

Campaign Finance Talk

The Voice of the Michigan Campaign Finance Network

March 2003

PACs and Policy: Action and Inaction

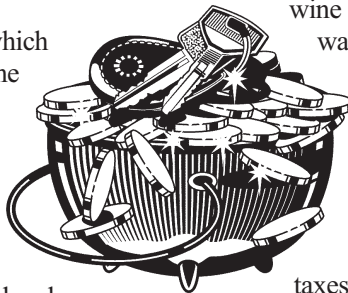
While many of Michigan's biggest political action committees (PACs) represent a party or specific political philosophy, others simply promote the interests of their sponsoring group. Frequently, it is these PACs that have the greatest impact on Michigan's citizens. Consider the work of two influential PACs. One involves a policy that was updated in December 2002 during the lame duck session of the 91st Legislature. The other involves a policy that hasn't been updated in any meaningful way in more than forty years.

Vehicle document preparation fees

On December 3, 2002, House Bill 6446, which had been introduced in September, cleared the House Committee on Insurance and Financial Services. The same day, it was approved on its second and third readings before the full House and given immediate effect on a roll call vote of 84 to 14. The bill was approved in the Senate a week later on a vote of 24 to 10, and it was signed into law by Governor Engler as Public Act 699 of 2002 on December 31st.

This act raised the limit that auto dealers can charge for "documentary fees" involved in the purchase of a vehicle from \$40, a limit set in 1990 to protect consumers from excessive charges, to \$160. The new law specifies that the documentary fee can be increased in accordance with the consumer price index beginning in 2005 and biannually thereafter.

The Auto Dealers of Michigan (ADM) advocated raising this fee cap. ADM PAC, along with its predecessors, the Detroit Auto Dealers PAC and Michigan Automobile Dealers PAC, were generous campaign contributors to the members of the 91st Legislature. During the 2002 election cycle they gave \$240,000 to the legislators, an average of more than \$1,600 each, and \$120,000 more to their caucus and leadership PACs. Only five representatives and seven senators received no contributions from the auto dealers' PACs.



The argument for PA 699 was to allow auto dealers to cover their costs. Perhaps the increase is justifiable. But it is fair to ask whether those costs really quadrupled in 12 years. And it is fair to ask what role \$360,000 given to the legislators and their PACs had in making the case. The auto dealers stand to gain an additional \$100 million per year just from documentary fees on new car sales. That is a rather spectacular gain at consumers' expense.

Beer and wine taxes

A mirror image of the previous example is the state's beer and wine tax. The beer tax, which is \$6.30 per barrel (\$0.46/case), was last increased in 1962. In 1966, it was re-calibrated from 48 cents per case. The wine tax, which goes from 13.5 cents per liter to 20 cents as alcohol content increases, hasn't materially changed since 1937. It was re-calibrated in 1982 from a per-gallon tax to the current per-liter standard.

A conservative inflation adjustment would call for these taxes to be multiplied by five to restore their real 1962 value. Since we consume nearly seven million barrels of beer (about one barrel per person of legal age) and roughly 50 million liters of wine annually, a 400 percent increase of the beer and wine tax would yield about \$200 million in additional revenue for the state. That would be a welcome increase during this time of extreme budgetary stress.

But the real reason to increase the tax is not because we have a budget problem. It is because the state incurs real costs that are attributable to the role of alcohol in our society – health care costs, domestic violence costs, protective service costs, special education costs, law enforcement costs, incarceration costs – and those expenses should be paid from alcohol sales.



Unlike the tobacco tax, which is paid mainly by low-income persons, this sin tax would not be regressive in its impact. Alcohol expenditures as a percentage of income are quite uniform

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PAC Fund Raising Soars in 2002

Michigan's top 150 political action committees (PACs) raised \$32.8 million in the 2002 election cycle - \$8.8 million more than the same committees raised in the 2000 cycle.

The legislative caucuses' PACs were again fund-raising leaders. The House Republican Campaign Committee topped the list at \$2,115,762 and the Senate Republican Campaign Committee placed second with \$1,676,683. The House Democratic Fund placed seventh with \$946,430 and the Senate Democratic Fund was tenth with \$791,300.

Despite their prodigious fund raising, three of the four legislative caucus PACs also borrowed heavily. The Senate Republicans ended 2002 with \$900,000 in debt. The House Republicans owed \$850,000 and the House Democrats owed \$390,000. The Senate Democrats reported no debt. Borrowed funds are not included in the fund-raising totals.

Several of the top PACs were used as vehicles to circumvent limits on contributions to candidate committees. Because there are no limits on contributions to PACs, wealthy individuals can give extraordinarily large amounts that are turned into "independent expenditure" campaigns for one or more candidates. Three of the leading PACs raised the majority of their funds from a narrow base of supporters and followed this pattern:

- Citizens for Responsible Leadership raised \$910,000 from Greektown entrepreneurs Jim Pappas and Ted and Maria Gatzaros. The PAC made independent expenditures of \$950,000 supporting Jim Blanchard and opposing Jennifer Granholm in the Democratic gubernatorial primary.
- The Great Lakes Education Project (GLEP) raised more than half its funds, \$685,000, from Betsy and Dick DeVos, Elsa Prince Broekhuizen (Mrs. Devos' mother) and Helen and Richard DeVos, Sr. (Mr. DeVos' parents). GLEP spent more than \$700,000 supporting and opposing candidates, including independent expenditures of more than \$425,000 in legislative primaries.
- The West Michigan Leadership Caucus raised \$540,000 from Paul Land and spent \$420,000 supporting the campaign of now-Secretary of State Terri Lynn Land. Paul Land is Secretary Land's father.

The absence of contribution limits allows a small handful of individuals to attempt to buy election outcomes through their PACs. And

the influence those financial patrons have on public policy after Election Day should be cause for concern. Federal campaign finance law limits individual contributions to federal PACs to \$5,000 per year, and limits individual contributions to all federal political committees, including candidates, PACs and parties, to \$95,000 per two-year election cycle. Such limits are protection against corruption of public policy by moneyed interests.

Our state democratic processes are the poorer because we have no contribution limits for PACs and parties. Money is not speech. It is property that is invested with the intent of earning a return on investment. For the sake of democracy and the public interest, we should have contribution limits for all state political committees.

The entire list of the top 150 state PACs is available online at www.mcfn.org.

Top 40 Michigan PACs - 2002

2002 Rank	Name	2002 Cycle
1	House Republican Campaign Committee	\$ 2,115,762
2	Senate Republican Campaign Committee	1,676,683
3	MI Education Assn. / MEA PAC	1,426,279
4	Citizens for Responsible Leadership	1,372,661
5	Great Lakes Education Project (DeVos)	1,258,269
6	The (Posthumus) Leadership Fund	1,234,850
7	MI House Democratic Fund	946,430
8	United Auto Workers / UAW MI Voluntary PAC	832,915
9	MI Trial Lawyers Assn. / Justice PAC	822,235
10	Senate Democratic Fund	791,300
11	MI Assn. of Realtors / REALTORS PAC	676,726
12	Blue Cross/Blue Shield of MI / BCBSM PAC	653,829
13	MI Regional Council of Carpenters PAC	595,344
14	MI Beer & Wine Wholesalers Assn. PAC	576,986
15	West MI Leadership Caucus (Land)	559,016
16	Intl. Brotherhood of Electrical Workers / IBEW COPE	452,525
17	Democratic Governors Assn. - Michigan	435,000
18	DTE Energy Co. PAC	386,246
19	Auto Dealers of Michigan PAC ¹	380,992
20	Detroit Auto Dealers PAC / DAD PAC	364,300
21	Right to Life of MI PAC	347,200
22	Comerica Bank PAC	336,905
23	Ann Arbor PAC(Monaghan)	325,785
24	Common Cents North (Rick Johnson)	317,965
25	MI State Medical Society / MI Doctors PAC	314,952
26	Burton Leland Leadership Fund	301,895
27	MI Health & Hospital Assn. / Health PAC	301,704
28	Miller Canfield PAC	285,265
29	MI Laborers Political League	273,269
30	CMS Energy Employees for Better Government	264,903
31	AFSCME PAC	258,322
32	Sikkema Leadership Fund	255,050
33	Associated Underground Contractors / AUC PAC	253,955
34	Operating Engineers Local 324 PAC	250,402
35	Citizens for Michigan(Soave)	234,633
36	MI Bankers Assn. PAC / MI BANK PAC	227,842
37	MI Restaurant Assn. PAC	225,246
38	Governor Engler Leadership Fund	203,550
39	Fannie Lou Hamer PAC	200,695
40	MI Auto Dealers Assn. / MAD PAC	189,897

¹Funded by DAD PAC and MAD PAC

Costliest Seats in the Michigan Legislature

When it comes to winning elections, money matters. In 2002, only twelve candidates for the legislature were able to succeed against an opponent who had greater financial backing. In other words, money won 92% of the time. If one adds independent expenditures into the analysis, money won 94% of the time or 137 of 148 races. That is consistent with results in 2000 when money won 95% of the time.

The following tables show the most expensive campaigns for the House and Senate in 2002. Make particular note of the degree to which these races are funded by the parties and caucus PACs. It takes more than \$100 checks from the constituents back in the district to mount campaigns like these. The largest of these campaigns are made in Lansing.

2002 Costliest House Races

Dist	Candidate	Contributions	Party/Caucus Contributions	Party Indep Exp	Party Total \$\$	GLEP Indep Exp	Total \$\$	% Party \$\$	Vote %
62	M. Nofs	255,000	159,000	114,000	273,000	0	369,000	74.0%	53.2%
	T. Dearing	80,000	5,500	47,000	52,500	0	127,000	41.3%	46.8%
							496,000		
91	D. Farhat	152,000	105,000	100,000	205,000	13,000	265,000	77.4%	50.8%
	N. Frye	71,000	13,000	46,000	59,000	0	117,000	50.4%	49.2%
							382,000		
106	D. Wyman	129,500	71,000	71,000	142,000	32,000	232,500	61.1%	49.3%
	M. Gillard	100,000	18,000	44,000	62,000	0	144,000	43.1%	50.7%
							376,500		
32	D. Acciavatti	142,000	11,000	91,000	102,000	6,000	239,000	42.7%	56.3%
	J. Hertel	98,000	3,000	29,000	32,000	0	127,000	25.2%	43.7%
							366,000		
51	D. Robertson	129,000	50,000	61,000	111,000	16,000	206,000	53.9%	49.9%
	P. Lockwood	77,000	0	31,000	31,000	0	108,000	28.7%	48.4%
							314,000		
108	T. Casperson	101,000	5,000	0	5,000	0	101,000	5.0%	51.8%
	L. Stupak	165,000	45,000	34,000	79,000	0	199,000	39.7%	48.2%
							300,000		
40	S. Taub	211,000	0	0	0	0	211,000	0.0%	62.4%
	S. Weisberg	77,500	0	0	0	0	77,500	0.0%	37.6%
							288,500		
37	V. Knol	81,000	5,000	69,000	74,000	16,000	166,000	44.6%	47.5%
	A. Vagnozzi	97,500	0	25,000	25,000	0	122,500	20.4%	52.5%
							288,500		
17	M. Handy	88,500	6,000	84,000	90,000	0	172,500	52.2%	47.3%
	D. Paletko	79,000	1,000	23,000	24,000	0	102,000	23.5%	49.6%
							274,500		
21	P. Lajoy	71,000	5,000	67,000	72,000	0	138,000	52.2%	53.8%
	M. Slavens	83,000	500	34,000	34,500	0	117,000	29.5%	44.0%
							255,000		
23	D. Jones	86,000	7,000	84,000	91,000	0	170,000	53.5%	48.5%
	K. Law	48,500	500	35,000	35,500	0	83,500	42.5%	49.5%
							253,500		
55	M. Milosch	74,000	5,000	51,000	56,000	7,000	132,000	42.4%	53.0%
	G. Hauser-Hurley	73,000	0	47,000	47,000	0	120,000	39.2%	47.0%
							252,000		

2002 Costliest Senate Races

Dist	Candidate	Contributions	Party/Caucus Contributions	Party Indep Exp	Party Total \$\$	Party Total \$\$	% Party \$\$	Vote %
36	T. Stamas	736,000	444,000	237,000	681,000	973,000	70.0%	51.1%
	A. Neumann	186,000	0	35,000	35,000	221,000	15.8%	48.9%
						1,194,000		
29	W. Hardiman	448,000	138,000	114,000	252,000	562,000	44.8%	53.8%
	S. Pestka	506,000	10,000	7,000	17,000	513,000	3.3%	44.7%
						1,075,000		
20	T. George	586,000	237,000	188,000	425,000	774,000	54.9%	56.5%
	E. LaForge	229,000	32,000	47,000	79,000	276,000	28.6%	43.5%
						1,050,000		
34	G. VanWoerkom	381,000	223,000	181,000	404,000	562,000	71.9%	49.5%
	R. Shrauger	186,000	3,000	161,000	164,000	347,000	47.3%	48.3%
						909,000		
6	L. Toy	418,000	255,000	319,000	574,000	737,000	77.9%	54.2%
	E. DeHart	120,000	0	19,000	19,000	139,000	13.7%	45.8%
						876,000		
23	P. DeWeese	382,000	1,500	0	1,500	382,000	0.4%	46.6%
	V. Bernero	262,000	40,000	5,000	45,000	267,000	16.9%	53.4%
						649,000		
19	M. Mortimer	254,000	5,000	35,000	40,000	289,000	13.8%	44.9%
	M. Schauer	276,000	2,500	12,500	15,000	288,500	5.2%	55.1%
						577,500		
7	B. Patterson	442,000	2,500	55,000	57,500	497,000	11.6%	56.3%
	G. Mans	71,500	4,000	0	4,000	71,500	5.6%	43.7%
						568,500		
31	M. Green	259,000	0	0	0	259,000	0.0%	39.5%
	J. Barcia	157,000	10,000	101,000	111,000	258,000	43.0%	60.5%
						517,000		

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across economic strata. And it would be even less regressive if we went to an ad valorem tax – say 10 per cent – so the tax on a \$4 bottle of wine would be less than a \$100 bottle. An ad valorem tax would have the additional benefit of keeping pace with real social costs.

So why hasn't anything been done about the fact that the alcohol taxes haven't kept pace with the real costs the state incurs for alcohol-related problems? Consider the role of the Beer & Wine Wholesalers' PAC. The Beer & Wine PAC gave \$335,000 to the campaigns of the members of the 91st Legislature, an average of nearly \$2,300 each, and \$150,000 more to their caucus and leadership PACs. Only five representatives and four senators did not receive contributions

from the Beer & Wine PAC. Make your own judgment about whether those contributions have kept the beer and wine tax off the table.

The point of term limits was supposed to be that legislators with limited careers would be emboldened to stand up to special interests and serve the public interest. Let's see if it happens that way. But keep in mind, the Beer & Wine PAC has already given to most of the new legislators' campaigns, it spends nearly \$100,000 annually for lobbying and the most popular site in Lansing for a political fund-raising event is the Beer & Wine Association's Rathskeller. Keep your expectations realistic, but tell your legislators what you think.

Top Political Contributors

Thanks to the absence of contribution limits to PACs and political parties, there was some extraordinary giving to political committees in Michigan in 2002. There is a fairly extensive list of individuals and households who gave more than \$100,000. However, eight households stand atop the list by having given more than a half-million dollars each.

Dan Hibma, a developer and partner in PRDL LLC of Holland, gave \$1.6 million to his wife, Terri Lynn Land, for her successful Secretary of State campaign. Mr. Hibma also gave \$15,000 to West Michigan Leadership Caucus, which in turn made extensive contributions and independent expenditures supporting Ms. Land's campaign.

Robert Thompson, president of Thompson-McCully Asphalt, a firm that has done \$677 million worth of contracts with the Michigan Department of Transportation over the past 12 years, gave \$720,000 to various committees, including \$375,000 to the Michigan Republican State Committee, \$121,000 to the 'education choice' Great Lakes Education Project and more than \$220,000 to various Republican leadership PACs.

Helen and Richard DeVos, Sr. gave \$625,000 to two committees: \$525,000 to the Republican State Committee and \$100,000 to the Great Lakes Education Project. Mr. DeVos is a founding partner of Amway.

Betsy and Dick DeVos were the principal financial supporters of the Great Lakes Education Project, contributing \$535,000. They also gave \$25,000 to the Republican State Committee and \$2,000 to the Posthumus Leadership Fund. Mrs. DeVos has begun her second term as state Republican Party chair and Mr. DeVos is a former president of Alticor, the parent company of Amway.

Paul Land, partner with Dan Hibma in PRDL LLC, gave \$540,000 to the West Michigan Leadership Caucus, which in turn spent \$420,000 supporting the campaign of Mr. Land's daughter, Terri Lynn Land. Mr. Land also gave \$5,000 to Michigan House Speaker Rick Johnson's leadership PAC, Common Cents North.

Ted and Maria Gatzaros gave \$460,000 to Citizens for Responsible Leadership, a PAC that supported former governor Jim Blanchard's Democratic gubernatorial primary campaign, and \$62,500 to the Burton Leland Leadership Fund, mainly in

Top Individual Contributors

Dan Hibma	1,616,000 15,000 1,631,000	Terri Lynn Land for SoS West MI Leadership Caucus
Robert Thompson	375,000 121,000 100,000 40,000 23,500 20,000 20,000 20,000 719,500	MI Republican State Committee Great Lakes Education Project The (Posthumus) Leadership Fund Sikkema Leadership Fund Common Cents North (Rick Johnson) Republican Victory Fund Victory 2002 Fund (Huizenga) NO. VI Leadership Fund (DeRoche)
Helen and Richard DeVos, Sr.	525,000 100,000 625,000	MI Republican State Committee Great Lakes Education Project
Betsy and Dick DeVos	535,000 25,000 2,000 562,000	Great Lakes Education Project MI Republican State Committee The (Posthumus) Leadership Fund
Paul Land	540,000 5,000 545,000	West MI Leadership Caucus Common Cents North (Rick Johnson)
Ted and Maria Gatzaros	460,000 62,500 1,000 523,500	Citizens for Responsible Leadership Burton Leland Leadership Fund Common Cents North (Rick Johnson)
Jim Papas	450,000 62,500 512,500	Citizens for Responsible Leadership Burton Leland Leadership Fund
Betty and Jay Van Andel	500,000 10,000 510,000	MI Republican State Committee Great Lakes Education Project
Thomas and Marjorie Monaghan	169,909 110,000 40,000 319,909	Ann Arbor PAC MI Republican State Committee The (Posthumus) Leadership Fund

support of Gil Hill's 2001 mayoral campaign. Mr. Gatzaros, partner in 400 Monroe Associates, is a restaurateur, hotelier and developer in Detroit's Greektown and was one of the original proponents of casino gaming in Detroit.

Jim Papas is a partner with Ted Gatzaros in 400 Monroe Associates in Detroit's Greektown. Mr. Papas gave \$450,000 to Citizens for Responsible Leadership and \$62,500 to the Burton Leland Leadership Fund.

Betty and Jay Van Andel gave \$500,000 to the Michigan Republican State Committee and \$10,000 to the Great Lakes Education Project. Mr. Van Andel is a founding partner of Amway.

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Research by MCFN. Articles written by
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