

**INITIATIVE TARGETS POLITICS AS USUAL OVERHAUL - Anchorage Daily News (AK) - April 28, 1996 - page A1**

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The overhaul of election **finance** now heading toward the November **ballot** could shake up Alaska politics in a way not seen since the reforms of the post-Watergate era, a Daily News computer-assisted analysis indicates.

The citizen-backed initiative, signed by more than 32,000 registered voters, would sharply curtail direct contributions to candidates and political parties by removing some of their largest sources of cash. No longer would companies, unions and nonresidents be allowed to write checks to political candidates, and the maximum donations allowed per donor would drop to \$500 a year for most candidates -- half of what is permitted today.

The Daily News analysis found that 65 percent of the \$12 million that wound up in candidate and party treasuries in the 1994 election would have vanished under the rules of the initiative.

However, that doesn't mean that money would disappear from elections altogether. The initiative wouldn't affect candidates wealthy enough to run on their own money, as Wally Hickel did in his successful 1990 **campaign** for governor.

And it would do little to limit "independent expenditures," a technique used by interest groups to influence elections by running ads supporting favorites and attacking foes apart from any candidate's organization. While independent expenditures have had only limited use in Alaska to date, they've become major factors in states that have attempted strong **campaign finance** reforms.

Nevertheless, the Daily News analysis shows a major change in the political **campaign** landscape could be ahead if voters approve the initiative.

Of the interest groups that provide the most cash to Alaska candidates, the oil industry would have been affected most had the initiative applied to the 1994 election.

Less than \$190,000 of oil's \$1.1 million in contributions that year would be allowed under the proposed new law. That's because corporations and out-of-state residents wouldn't be allowed to contribute, and donations from oil sources are often in \$1,000 checks.

Labor groups and lobbyists, like members of the oil industry, have been key **campaign** financiers and major political forces in Juneau. Under the reform initiative, more than two-thirds of the \$764,000 labor groups gave to candidates during the 1994 election would be outlawed under the initiative's provisions. And only one-fifth of the \$376,000 in donations from lobbyists would be legal.

Lawyers and public employees, who mainly give as individuals, would rise to the top under the

initiative.

The numbers come from reports filed by parties and candidates at the Alaska Public Offices Commission. The Daily News has been independently compiling and analyzing those reports by computer since the 1984 election.

THE INITIATIVE Alaska's initiative is the product of Anchorage lawyer Mike Frank and the organization he heads, **Campaign Finance** Reform Now. Frank and dozens of volunteers across the state spent much of the past year circulating petitions to get the reform initiative on next fall's **ballot**. They gathered signatures at airports, grocery stores, sporting events and state fairs, where one volunteer got someone to sign while spinning on the Round-Up.

Opposition has come from elected officials who have succeeded under the current system, from many of the interests that would be curtailed, from experts who say that reform efforts are naive because money will find its way into elections in other forms, and from people who say the First Amendment gives them an unfettered right to support candidates.

All sides agree that political contributions play a major role in the way politicians **campaign** and act.

"Anybody who says money or contributions don't have an effect on politicians is wrong," said Pete Leathard of Veco, an oil field service company and major player in Alaska politics. "That's sort of naive."

Frank's eight-page initiative would apply to candidates for governor, lieutenant governor, the Legislature and municipal bodies. Besides barring **campaign** contributions from corporations, unions and outsiders, the initiative would:

- \* Bar lobbyists from making donations, except to candidates from the districts in which they live.
- \* Lower the cap on donations to candidates from individuals and political action committees from \$1,000 to \$500.
- \* Allow political action committees to accept donations only from individuals. These donations would be capped at \$250.
- \* Bar candidates from accepting contributions more than 11 months before or more than 30 days after an election.

The initiative would also close a major loophole by clamping down on contributions to and from political parties. Now, parties can accept contributions of any size from any source -- individuals, PACs and corporations -- and can in turn make donations of unlimited size to candidates. Reform proponents say this enables special interests to funnel huge contributions to candidates by laundering them through parties, sidestepping the \$1,000 individual donation limit.

But under the reform measures, only individuals could give to parties, and their limit would be \$5,000. Parties would also have donation limits to candidates.

Also, candidates would no longer be allowed to use **campaign** money for personal purposes or carry over surpluses from one election to the next.

**SHRINKING WAR CHESTS** How would such restrictions have affected contributions during the 1994 election? To find out, the Daily News tallied all contributions to candidates and parties during the two years leading up to the election, then subtracted any money that would have been illegal under the reform initiative.

The results show that lawyers as a group would have leapfrogged the oil industry and labor organizations to become the state's biggest source of **campaign** contributions. Public employees, especially state government workers and teachers, would have climbed into the top tier of **campaign** donors.

During the 1994 election, a little over half of the \$484,000 that lawyers contributed would have been allowed to stand, according to the Daily News analysis. Eighty percent of the \$184,000 in **campaign** contributions from state workers during the 1994 election would have been allowed under the initiative. Likewise, nearly 75 percent of the \$108,000 that teachers donated would have been legal.

The Daily News analysis also showed the initiative would have:

- \* Blocked more than 70 percent of the money going to many legislative candidates, especially incumbents.

- \* Wiped out nearly \$1.6 million in contributions from Outside sources.

- \* Shifted the balance away from the state's most wealthy political benefactors, since more than 80 percent of donations of \$250 or less would stand.

It would slash the **campaign** treasuries of Democrats and Republicans alike and trim the dollar advantage enjoyed by incumbent legislators.

The analysis indicated the initiative would affect both major political parties equally. Under the reforms, contributions to Republican and Democratic candidates alike would have dropped by about 55 percent. Overall, donations to the two parties would have dropped by about 60 percent.

The analysis showed how the initiative would have taken huge bites out of most individual **campaign** accounts.

Democratic Gov. Tony Knowles, for instance, raised nearly \$2 million for the 1994 election. Only about half of that would have been allowed under the reforms. The initiative would have lopped off nearly 60 percent of the \$1.6 million raised by Knowles' main opponent, Republican Jim Campbell.

Legislative candidates, especially incumbents, would have been hit the hardest. Rep. Ramona Barnes amassed the biggest legislative war chest during the 1994 election: \$272,000. But if the initiative had been in place, the Anchorage Republican would have lost nearly three-fourths of her treasury, largely because of the ban on carrying surpluses from one **campaign** to the next. The

initiative directs candidates to give the surplus to charity, a political party, or the state.

At least one candidate from the last election, Republican Larry Baker of Anchorage, believes the initiative would have changed the outcome of his contest.

In the race for the Senate District J seat, Baker and Democrat Dave Donley raised and spent nearly \$200,000 each. Donley beat Baker by just 28 votes.

Under the initiative, however, only \$70,000 of Donley's money would have been allowed, while Baker's total would have remained more than \$100,000.

The difference reflects the fact that Baker's total included about \$49,000 of his own money, which would not have been affected by the reform initiative. Donley, by contrast, put only about \$15,000 of his own, reform-proof money into the race.

Would a \$30,000-plus advantage for Baker have changed the outcome?

Not according to Donley. "I just don't think you can go back in time, change one variable like that, and try to predict an outcome," he said.

But Baker pointed out he would have needed to turn just 15 votes to beat Donley.

"I think there's a pretty good chance that . . . we could have got those 15 people to go the other way," Baker said.

**LEVELING THE POLITICAL FIELD** Perhaps the most striking thing about the initiative is how it would bring so many interest groups into the same league as the titan of Alaska politics -- the oil industry.

Since 1986, oil companies and their employees have handed out an average of \$822,000 in **campaign** donations every two-year election cycle. Labor groups, the second biggest donors during that time, gave about \$580,000 per election. Other interests, such as tourism and commercial fishing, gave far less.

That disparity could disappear quickly. For example, less than 10 percent of the \$342,000 donated by Arco Alaska and its employees and their family members in the 1994 elections would be legal under the initiative, according to the Daily News analysis. BP-related contributions would likewise shrink from \$123,000 to less than \$9,000.

Veco's Pete Leathard said he fears the initiative might diminish the industry's influence. But others say oil companies will still have plenty of political muscle.

"We'll still get in to see people," said BP lobbyist Jim Palmer. "Since we are (Alaska's) largest taxpayer and investor, I assume people will still want to talk to us."

Lobbyist Ashley Reed said oil companies and other wealthy interests will find numerous ways around the contribution limits. He predicts a big increase in the amount of **campaign** money contributed by oil industry employees and members of their families.

Palmer agreed, but said companies have to be "extremely careful" with that kind of approach, since it is illegal for corporations to funnel donations through individuals.

Josh Goldstein, a researcher at the Center for Responsive Politics, predicted that the constraints of the initiative would bring about a proliferation of independent campaigns in which businesses or interest groups try to sway the public and politicians through advertising.

Mano Frey, president of the Alaska AFL-CIO, said the initiative will hit unions harder than big business, mainly because most union members can't afford to give as much money to politicians. He said the average laborer in the unions he represents makes about a third of what oil companies pay their workers.

Most of the money that unions now pour into political campaigns comes from labor PACs, which raise their cash largely through raffles, bingo and pull-tabs. It's unclear whether any of that gaming money could be used for **campaign** donations, since the initiative says union PACs could collect money only from individuals.

"(The initiative) will seriously harm our ability to be fairly involved in the election process," Frey said.

Leathard and Henry Springer, director of a coalition of builders called Associated General Contractors, said their biggest fear is that the initiative will make lawyers and government employees the state's most powerful political interests.

Lawyers and public employees already are big spenders when it comes to politics. Because they contribute mostly as individuals, the initiative would restrict them less than others.

Anchorage trial lawyer Eric Sanders, who is a big political donor but says he favors **campaign** reform, said he doesn't believe the initiative will give lawyers more juice in Juneau.

"If we raised three times as much money, would we have three times as much influence?" Sanders said. "I just don't think it works that way."

But lobbyist Jerry Reinwand, who is pushing the tort reform bill for a coalition of builders, doctors and other professionals, called the prospect of lawyers rising to the top of the **campaign finance** heap "extremely worrisome."

"We either get tort reform this year, or we never get it," Reinwand said.

With the **ballot** issue looming, several lawmakers have pushed bills similar to the initiative. If one were approved that closely matched the initiative, state law requires the lieutenant governor to remove it from the **ballot**. That's how Alaska got most of its reforms in the 1970s.

"We are going to have **campaign finance** reform in Alaska," said Sen. Tim Kelly, an Anchorage Republican and sponsor of a bill fashioned after the **ballot** initiative.

Last month, a key committee in the House passed a version that, though amended, was

acceptable to Frank, the Anchorage lawyer pushing **campaign finance** reform. But on April 19, the Senate Judiciary Committee stripped out the ban on Outside contributions and the restrictions on lobbyist donations.

Chairman Robin Taylor said those limits were unconstitutional, but Frank said similar measures passed constitutional challenges elsewhere. Taylor's amendments made the Senate bill an unacceptable substitute to the **ballot** measure, Frank said.

UNINTENDED CONSEQUENCES? Frank admits the initiative is not perfect. But he said it's probably the best Alaska can do under existing federal law.

Many reform advocates say the best solution would be to limit spending, the other side of the **campaign-finance** equation. That would take away the advantage of candidates with personal deep pockets, since they wouldn't be able to spend any more money than poorer candidates. But in a ruling about 20 years ago, the U.S. Supreme Court said spending limits violate a candidate's free-speech rights.

Some critics of Frank's initiative say they believe many of its provisions will eventually be ruled unconstitutional. The limits on groups and parties, and the ban on Outside contributions could be particularly vulnerable, according to a legal analysis prepared for the Legislature.

Other observers say the results, even if they pass constitutional challenge, won't be as dramatic as suggested by the Daily News analysis. Many political scientists doubt that it will achieve all its stated goals. Some even question whether the goals are desirable.

"It's just another naive attempt at political reform," said Gerald McBeath, a political science professor at the University of Alaska in Fairbanks.

If the initiative is upheld, critics such as McBeath fear it will have "unintended consequences."

For instance, McBeath said, limiting the amount of money candidates can raise will hurt challengers more than incumbents. That's because "name recognition" becomes a bigger advantage as the money dwindles.

"Challengers are going to have a tougher time of it unless they're already media stars," McBeath said.

"This is a step in the right direction, but it would be foolish to think it's going to eliminate large contributors," said Larry Makinson, a former Alaskan who is now deputy director of the Center for Responsive Politics, a Washington, D.C., group that tracks **campaign** contributions nationwide.

Makinson and others point to the unintended consequences of past reforms. In the early 1970s, during the post-Watergate era, the federal government and many states imposed a wave of **campaign finance** reforms. In that period, largely through pressure from citizen initiatives like Frank's, Alaska acquired the Public Offices Commission, laws requiring disclosure of **campaign** contributors and conflicts of interest, and an annual limit of \$1,000 for contributions to a candidate.

But the cash flow into political **campaign** accounts continued to soar, even as disclosure rules made it easier for the public to track the money. Today, calls for **campaign finance** reform are louder than ever.

"In some of these reform movements, the perception of what's going to happen is far greater than the real impacts," said Ashley Reed, one of Alaska's most prominent lobbyists.

Frank maintains that by cutting politicians off from their traditional sources of **campaign** cash, the Alaska initiative will give the less-wealthy a stronger voice in the political process. It will "level the playing field" between competing interests, he said.

"We're trying to force candidates to broaden their (**campaign** donation) base and listen to more people," Frank said. "We want more shoe-leather campaigns, more spaghetti feeds."

Who's right about **campaign finance** reform? Unfortunately, there's very little recent scholarly research on the subject, particularly at the state level.

That's changing as political scientists sift through the results of state-level **campaign finance** reforms that have taken effect in recent years. For now, **campaign finance** reform is more of an experiment than a proven program with guaranteed results.

"Everybody's got some anecdotal evidence, but there's simply no systematic knowledge or scholarship," said Frank Sorauf, a political science professor at the University of Minnesota.

He hasn't seen much of a drop in **campaign** spending in either of the two states he's studying -- Washington and Minnesota -- but does believe independent expenditures have gone up as interest groups have found it harder to give money directly to candidates.

"**Campaign** money is a hydraulic system," Sorauf said. "It'll flow through the open spigots. It'll flow where it can flow."

ILLUSTRATION SHOWS **CAMPAIGN FINANCE** REFORM, PROJECTED EFFECT OF **CAMPAIGN FINANCE** REFORM ON CONTRIBUTORS, ALASKA'S **CAMPAIGN FINANCE** REFORM INITIATIVE, WHAT WOULD HAVE HAPPENED IN 1994, TOP FIVE CONTRIBUTOR GROUPS AND NUMBER OF STATES LIMITING SIZE OF CONTRIBUTIONS BY INDIVIDUALS