



**TESTIMONY ON STATEWIDE CAMPAIGN FINANCE REFORM
PRESENTED TO THE SENATE DEMOCRATIC POLICY COMMITTEE**

The Committee of Seventy
February 2, 2012

Thank you for the opportunity to offer testimony today on state campaign finance reform. My name is Michael Schwartz. I am here on behalf of the Committee of Seventy where I serve on the Board of Directors and as co-chair of the Ethics Subcommittee. With me is Ellen Mattleman Kaplan, Seventy's Vice President and Policy Director.

As you know, the Committee of Seventy is a non-partisan organization whose mission is to fight for clean and effective government, fair elections and informed citizens. Seventy has a long track record as an advocate for campaign finance reform. We were the earliest and most strident defender of Philadelphia's current campaign finance ordinance and have been the most outspoken proponent of closing loopholes that breed abuse, corruption and distrust of local government.

In 2006, Seventy led the effort to create a city Board of Ethics to administer and enforce the campaign finance ordinance. After the first test of the ordinance in the 2007 municipal elections, Seventy urged Mayor Michael Nutter to create a Task Force to explore ways to strengthen the ordinance and close any loopholes. I was honored to be asked by the Mayor to serve as Chair of the Task Force, which issued a report in December 2009 and which I am pleased to share with you today.

Several of the Task Force's recommendations – which also were supported by the Committee of Seventy – were enacted by Philadelphia City Council in 2010. Yet, there is still room for improvement, and Seventy continues to be actively engaged in proposing additional reforms.

It should come as no surprise that we come here today to urge the Pennsylvania General Assembly to enact statewide campaign finance reform.

The \$23 million of campaign contributions in the 1999 Mayor's race that prompted Philadelphia to adopt a campaign finance ordinance pales in comparison with what is raised on a statewide gubernatorial election in Pennsylvania.¹

According to the Philadelphia Inquirer, a combined \$56 million was spent by the candidates for Pennsylvania Governor in 2010. This exceeded the next highest total -- \$42 million -- set in the 2002 gubernatorial race.²

One candidate in the 2010 Democratic primary received approximately \$3.7 million in contributions and in-kind donations just from one political action committee.

Yet, it is not simply the high cost of elections that compels campaign finance reform. The existence of pay-to-play (that is, the making of political contributions or gifts to candidates and public officials in return for business or favors and/or the public perception that such quid pro quos occur) has long been an open secret in Philadelphia. And, with all due respect, in Harrisburg as well.

Pay-to-play can and does happen notwithstanding the strictest contribution limits. However, the absence of any limits has led more than a few people -- both elected officials and those who are purportedly acting on behalf of elected officials -- to bend or even break the rules.

I can offer one example from personal experience: In 2003, I was a federal prosecutor in Philadelphia supervising a public corruption wiretap which ultimately led to the conviction of the former City Treasurer and at least six prominent business people. It was late August 2003, and the

¹ Bob Warner, "Most Expensive Mayor's Race Tops \$23m," Philadelphia Daily News, October 23, 1999.

² Tom Infield, "Candidates for Pennsylvania governor spent \$56 million in 2010 race," Philadelphia Inquirer, December 3, 2010.

Philadelphia Eagles were getting ready to play their first game at Lincoln Financial Field. At the same time, a respected investment advisor was trying to make a presentation to the City Treasurer to manage city deposits. Rather than making Philadelphia a place where businesses are encouraged to fairly compete, the City Treasurer, together with a prominent fund raiser, decided to use this situation to exhort the investment advisor for a \$25,000 political contribution which would buy him a seat in the Mayor's box for the opening game at the Linc. In a secretly recorded conversation, the former City Treasurer explained in crude terms what pay-to-play was like in Philadelphia at that time: "you know, you just hate to say it but that's the way it is man, I mean, this is . . . election time, this is time to either get down or lay down man, I mean, come on, to me, personally it's not even a hard decision . . . it's not a hard decision, you know, cause that stuff comes, comes back, over and over...."

I will not recount the many illustrations, both in Philadelphia and Harrisburg, of appointments, favors and contracts flowing from elected officials to large campaign donors. You know them. And, the public knows them.

Then-mayoral candidate John Street very candidly told the *Philadelphia Inquirer* in 1999, "The people who support me in the general election have a greater chance of getting business from my administration than the people who support [opponent] Sam Katz. . . . Anybody who doesn't acknowledge that's the way it works is either a liar or thinks you're really stupid."³ `

The recent political scandals in Harrisburg resulting from the abuse of rules separating political activity from the workplace – commonly referred to as "Bonusgate" – have seriously eroded the public's trust in government and elected officials. In a statewide poll taken just last month of areas in state government requiring reform, the highest percentage of respondents cited changing the way campaigns are financed.⁴

³ Cynthia Burton and Ken Dilanian, "The Way It Works," *Philadelphia Inquirer*, December 15, 2002. The article also reported that "47 [of the 50 biggest donors to Street's 1999 campaign] have won city contracts, subsidies or appointments since he became mayor, or have stood to gain from his administration's regulatory decisions."

⁴ Democracy Rising Public Integrity Survey. Terry Madonna Opinion Research, January 2012.

Nobody should be more concerned about these developments than members of the Pennsylvania General Assembly. Yet, session after session, proposals to impose caps on campaign contributions and spending languish in Senate and House committees.

According to an October 2011 survey of the National Conference of State Legislatures, Pennsylvania is in a small minority of states when it comes to campaign finance reform. Four states – Missouri, Oregon, Utah and Virginia – have no limits whatsoever. Seven states – Alabama, Indiana, Iowa, Mississippi, North Dakota, Pennsylvania and Texas – either limit or prohibit contributions to candidates by corporations and unions, but impose no limits on donations from other sources.⁵

Disclosure, in Seventy's view, is not the antidote to the potential problems associated with permitting candidates for state office to raise as much money as they want from individuals and political committees.

And even full disclosure has hit stumbling blocks; it was disturbing to read an AP story last spring that the state budget in October 2010 eliminated \$35,000 for private contractors to transfer campaign finance data from paper reports into the Department of State's online database.⁶ Although the administration intended to restore the funding in the 2011-2012 budget, this budget cut sends the wrong message about the public's right to know what candidates for state office are raising and spending.

The experience from other states – and certainly from Philadelphia – is that there are strong benefits to limiting campaign contributions.

⁵ See <http://www.ncsl.org/legislatures-elections/elections-campaigns/campaign-contribution-limits-overview.aspx>.

⁶ Peter Jackson, "Pa. budget cuts complicate campaign-donor tracking," Associated Press, May 16, 2011.

- Limiting campaign contributions brings far more people into the elective process.⁷

Returning to 2007, when there was an open seat for Philadelphia’s Mayor, the contribution limits in the city’s campaign finance ordinance forced candidates to reach out to a broad number of contributors. Eleven days before the primary, Michael Nutter reported raising \$3.4 million from over 4,000 individuals,⁸ including over 3,000 donations of \$250 or less.⁹ Opponent Dwight Evans raised \$1.4 million, also from over 4,000 individual contributors. No one individual made a contribution in excess of \$5,000.¹⁰ Prior to Philadelphia’s campaign finance ordinance, single donors routinely made six-figure contributions to mayoral candidates.¹¹

According to political observers, the need to reach out to more citizens resulted in a marked increase in personal appearances by candidates at meetings and forums in Philadelphia’s neighborhoods, as well as televised debates, resulting in exchanges with “real voters” and the news media about issues of concern to the citizenry.¹² As former Philadelphia Daily News editor and now Seventy’s President and CEO Zack Stalberg noted, “Because [the candidates] could not easily raise big gobs of money, they had to show up at these forums and participate and talk to real voters for the first time in probably half a century.”¹³

- Limiting contributions do not ensure victory for the self-funded candidate. Despite causing panic among his opponents – triggering attempts to topple the campaign finance ordinance and to dominate the airwaves with blistering attack ads – self-funded candidate

⁷ For a discussion on the impact of limits on donations on increasing voter engagement, see “Reform in an age of Networked Campaigns,” A Joint Project of the Campaign Finance Institute, American Enterprise Institute and Brookings Institution, 2010.

⁸ Marcia Gelbart and Craig R. McCoy, “Evans, Nutter shows gains in primary war chests,” Philadelphia Inquirer, May 5, 2007.

⁹ Marcia Gelbart, “City’s New Campaign Law Called a Winner,” Philadelphia Inquirer, May 21, 2007.

¹⁰ In October 2006, Council amended Chapter 20-1000 of the Philadelphia Code to include a “millionaire’s” exception that would permit the doubling of contributions to all 2007 mayoral candidates in the event one candidate contributed more than \$250,000 of his or her own money.

¹¹ Clea Benson, “No Limits Are Set for Campaign Donations,” Philadelphia Inquirer, October 26, 2003.

¹² Bob Warner, “A Nutter Test for Mike,” Philadelphia Daily News, July 2, 2007.

¹³ Gelbart, supra n.8.

Tom Knox's \$12 million race did not buy him the Democratic nomination. As the Philadelphia Inquirer editorialized:

Given the new politics of Philadelphia, it's at least possible to conclude that money isn't the *only* thing anymore. That's a major achievement, considering the city's corrosive, pay-to-play political culture. All of the

credit goes to the now battle-tested campaign-finance limits. . . .¹⁴

- Limiting contributions makes it more difficult to "pay-to-play." A May 2005 statewide poll conducted by IssuesPA/Pew reported that 80% of the respondents believed that people making large political contributions are trying to buy special favors.¹⁵ It stands to reason that eliminating large campaign contributions diminishes both the perception and the reality that political favors are expected and given. As New York City's Mayor Michael Bloomberg said in a June 5, 2007 press release introducing a sweeping municipal campaign finance reform proposal, "By setting up the nation's toughest campaign finance limits, we're ensuring that campaign contributions don't lead to special favors from government so every New Yorker knows that their government truly works for them, not the special interests."

Our purpose in testifying today is not to endorse any specific campaign finance proposal that has been introduced in the General Assembly. Instead we are here to urge this Committee to lead an effort that will result in Pennsylvania joining the 39 states that appropriately limit contributions from individuals and political action committees.

The Committee of Seventy is happy provide any assistance you need. We hope to have this opportunity in the very near future.

Thank you for inviting us to appear before you.

¹⁴ "Campaign-Finance Limits: The city was the real winner," Philadelphia Inquirer Editorial, May 17, 2007.

¹⁵ Issues PA/Pew Poll: Money, Politics and Pennsylvanians' Appetite for Change, May 2005. See <http://www.issuespa.net/print/articles/13244?p=1>.