

VOTER-OWNED CLEAN ELECTIONS FOR INDIANA

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Clean elections, or the public financing of political campaigns, are a proven reform to give voters more control over government. Clean elections make politicians accountable to constituents rather than campaign contributors and save taxpayers money. They provide a level playing field by giving all citizens an opportunity to run for public office.

Voters are well aware that in the present system running for office requires huge sums of money and that office holders end up being indebted to large campaign contributors. Many voters are eager for change. In fact, three out of four voters support a voluntary system of publicly financed campaigns, according to a June 2006 national poll by a bipartisan polling firm.

Under a clean elections system, a candidate raises a threshold sum of small contributions. Once that amount is raised, the candidate gets a grant in exchange for an agreement to raise no more private money.¹

It is time for Indiana to join Arizona, Connecticut, Maine and other states that have adopted Clean Money elections.

CLEAN ELECTIONS PROVIDE TANGIBLE BENEFITS

- Allow qualified people to run for public office even if they don't have access to a lot of money
- Enable officials to work more on legislating by removing the need to spend time fundraising (now as much as 50% of their workweek)¹
- Increase participation in the electoral process
- Make candidates accountable to every citizen
- Uphold democracy by ensuring that all qualified candidates have an opportunity to discuss their views on important issues
- Give all citizens equal access to their elected officials

See Appendix I for information on how Clean Money has specifically benefited states that have adopted the system.

CLEAN ELECTIONS MAKE POLITICIANS ACCOUNTABLE TO THE PUBLIC

In our present system, the contributions made by special interests and their lobbyists are really investments. In return for the cash they give to candidates, they get special favors. Most

¹In Connecticut, for example, which passed a voluntary Clean Elections law in 2005, a state senate candidate would have to raise \$15,000 in contributions of \$100 or less. That candidate would then receive a \$35,000 grant for his or her primary and an additional \$85,000 to continue to the general election. Candidates would be eligible for additional matching funds to keep pace with privately funded candidates who outspent them, or to deal with independent expenditures that target them.

importantly, they get access to lawmakers that ordinary citizens can only dream about. It seems obvious that tax breaks and government bailouts of corporate interests are payback for the millions of dollars funneled to candidates who become office holders. Taxpayers should recognize they are *already* paying for campaigns. For example, every time a taxpayer buys gas, food, medicine, housing, insurance, Internet, phone or cable service, a portion of that money is used by industry to lobby and donate to politicians. There are many good reasons to give campaign funds directly to candidates through public financing.

SUCCESSFUL CLEAN MONEY SYSTEMS AROUND AMERICA

Seven states and two cities already have voluntary Clean Money campaign funding systems: Arizona, Maine, Connecticut, New Jersey, New Mexico, North Carolina, Vermont, Albuquerque, NM and Portland, OR.

- **Arizona:** governor elected under the Clean Money system
- **Maine:** eighty-four percent of legislators used Clean Money in 2007
- **Connecticut:** first state to adopt public funding for all state offices 2005
- **New Mexico:** full public funding for all city elections in Albuquerque and all state judicial races²
- **Maryland and Tennessee:** Clean Money legislation is moving through the legislature and work toward Clean Election reform is on going in thirteen other states.ⁱⁱ

WHAT SPECIAL INTERESTS ARE NOW GETTING FOR THEIR “INVESTMENTS”

Because of their cozy arrangement with our elected officials, the rich keep getting richer. In a 2007 book entitled *Free Lunch: How the Wealthiest Americans Enrich Themselves at Government Expense (and Stick You with the Bill)* David Cay Johnston explains that since 1980 it has been official government policy to favor corporations and wealthy elites. Big money interests argue that government oversight interferes with “the magic of the market” but nonetheless solicits vast government aid in money and public resources.ⁱⁱⁱ The current market meltdown (a result of no government oversight) and subsequent bailout at taxpayer expense is a classic example of how this works against public interest.

The list of recipients of government largesse reads like a Who’s Who of Big Business: Wal-Mart, Cabela’s, Microsoft, WellPoint. These business interests all contribute heavily to political campaigns. A recent action by the National Association of Home Builders, one of the top ten corporate donors to members of Congress, provides a stark illustration of the quid-pro-quo nature of campaign contributions. The powerful lobby announced that it has ended its contributions to Congressional candidates after Congress failed to pass legislation it wanted. *Washington Post* reporter Jeffery H. Birnbaum writes, “The association had unsuccessfully pressed lawmakers to adopt a provision to reduce the tax liability of home builders by allowing them to offset its past profits with future losses. The lobby had also pushed to expand a program that allows states and localities to issue tax-exempt bonds that finance low-rate mortgages.”^{iv}

² After scandals that sent two former state treasurers to prison, a New Mexico Ethics Reform Taskforce recommended that the legislature implement public funding for all state offices during the 2008 session.

In Indiana the I-69 new-terrain highway demonstrates how campaign cash trumps public sentiment. According to the Hoosier Environmental Council, this is the most expensive and environmentally destructive public works project in Indiana.^v Consultants and construction interests have showered contributions on Democratic and Republican officials who have in turn pushed the project forward. One engineering firm, Bernardin & Lochmueller (BLA), has been paid millions to manage the project and was even paid \$7.7 million to re-do a study after their previous \$2.5 million study was scrapped. Between 1996 and 2000, BLA lavished \$120,000 on the state Democrats while today they give tens of thousands to Republican Governor Mitch Daniels and the Republican Party. For the last 15 years in Indianapolis, there has been an uncanny similarity between lists of contractors and lists of the mayor's campaign contributors. Former Mayor Goldsmith candidly called these campaign contributors his "**investors**". Documentation showing private investments in public officials is too long to include in this paper.

LOBBYISTS

Large corporations and wealthy elites have gained immense influence in Washington and most state capitols.³ They are able, through their lobbyists, to remake the rules in their own interests. Enron, the largest single supporter of George W. Bush, poured \$5.4 million into White House and Congressional races from the mid-1990's to 2000 (Johnston, p. 170).

Special interests employ more than 35,000 lobbyists in Washington, not to mention the countless others who work in state and local government. Lobbyists earned \$2.5 billion from 1975 to 2007 with starting pay averaging \$300,000. Young people come to Washington to work in government just long enough to gain the knowledge for a career in lobbying (Johnston, pp.110, 116).

A recent study from the Center for Responsive Politics reveals the breathtaking amounts "invested" in lobbying, totaling \$17 million a day for every day Congress is in session.

For complete reports:

<http://www.opensecrets.org/pressreleases/2008/Lobbying2007.4.10.asp>

<http://www.commondreams.org/archive/2008/04/11/8220/>

TAX BREAKS FOR BUSINESS

Corporate welfare⁴ is surging. Many corporations earn billions in profits, but pay little—or sometimes nothing—in federal income taxes: Some even get rebates. According to Citizens for Tax Justice, ten large profitable companies enjoyed a total of \$50 billion in corporate tax breaks from 1996 through 2000. In 2003 alone, 46 large, wealthy corporations paid zero or less in federal income taxes. Microsoft received more than \$12 billion in tax breaks for the five years before 2002.^{vi} In January 2003, the Wisconsin Democracy Campaign put out a "graft tax" report that estimated "payback" in the form of tax breaks and loopholes, pork barrel projects, and lucrative state contracts cost each taxpayer about **\$1,200 per year**.^{vii} Compare this to the estimated cost to taxpayers of **\$7 per year (less than 2 cents/day)** to fund Clean Elections in Indiana for all state offices.⁵

³ The exceptions are the states with Clean Money Campaigns.

⁴ Includes publicly funded subsidies, grants, tax abatements, bailouts, and other incentives

⁵ This is based on the average for statewide races from 1998-2004 (\$16 million in '98, \$46 million in '00, \$32 million in '02 and \$77 million in '04) for an average of \$22 million/year divided by the number of employed taxpayers (3.1 million) per year. Per capita cost would be much less.

SOCIAL COSTS

There are huge social costs to corporate welfare. When public funds go to tax breaks and other incentives for special interests, there is a scarcity of money for government functions that help us all. The social fabric is weakened, and poor people suffer disproportionately when funding is cut for education, parks, recreation directors, and libraries. Moreover, everyone, even the wealthy corporate executive, is threatened by cutbacks in food safety inspections, highway bridge maintenance, public health, public transportation and many other services that we used to take for granted. In addition, greater dangers lie ahead: a society that is built on vast disparities in wealth and opportunity is less stable.

THE SITUATION IN INDIANA

Selling Our Infrastructure

Investors from all over the world are putting in bids to buy or lease roads, bridges (Brooklyn, Golden Gate), parks, water mains, and sewer systems. According to Business Week, up to a hundred billion dollars worth of public assets will be sold in 2007 and 2008. These assets were paid for by taxpayers (Johnston, p. 161).

Governor Mitch Daniels was successful in privatizing the Indiana Toll Road in 2007 even though the public disapproved of the decision by a two to one margin. According to transportation lobbyists and federal officials, after the Indiana experience other governors held back on announcing their plans to privatize until after the elections. The **U.S. Department of Transportation** is even writing model legislation to forward to states.^{viii} This model legislation is being developed with the help of large corporate donors who stand to profit from the sale or lease of state-owned assets. To the average citizen this means the roads your tax dollars have already paid for will become toll roads we must all pay again to use.

LEGISLATORS TURNED LOBBYISTS

In addition to many other newspapers, The Fort Wayne Journal Gazette has spoken out against a system that allows lobbyists to provide “perks and privileges” to lawmakers to influence votes: “A legislative seat carries with it prime seats alongside lobbyists at Colts and Pacers games, at college games in Bloomington and West Lafayette. It yields Indy 500 tickets and dinners at Indianapolis’ expensive St Elmo Steakhouse.”^{ix}

The Journal Gazette also reports that lobbyist Robert Kuzman was “front and center” when the powerful House Ways and Means Committee met at South Side High School on Jan. 9 to hear testimony on the governor’s tax proposal. Last spring, Kuzman, a Crown Point Democrat, was the vice chair of the committee. Now he works as a lobbyist with law firm Ice Miller and lobbies his former colleagues.⁶

It is very important to realize that without the promise of fat campaign contributions and other benefits, these lobbyists would have very little influence on elected officials.

⁶ The State House hallways are crowded with former lawmakers employed as lobbyists, including Thomas Fruechtenicht, Matt Whetstone, Phil Bainbridge, Mark Lytle, Michael Smith, Mike Phillips, Marc Carmichael, Sam Turpin, Brian Hasler, Pat Kiely and Paul Mannweiler.

ENVIRONMENT

The quality of Indiana's environment may offer a clue to how corrupt state government really is. After comparing 20 environmental indicators such as air, cancer rates, water quality, pollution subsidies, sprawl, etc in all 50 states, the Institute for Southern Studies ranked Indiana a dismal 48th.^x Indiana presents a textbook study of environmental quality sacrificed so that wealthy business interests can grow even wealthier. Environmental writer Peter Montague notes that these so-called "free marketeers" treat our environment as though it were an "inexhaustible supermarket for raw materials and a bottomless free toilet for wastes."^{xi} Retired IU economist Morton Marcus has written scathingly that Indiana is a "national joke and environmental disgrace."^{xii}

The corruption connection is found in a massive international study done for the World Economic Forum (WEF) that suggests a possible cause: the level of government corruption had a "high correlation with overall-environmental performance."^{xiii} One aspect of corruption is bribery, and campaign contributions are widely seen as legalized bribery.

Consider Steve Chancellor, President of Black Beauty Coal Company that has mines in Southern Indiana. Chancellor donated \$80,000 to Mitch Daniels first gubernatorial campaign, and \$100,000 to the Indiana Republican State Committee. He also kicked in \$350,000 to Bush and Cheney. In 2005, Chancellor donated another \$150,000 to Daniels while Daniels was putting together his new "Hoosier Homegrown" energy plan for the State of Indiana. Indiana's coal is languishing (safely) in the ground due to its high sulfur content. The centerpiece of that plan was increasing the state's reliance on this dirty coal by expanding the use of so-called "clean-coal" technology. That plan would also mandate the use of dirty Hoosier coal and lavish incentives on coal owners and users.

Black Beauty's Vice-President Wayne Parke is also a donor to the Daniel's campaign and served on the energy advisory panel that helped shape Daniel's energy plan^{xiv} (McPhee, 2006).

TELECOMMUNICATIONS

Telecom deregulation was passed in 2006 (House Bill 1279 – Senate Bill 245). The new law gradually strips the power of the Indiana Utility Regulatory Commission to enforce price limits and service quality standards for basic local phone service. For the 2006 election cycle (according to www.followthemoney.org), the Telecom industry contributed over \$500,000 to members of state government, including nearly \$230,000 by AT&T alone (who was considered the primary beneficiary of the bill). For the biggest beneficiaries - over \$32,000 was given to Gov. Daniels and \$23,000 each went to Rep. Bosma (then House Speaker) and Rep. Bauer (then House Minority Leader).

These are just a few of the many examples showing why the system must be changed. We hope you will join the Voter-Owned Indiana Clean Elections Coalition and work with us to restore confidence in our political system. For more information and to get involved, visit www.indianacleanelections.org.

Remember: Democracy is not something you have, it is something you do.

Sources

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- ⁱ Jeffrey Birnbaum, “The Capitol’s Culture of Capital”, Washington Post, Jan. 23, 2006
- ⁱⁱ Common Cause letter to members, January 16, 2008
- ⁱⁱⁱ David Cay Johnston, *Free Lunch: How the Wealthiest Americans Enrich Themselves at Government Expense (and Stick You with the Bill)*, New York: Penguin, 2007.)
- ^{iv} Jeffrey H. Birnbaum, Washington Post, February 10, 2008: D01.
- ^v Andy Knott, “The Concrete Vampire”, HEC Monitor, Fall 2000
- ^{vi} Citizens for Tax Justice, 2004 WPWdocs/Corpwwelfare
- ^{vii} www.wisdc.org/grafttax.php
- ^{viii} Rebecca Adams, “Roads Go Gently Global,” CQ Weekly 65: 1 2007, p. 11
- ^{ix} (“Ethics: It’s Time to Act,” Editorial, January 20, 2008. journalgazette.net/apps/pbcs.dll/article?AID)
- ^x Institute for Southern Studies, “Gold and Green Report 2000”
- ^{xi} Rachel’s Environment & Health News, 11-22-01
- ^{xii} Community & Economic Development, The Nature Conservancy Indiana Chapter, 3/10/03
- ^{xiii} World Economic Forum, “2002 Environmental Sustainability Index” p. 30
- ^{xiv} Laura McPhee, “The dirty truth about clean coal”, NUVO, August 30, 2006.

Appendix I

Clean Money has brought important benefits to states that have adopted the system. A larger proportion of incumbents now face a major party challenger, more incumbents have competitive races, and more incumbents are defeated. Some have speculated that public funding would help incumbents, but that has not been the case.

In Maine there are fewer campaigns characterized by high or low spending, and far more challengers manage 40-60% of the vote. Vote totals are less determined by the amount of money spent. Public funding apparently encourages candidates with less money and those who dislike fundraising. In Connecticut Clean Election laws will go into effect in 2008. Seventy per cent of legislators expect to accept public funding if they run again. In all cases of states adopting Clean Money Reform, there is more interest in the political process and more citizen involvement”. Most importantly, democracy is enhanced because officials elected with Clean Money are responsive to public needs instead of private wants. RESULT: A lobbyist with a bundle of campaign money has no more influence than an ordinary citizen.