didn't own a single power plant in California, but it controlled the market in which futures were sold and it came to exercise extraordinary control over California's energy supply. Unprecedented and unexplainable with-

holding of electricity supply followed. In six months, there were 38 Stage 3 energy emergencies marked by rolling blackouts, while there had been only one such occurrence in the six months prior to the deregulation of the market for energy derivatives. Revenues in Enron's "Wholesale Services" division quadrupled in the first quarter of 2001, compared to the first quarter of 2000, to \$48.4 billion. Until a bipartisan coalition of eight western governors demanded that the Federal Energy Regulatory Commission (FERC) re-regulate the market and impose cost-based prices for electricity, the Bush administration stood on the sideline and allowed the miracle of the marketplace to unfold.

When cost-based pricing was re-established in California, the rolling blackouts ended. However, there was considerable damage. State and federal regulators calculate that California taxpayers had been overcharged by \$9 billion for wholesale electricity. Utility giant, Pacific Gas and Electric, had declared bankruptcy. And Enron collapsed like a house of cards.

The collapse of Enron had uneven impact on its employees. Infamously, many top executives bailed-out of their stock holdings in time to make tens of millions. Top executives received seven-figure bonuses weeks before Enron resigned itself to bankruptcy. Thousands of others just lost their jobs and their retirement savings.

Policy implications

The implications go far beyond the failure of the deregulated electricity market in California. Former SEC Chairman Arthur Levitt said, "What has failed is nothing less than the system of overseeing our capital markets." A newly released analysis by the Enron Board notes that many of the nearly 3,000 Enron partnerships and subsidiaries had no legitimate business purpose, and the "independent" auditing firm Arthur Anderson was complicit in structuring them. Furthermore, the Enron Board study acknowledges its own failure in oversight. Enron had more than 800 of its bogus partnerships and subsidiaries established in the

Cayman Islands and other off-shore tax havens and there is no telling how much money may have been siphoned away from the reach of Enron's creditors, investors and damaged taxpayers.

Notably, Enron's pet cause has emerged in the administration's national energy policy. That cause is the deregulation of transmission lines, so the market free-for-all can become a national phenomenon. One can't help wondering whether the fact that Enron Chairman Ken Lay was the only executive to have a private meeting with Vice President Cheney during the administration's Energy Task Force hearings had something to do with this. The incumbent chairman of FERC, Pat Wood III of Texas, was recommended for the position by Mr. Lay after former chairman Curt Hebert Jr. could not be persuaded to see eye to eye with Mr. Lay on matters of deregulation of transmission lines.

What does it all mean to us in Michigan? It should make clear that deregulation and dismantling public oversight is not the answer to every problem. Deregulation of energy derivatives may have served Enron's interests but it did not serve the public interest. Lax regulation in corporate financial reporting puts all investors at risk.

Enron, along with PG&E, DTE, MichCon and Consumers Energy, was writing checks to Michigan legislators' campaign committees in the spring of 2000, helping to shape Michigan's deregulated energy market. And if you were sitting at your kitchen table back then, wishing that you could buy electricity from someone other than the same old utility monopoly, your wish has finally come true.

On the other hand, this story may raise the question of whether our state and federal lawmakers are making public policy that truly serves the public interest. Or whether special interests are having their way at our expense. If the Enron story reinforces your belief that we need campaign finance reform to have public policy in the public interest, you have plenty of company. And watch out for those free-market utility bills.

For an excellent analysis of the Enron story, see the Public Citizen report, *Blind Faith: How Deregulation and Enron's Influence Over Government Looted Billions from Americans*, http://www.citizen.org/documents/Blind_Faith.pdf

The rise of Personal PACs

A new breed of independent political action committee (PAC) came to prominence in Michigan's 2000 election cycle. These PACs are characterized by a very large bankroll, mainly given by an individual or a small group of contributors. Early campaign finance reports for the 2002 cycle show that more of these personal PACs are positioned to assert their influence this year.

Independent PACs have a privileged position among Michigan political committees. Independent PACs can contribute ten times as much to state candidates as individuals or PACs that are merely political committees. To qualify to be an independent committee, the PAC must file as such at least six months before the election in which it wants to participate. It must have contributions from at least 25 persons and it must make contributions to at least three campaigns within the lower political committee limits before it can give larger contributions. The last two criteria must be met in a single calendar year.

There are hundreds of PACs and independent committees registered to participate in Michigan state elections. The vast majority of these PACs have a broad and relatively even base of contributors and represent communities of shared interest, such as business associations, professional associations, employees of corporations or unions. In addition, there are political PACs that are designed to serve partisan interests. These include one campaign committee for each of the House and Senate caucuses, and leadership PACs organized by legislators who aspire to

caucus leadership, or other elected officials. In certain cases, leadership PACs are the vehicles that become personal PACs. Examples best illustrate the phenomenon.

Ann Arbor PAC

The Ann Arbor PAC was organized in August 1999 and started with \$40,000 in seed money contributed by former pizza magnate and president of the Ave Maria Foundation, Tom Monaghan. In the 2000 election cycle, Monaghan gave the PAC \$650,000 of its total of

\$740,000 (88%). The Ann Arbor PAC made direct contributions to numerous candidates for the House and made independent expenditures of more than \$10,000 in several legislative contests. However, its major activity was in the Supreme Court elections. It gave \$34,000 to each of its three favored Supreme Court candidates and it made \$208,000 of independent expenditures in support of the same candidates. Including Mr. and Mrs. Monaghan's \$3,400 maximum individual contributions, the Monaghans pumped \$330,000 into the Supreme Court effort. Through the October 2001 campaign finance report, the Ann Arbor PAC has raised \$138,000 in the 2002 cycle. Monaghan has contributed more than 90% of that total.

Governor Engler Leadership Fund

The Governor Engler Leadership Fund was established in April 1999. While its funding base is more broadly distributed than the Ann Arbor PAC, it, too, has unique qualities of a personal PAC. The PAC raised \$494,000, and the biggest source of its support was a \$175,000 loan from Ann Arbor real estate developer Ron Weiser. On the day Weiser made that contribution, the Engler PAC made contributions of \$34,000 each to its three favored Supreme Court candidates.

The Engler PAC has atrophied in the 2002 cycle, having raised only \$10,000 through October 2001. The governor is a lame duck and Mr. Weiser, whose personal and corporate, state and federal contributions in the 2000 cycle totaled nearly \$1 million, is now the ambassador to Slovakia.

Burton Leland Leadership Fund

Senator Leland's leadership PAC was a small fund in the 2000 election cycle. It raised only \$17,000. But in 2001 it became an impact PAC. Through the October 2001 campaign finance report, it has raised more than \$216,000. That is more than either Ford, Daimler Chrysler, General Motors or the Detroit

Michigan Campaign Contribution Limits

	House Candidate	Senate Candidate	Statewide Candidate
Individual/Political Committee	\$500	\$1,000	\$3,400
Independent Committee	\$5,000	\$10,000	\$34,000

PACs continued on next page

Regional Chamber of Commerce raised in the entire 2000 cycle. The Leland leadership PAC was the vehicle for a campaign of independent expenditures in support of Detroit mayoral candidate Gil Hill that included phone banking, direct mail, broadcast advertising and staff. More than 90% of the money in the PAC came from just four of Hill's supporters: Greektown entrepreneurs Jim Papas and Ted Gatzaros, attorney Alan Ackerman and attorney and former gubernatorial candidate Geoffrey Feiger.

Likely, there will be more to report for the Leland PAC in the 2002 cycle. The October report, which was filed seven weeks late and five weeks after the mayoral election, only reports activity through October 20, 2001. When the PAC reports again in April, there may be additional contributions and expenditures from the last two weeks before the election.

Great Lakes Education Project

Like the Ann Arbor PAC, the Great Lakes Education Project is unconnected to an elected official. It was organized in February 2001 and it is driven by former Republican State Committee chair Betsy DeVos. Through its October 2001 campaign finance report, it has raised \$225,000. Of that amount, Ms. DeVos and her husband, Alticorp executive Dick Devos, contributed \$100,000. While this is an impressive sum already, recent history suggests that this is a PAC to watch in the coming year. Last year, the DeVoses and their parents were multi-million-dollar contributors to the "Kids First! Yes!" ballot initiative.

These PACs are striking examples of how individuals of exceptional financial means are able to wield extraordinary financial influence in elections. Personal PACs provide a vehicle for unlimited campaign spending, and individual contribution limits become meaningless.

There is a simple solution to this anomaly. There should be limits on contributions to Michigan PACs, just as there are limits on contributions to federal PACs.



Bundling bill misses the mark



Counting the need to keep outside money away from Michigan elections and to level the playing field among interest groups, the 91st Legislature has given us a new campaign finance law. Limits have been imposed on the practice of bundling, the act of collecting contribution checks from multiple individuals with shared interests and forwarding them together to a candidate for public office. Under the new law, bundling by an organization is limited to \$34,000, the same limit that applies to a direct contribution from a political action committee to a candidate's campaign.

The new law doesn't begin to address the flow of outside money into Michigan elections. In the 2000 election cycle, the federal parties transferred more than \$24 million in soft money to the Michigan Republican and Democratic Parties' state political accounts. That is 20 per cent more than all the candidates for state office combined had in their campaign accounts. The new law does nothing to address that outside money.

The U.S. Chamber of Commerce spent more than \$5 million on judicial issue ad campaigns in five states, including Michigan, in 2000. None of those expenditures were reported on any campaign finance report. And the new law does not address that outside money.

There are numerous examples of interest groups and individuals spending without limits on campaigns that make a mockery of the idea of an even playing field. Political action committees were conceived as a way to give small contributors with shared interests a means to counterbalance big-money interests. In contemporary elections, PACs can be used as fronts to allow big contributors to spend on campaigns without limits. In the recent Detroit mayoral election, the Burton Leland Leadership Fund spent hundreds of thousands of dollars in "independent

expenditures" on behalf of candidate Gil Hill and just four individuals contributed more than 90 per cent of the money. In the 2000 Supreme Court election, the Ann Arbor PAC spent more than \$300,000 on three candidates and one man, Tom Monaghan, gave that PAC more than 87 per cent of its funds.

There are obvious ways to level the playing field. There should be limits on contributions to the state parties' political accounts and state PACs, just as there are limits on contributions to the federal parties' political accounts and federal PACs. Bogus issue ads that are the main vehicle for anonymous negative campaigning should be treated as election expenditures, and they should be subject to all the rules thereof.

Public policy should be developed in the public interest, not in the private interest of campaign contributors. Campaign finance reform is a keystone issue that affects all areas of public policy. The bundling bill misses the core of the campaign finance problem.

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Welcome to new subscribers

This edition of Campaign Finance Talk is reaching many first time recipients. We are adding the names of petitioners who participated in the Michigan Election Reform Coalition's lobbying day for campaign finance reform in October and those who signed up at the Midland meetings. The newsletter is free to all who receive it.

Help us stay current

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Contact us at: Michigan Campaign Finance Network
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