



PAT BROWN INSTITUTE OF PUBLIC AFFAIRS

Reforming the Campaign Money System, California Style

By: Susan Lerner

California's political system has reached unprecedented heights of special interest influence, seriously alienating California voters. Politics in California has become an insider game, with special interest lobbyists and well-heeled campaign donors pouring huge amounts of money into political campaigns. A few facts help illuminate the problem:

- The 2004 California elections cost more than \$521 million, according to the Institute on Money in State Politics, which tracks campaign contributions to state candidates, party committees, and ballot measures.
- As has been widely reported, close to \$350 million was spent in relation to last year's Special Election.
- In the June 2006 Democratic primary for Governor, the two principal candidates and a host of independent committees spent upwards of \$80 million.
- Gov. Arnold Schwarzenegger, who campaigned to recall Governor Gray Davis with a promise to get special interest money out of politics, has already collected more than \$102 million in his two and a half years as governor, according to the Foundation for Taxpayer and Consumer Rights, a consumer watchdog group.
- The Los Angeles Times reports that more than \$330 million has been raised by all state races as of Tuesday, September 18. With just under 7 weeks of fund-raising time left before the November 7th election, 2006 is shaping up to be another record-breaking year for campaign fund-raising in California.
- Interest groups gave at least \$3.5 million, in contributions of \$1,000 or more, directly to candidates for Senate and Assembly seats in the first 29 days of August. On one day before the end of the legislative session, there were 33 fund-raisers held in Sacramento.
- The financial services and real estate industries contributed \$15.6 million in 2004. In contrast, advocates for the environment gave just \$127,000 and organizations representing racial and ethnic minorities gave \$18,600.
- Of the top 10 largest political contributions from 2001 to 2005, which ranged in size from \$8 million (from the California Teachers Association) to \$14.25 million (from Pharmaceutical Research and Manufacturers of America), 7 were from drug companies or PhARMA.

What motivates donors to make such large contributions? It is difficult not to conclude that these contributions are good investments, that special interest money does indeed influence public policy. There are too many instances like the following:

- The financial services and lending industry gave over \$70,000 in donations this year to legislators who sit on committees regulating that industry. A bill which would regulate predatory lending practices preying on service personnel with stop-gap loans at interest rates of over 400% died in committee.
- Health insurers have spent \$3.7 million in campaign contributions in California since 2005, \$765,000 of that to Gov. Schwarzenegger. The Governor just vetoed a bill that would provide universal health care coverage for all Californians that is opposed by the insurance companies.
- This past spring, AT&T hosted a golf fundraiser at Pebble Beach sponsored by Assembly Speaker Fabian Nunez, which raised \$1.7 million for the California Democratic Party. Shortly after, the Speaker delivered a landslide vote for AT&T's pay-tv deregulation legislation.

The corrosive nature of this escalating political money race is becoming increasingly clear to the California public. A poll conducted by the Public Policy Institute of California (PPIC) last November found 64% of likely voters believe that campaign contributions had a negative effect on the public policy decisions being made in Sacramento. A September 2005 survey by the PPIC found that 92% of California voters thought that special interests control the initiative process. It is little wonder that voter participation in elections in California has fallen precipitously, reaching a low of 20% in the June, 2006 primary.

Given these facts, a clear consensus has developed on both sides of the aisle and among people from all ideological backgrounds that California's campaign financing system is broken. Different solutions have been tried, with limited success. It is time for a truly innovative approach: Clean Money full public funding of elections.

Failed Solutions

California's voters have long favored regulation of campaign contributions. In 1974, California voters overwhelmingly passed Proposition 9, which established the Fair Political Practices Act. The Act established disclosure requirements for campaign contributions and expenditures by candidates and ballot measure committees, set ethics rules regarding financial conflicts of interest for elected officials, and set disclosure requirements and regulations for lobbyists and their activities. There are those who argue that expanding and strengthening disclosure requirements is the only way in which campaign financing should be regulated.

While transparency and the full disclosure of political contributions is essential to the proper functioning of our democratic system, reliance on disclosure alone to counteract the effects of run-away campaign dollars has not only failed to alleviate or solve the problem, it has had severe unintended consequences.

We now have a system in which full disclosure leads to the overwhelming desire to vote for "none of the above." Increasingly, press coverage emphasizes only campaign contributions and not policy. Full disclosure of ever increasing levels of campaign contributions has had the unintended consequence of breeding cynicism and voter apathy. In the end, if disclosure is all we have, it merely serves to illustrate how bad every candidate can be and discourages and depresses voter turn-out.

An additional approach has been to lower contribution limits. The goal of such lower limits is to make money a less important ingredient in election campaigns. California voters also have passed various propositions limiting campaign contributions. But very low limits at the state level have not survived legal challenge. Prop 208, which set contribution limits of from \$100 to \$500 (depending on the position) for candidates who refuse voluntary spending limits, passed in 1996 by a margin of 61 percent to 39 percent. These limits never took effect, as they were struck down by the courts. Subsequently, California voters adopted Prop 34 in 2000 which set relatively high contribution limits of \$3300 for legislative races and \$22,300 for governor. As the cost of campaigning in California has risen, candidates are forced to spend ever increasing amounts of time raising money and less time working on legislation or social policy issues. Thus, the goal of lessening the importance of money in political campaigns has not been served by imposing lower contribution limits with out more. The problem has been exacerbated by term limits.

Clean Money: A Practical and Innovative Solution

Clean Money full public funding of elections is steadily gaining popularity. Arizona, Maine and Connecticut all have laws establishing full public funding of all statewide and legislative races. New Jersey, New Mexico, North Carolina and Vermont all have laws establishing Clean Money public funding for some races or offices, and the cities of Portland, OR and Albuquerque, NM have also adopted Clean Money for their municipal elections.

To qualify for public funding, candidates are required to:

- Reject private fundraising and agree to limit spending to the amount provided by the public
- Demonstrate broad-based support by gathering a set number of signatures and \$5 donations
- Participate in at least one primary and two general election debates.

Experience with Clean Money in Arizona and Maine indicates that the system is effective in changing elections for the better, accomplishing its goals of leveling the playing field, increasing the number of competitive races, opening the ballot to candidates from diverse backgrounds, and helping combat voter empathy.

A recent Associated Press article reports:

"A 2005 study by three University of Wisconsin political scientists concluded that public financing can significantly increase the number of candidates running for office and therefore the choices available to voters. ...

A study released this year by the nonpartisan Institute on Money in State Politics found that Arizona's public financing system, adopted by voters in 1998, had narrowed the funding gap between challengers and incumbents and drawn an increasing number of participants.

Fifty-five percent of Arizona candidates accepted public financing in 2004, up from 25 percent in 2000, according to the study. This year, 62 percent are running on public financing, says Eric Ehst, executive director of the Clean Elections Institute, a nonprofit group that defends the Arizona law."¹

Election statistics collected by the Arizona Clean Elections Institute indicate that the number of women and minority candidates increased with public funding. Additionally, voter turnout has increased by 20% in Arizona since the adoption of Clean Money. Polls also show that the Clean Elections system in Arizona is popular, with 85% of those familiar with the system say that it is very or somewhat important to Arizona voters.

In Maine, more than 80% of the Legislature is elected with Clean Money, while in Arizona, 10 out of 11 statewide offices, including governor, are held by Cleanly elected officials.

This November, California voters will have an opportunity to bring Clean Money full public funding of election campaigns to California by passing Prop 89. Prop 89 establishes a full public funding voluntary alternative to the conventional fund-raising race. It also contains strict contribution limits for conventionally funded candidates, as well as tough disclosure and enforcement requirements. Based on the Clean Money laws working today in Arizona and Maine, but adjusted for California's election realities, Prop 89, if adopted, will significantly change the way California politics is conducted.

Conclusion

The campaign financing situation in California can not be allowed to continue as it is. Voters, elected officials and commentators all agree that the current system is broken. Traditional forms of campaign finance reform have not prevented the dominance of a pay-to-play atmosphere in Sacramento that threatens the very fiber of our democracy. It is time for California to adopt Clean Money full public funding of elections and put the voters, not big money contributors, back in control of elections and public policy.

¹ *Proposition 89 Creates Political Fervor* by Steve Lawrence, Associated Press Writer, Sacramento Union, Published: September 20, 2006.