

## **TESTIMONY OF PROGRESSIVE MARYLAND BEFORE THE SENATE EHEA COMMITTEE IN FAVOR OF SB 725 – PUBLIC FUNDING OF ELECTIONS**

**March 4, 2005**

Thank you, Madame Chairwoman, for the opportunity to testify in favor of SB 725, a bill to create a voluntary, publicly funded way to run for the General Assembly.

My name is Sean Dobson; I'm deputy director of Progressive Maryland. Progressive Maryland defends the interests of working families.

### **Maryland's Campaign Finance Crisis**

In so doing, we find ourselves continually fighting uphill on a political playing field steeply tilted against regular folks and tilted in favor of deep-pocket, special-interest campaign contributors.

That view of Maryland's campaign finance system is held not only by Progressive Maryland, but also indeed by most Marylanders (I will share the results of an opinion poll in just a minute). This general perception coupled with a string of ethics and campaign finance scandals over the past few years prompted the General Assembly in 2002 to create an official state study commission to examine whether indeed a problem exists and, if appropriate, recommend reforms.

The Study Commission on Public Funding of Campaigns in Maryland -- a bipartisan, blue-ribbon task force comprised of current lawmakers, former lawmakers, representatives of the State Board of Elections and State Ethics Commission, as well as prominent private citizens -- spent 18 months delving into Maryland campaign finance law and statistics and also reviewing best reform practices in the other 49 states. It issued its report in 2004.

The study commission, relying on the research of Prof. Paul Herrnson of the University of Maryland, has uncovered a terrible campaign finance crisis afflicting our state.

- Campaign contributions come from a tiny, moneyed elite. Only 1% of Marylanders can afford to give a campaign contribution of any kind. Of contributions from organizations, fully 87% come from businesses.
- This elite funnels the lion's share of the money to safe incumbents (often in uncompetitive, gerrymandered districts), especially to incumbents in leadership positions.

- Clearly, then, the contributions are not designed to affect elections – the outcomes of which are rarely in doubt – but instead to curry favor with the most powerful incumbents **after** the election. The contributions, in other words, are a lobbying tactic designed to improve access to lawmakers so as to affect legislation.
- True, some lawmakers refuse to grant privileged access to their big donors. But, at the institutional level, the contributions clearly create undue influence and skew legislative results. Why else would contributors give more and more money each election cycle? They pumped \$75 million into Maryland’s 2002 election cycle – **double** what they spent in 1998.

These are the depressing facts uncovered by the study commission. And in just the past year, this campaign finance crisis has worsened -- with serious allegations of fundraising impropriety against both political parties. As a result, the public *perceives* a campaign finance problem. And the *perception* of corruption in government is almost as corrosive to democracy as real corruption. An opinion poll commissioned by the study commission and conducted by the University of Maryland found that:

- 69% believe that office holders spend too much time fundraising.
- 67% of Marylanders believe that campaign contributions exert “a great deal of influence” on policies made by the state government.
- 75% of Marylanders believe that fund raising “is a major source of corruption” (I repeat: *corruption*).

The results of this poll – which are in the Stenberg report -- show unmistakably a profound crisis of voter confidence in Maryland state government.

And regardless of where you stand on slots, the ability of the gambling industry to monopolize your attention for three years and counting is no doubt further strengthening the public’s perception that moneyed interests enjoy undue influence in Annapolis.

My fellow Marylanders, we’ve got a problem in our state. It’s not a Democratic problem. It’s not a Republican problem. It’s a problem besmirching **all** the honorable public servants in the General Assembly. And if you don’t act, this problem won’t go away. It will get worse as allegations proliferate, scandals erupt, media coverage becomes ever more cynical, voter confidence plummets, and your jobs become less and less rewarding.

### **The Solution: SB 725**

That’s the bad news. The good news is that there **is** a solution. The study commission not only analyzed Maryland’s campaign finance problem. It also scoured all 50 states for best reform practices, hearing from dozens of witnesses from around the country,

and reading innumerable reports. The study commission was especially impressed by a successful reform model in Maine and Arizona, which has worked well through several election cycles by providing a voluntary, publicly funded way to run for office. The study commission recommends that Maryland adopt this reform because it works. This model also conforms to the preference of Marylanders as revealed in the opinion poll just discussed. 70% of Marylanders believe that “public funding will make the system work better”.

The legislation before you today, SB 725, sponsored by Sen. Paul Pinsky, is based on the study commission’s recommendation. SB 725 does not implement the entire recommendation of the study commission, which proposed to cover both legislative and statewide elections. Instead, this bill would implement the part of the report that covers elections to the General Assembly. The sponsors of the bill believe it prudent to try to phase this reform in gradually by starting only with legislative elections.

The bill would create a *voluntary*, publicly funded way to run for General Assembly, so that candidates need not take a single penny of special-interest money when running for office. Here’s how the bill works:

- **The system is voluntary.** If a candidate does not want to opt in to the system, he does not have to. In Maine and Arizona under this reform, you may run as a traditional, privately-financed candidate.
- **Seed Money.** A citizen contemplating a run for Senate as a publicly funded candidate can spend up to \$3,500 of privately raised “seed money” to test the political waters; a potential House candidate \$2,500.
- **Qualifying for the System.** If he decides to run for Senate or House in a three-member district as a publicly funded candidate, he qualifies by collecting “qualifying contributions” of \$5 or more from 282 registered voters in that district (i.e., ¼ of 1 percent of the district’s population). For House candidates running in a two-member district, he collects 188 contributions; 94 in a one-member district.
- **Disbursement Amounts.** If able to collect these qualifying contributions, a Senate candidate then receives \$50,000 from the state for a contested primary or \$10,000 for an uncontested primary; \$50,000 for a contested general election or \$6,000 for an uncontested general election. A House candidate receives \$40,000 for a contested primary in a three-member district (\$35,000/\$20,000 for smaller districts) or \$10,000 for an uncontested primary (\$8,000/\$6,000 for smaller districts); \$40,000 for a contested general election; \$6,000 for an uncontested general election (\$5,000/4,000 for smaller districts). Alternatively, if the candidate is running in a district where the real competition is in the primary, he may opt to receive up to 70% of his public funding disbursement in the primary; or if the real competition is in the general election, he may opt to receive up to 70% of the total disbursement in the general election.

- **Role of Political Parties.** In return for the public money, the participating candidate may not accept any private contributions, except for up to 2.5 % of the total public funding disbursement in monetary or in-kind contributions from a state or local party central committee. The bill does nothing to interfere with normal party-building activities that are not candidate-specific.
- **Matching Funds.** If a privately financed opponent outspends the publicly funded candidate, the latter receives matching grants to keep pace, up to double the initial disbursement. So that these expenditures can be monitored, non-participating candidates must report their expenditures once they pass this threshold.
- **Administration/Enforcement.** The money is disbursed to participating candidates from a newly created Public Election Fund administered by a new Election Financing Commission comprised of members appointed to staggered terms by the Governor. This body has the power to levy fines.
- **Flexibility.** The participating candidate may spend his public funding just as a non-participating candidate spends his private funding – i.e., on yard-signs, mailings, on his own or through a slate, etc.
- **Slates.** A participating candidate may belong to a slate, even a slate with privately financed partners. An expenditure made by such a slate shall be considered a coordinated expenditure and subject to the expenditure limit applicable to that participating candidate, calculated on a pro rata basis by dividing the entire slate expenditure by the number of candidates on that slate.
- **Cost.** The Fiscal Note on the bill last year showed that the system would cost about \$7.5 million per year. This year's Fiscal Note is not yet complete. But we are confident it will show the cost of this year's bill to be approximately the same. We are also confident that the Fiscal Note on this year's bill will show that the system's entire cost will be covered by the bill's earmarked funding source: closure of the "Nonbusiness Income" corporate tax loophole (the General Assembly already voted to close this loophole during the 2003 session, but Gov. Ehrlich vetoed that bill). As the system is not financed by General Revenue, it does not exacerbate the budget deficit. In any event, the system would go into effect for the 2010 election cycle, when the current budget deficit will be behind us.

In Maine and Arizona, more than half of all candidates now use the publicly funded system, including nearly half of incumbents. The public in both states supports the reform, according to opinion polls. Republicans and Democrats support the system in Maine because it frees them from the endless money chase, allowing them to spend more time with voters. They also say it frees them to consider legislation on the merits - without worrying about the demands of special-interest contributors. Democrats and many Republicans in Arizona (including Sen. John McCain) support the system there for the same reasons.

Public funding of campaigns would **save** state government money. The Comptroller revealed last year that 2/3 of the biggest corporations in our state no longer pay any state income tax – not one red cent! Surely, the massive campaign contributions from these same big corporations help explain why they have received so many tax giveaways over the years and why the various loopholes their accountants invent have been tolerated for so long. Public funding of campaigns would radically reduce the incentive to let corporate tax shirkers get away with it. As such, public funding of campaigns is the single best step we can take to restore fiscal discipline and reduce the deficit.

I mentioned before the public perception, as revealed by last year's opinion poll, that campaign contributions have a corrupting influence on government. A lot of you took a tough vote a few days ago in favor of slots. For most of you, there was nothing cynical about your decision -- you voted for it because you thought it was necessary for the state. But the public might not view it that way – they might believe that you voted for slots to get big contributions from the gambling industry. By enacting this bill, you can send a message to the public that even as you vote for slots, you simultaneously are creating a way to insulate the political system from undue influence by the gambling or any other deep-pocket industry. Moreover, even if slots do not get enacted, passage of this bill will signal to the public that in the future it will be much more difficult for any deep-pocket industry to monopolize the General Assembly's attention year after year after year.

Finally, I would like to stress that this reform is **not** anti-incumbent. But don't take my word for it. Just read the *Baltimore Sun* op ed in your packet. That op ed was written by analysts from the conservative Cato Institute – a think-tank that strongly opposes this reform. The Cato Institute scholars did an exhaustive, empirical study of the effect of this reform on elections in Maine. They find that the reform there has not prompted more challengers to run for office, it has not made election results closer, and it has not ousted incumbents. Incumbents in Maine still win about 90% of the time, just as they do in Arizona and in every state in the country, including Maryland. That's because incumbents have lots of other advantages over challengers besides a fundraising edge: they have more name recognition, more and better contacts, more experience as campaigners, a proven record, etc. Progressive Maryland and our allies support this reform not because it revolutionizes elections. Instead, we support it for the effect it has **AFTER** the election. For publicly funded candidates who win owe no favors to deep-pocket special interests. As such, they are freer to vote their conscience, consider legislation on the merits, and spend more time talking to voters -- and less time fundraising.

By enacting SB 725, you will kill three birds with one stone: you will reduce the undue influence of the deep-pocket special interests, restore voter confidence in government, and make your own lives better in that you will no longer spend too much time fundraising or depend on special-interest contributors whose agenda you might not support. SB 725 is not pie-in-the-sky; this is based on a proven, successful model already law in two states and tested through several election cycles. It is affordable, for

the system's modest cost is covered by closure of a tax loophole and does not kick in until 2007. The voters want reform. And, I suspect, most lawmakers themselves – in your hearts – know that the status quo is unfair and unsustainable. For all these reasons, Progressive Maryland urges the committee to give SB 725 a favorable report.

Madame Chairwoman, I would be happy to answer any questions.

**Attachments:**

- URL for study commission report
- *Baltimore Sun* editorial in favor of SB 725
- *Baltimore Sun* op ed in favor of SB 725
- *Washington Post* editorial in favor of SB 725
- Cato Institute op ed in *Baltimore Sun* showing that incumbents have nothing to fear from Maine-style public funding of campaigns.