

CAMPAIGN
CONTRIBUTION
TAX
CREDITS

To: Senator Victor Fischer
Chairman State Affairs Committee

Decemebr 27, 1981

From: bill Salamenta *WS*

Re: Final Project Update

I hope that the final copy of the Political Contribution Tax Credit report will assist you in your deliberations on the future of public financing of political campaigns in Alaska.

Victor Fischer



Alaska State Legislature

Senator Vic Fischer • Pouch V • Juneau, Alaska 99811 • (907) 465-4954

MEMORANDUM

To: Tom Williams, Commissioner

FROM: Senator Vic. Fischer

DATE: Feb. 11, 1982

RE: Political Campaign Contribution Credits

I am concerned about the operation of the Alaska Political Campaign Contribution Credit program. This is the first year in which claims for refund of payable credits are filed on a separate form independent of Individual Income Tax forms or Claim for Refund of Individual Income Tax forms. I understand that the 1981 Alaska Claim for Refund of Payable Credits form has only been mailed to persons who filed for a campaign contribution tax credit refund in 1980. This distribution is much smaller than the distribution of the combined individual income tax/campaign credit forms of prior years.

I am committed to the goal of maintaining a high level of participation in the campaign contribution credit program. I believe that each registered voter should receive a 1981 Alaska Claim for Refund of Payable Credit form. I hope you will expand your distribution list to include all registered voters, and please let me know if you can accomplish this.

I have been informed that your Manager of Document Processing for Administrative Services, Barbara Staubough, is receiving a slower rate of return on claims for refund of payable credits than had been received at this time in prior years. I am concerned by this trend, and it may well be due to limited distribution of claim forms. Please contact me if you have any suggestions for ways to maintain the high level of participation in the Alaska Political Campaign Contribution Credit program of previous years. As you may know, we are working on legislation dealing with this whole subject matter, and the current practices and results are an important factor in our analyses.

cc: Terry Miller, Lieutenant Governor

cc: Patty Ann Polley, Director Division of Elections

W.T. Salamenta
1671 S. Branch Hwy
Springfield, Ma.
01129 INY

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To: Senator Fischer
From: Bill Salamenta
Re: Campaign Contribution tax credit Report

1. Here is the long awaited report from Salamenta.
2. Why don't you take a read through - mark the spots that you feel need clarification etc. and have Nancy give me a call about revisions.
3. I have a copy of the report here in Massachusetts and can quickly change any part.
4. I think that the Alaska Experience section is best, with the philosophic Arguments running a close second. The Federal State Experience section - really doesn't mean all that much - it has very little bearing on the Alaska situation.
5. Have a nice vacation - Happy Holidays.

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The Alaska Experience with Public Financing of Political Campaigns

In 1974 Alaska, like many other states and the federal government, adopted an election law reform package in the wake of the Watergate scandal.

One of the provisions in the reform package was the establishment of what is commonly called public financing of political campaign activities. A political contribution tax credit of up to \$50 (since amended to up to \$100) was established to encourage participation of small contributors in the funding of political campaigns.

Special interest money, money given to political candidates by parties seeking to influence governmental decisions, has long been a source of concern to those concerned with keeping the electoral process open and competitive. An open and competitive electoral process is at the very heart of any democratic system, yet studies indicate that due to campaign monies flowing into incumbent office holders, subtle quid pro quos behind special interest contributions and as in Watergate the use of surplus campaign money for use in illegal campaign activities - campaign contributions can significantly affect the democratic process.

Campaigning and winning political office is big business. In Alaska over twelve million dollars has been spent on running for political office since the Alaska public offices commission has been keeping records starting in 1974. A candidate for governor in Alaska can expect to spend up to a million dollars in seeking that office while a candidate for the legislature

The Alaska Experience, Page 2

can expect to spend on the average between twenty-two and twenty-seven thousand dollars. In a hotly contested race for a legislative seat the campaign price tag can rise as high as one hundred thousand dollars.

Since the political contribution tax credit appeared as a method for public financing of political campaigns in Alaska it has been responsible for a major portion of all campaign monies contributed. 17.96% of all monies raised in political contests in Alaska since 1974 have come from the political contribution tax credit.

A total of \$ 2,260,220.00 has been spent by the state of Alaska in tax credits or refunds. This dollar amount represents .0005% of all monies appropriated by the state in its operating budget during FY 1974 to 1980.

Participation in the program has grown since its inception. Slightly over forty thousand (40,062) tax credits have approved by the department of revenue. The actual number of individuals participating in the program is higher, however, because of the system of filing joint tax returns participation in the program is reflected in the number of credits given. With slight fluctuations in numbers of participants due to non-election activity in some years the program has steadily increased in participation. In 1980, the most successful year of the program, participation was 437% higher than in 1974, the year the program first started.

In 1980, the first year that Alaskans did not file a state income tax form, participation in the program was its highest. 15,290 contribution tax credits were given, a 100% increase in participation over the previously most successful year for the program, 1978. It appears that the system can work without being tied to a mandatory filing of a tax form.

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The Alaska Experience, Page 3

The following table will give a year-by-year analysis of how the political contribution tax credit has worked in Alaska.

<u>Year</u>	<u>Total Amount of Contributions</u>	<u>Contribution Tax Credit</u>		
		<u>Amount</u>	<u>No. of Participants</u>	<u>%overall</u>
1974	\$ 1,144,819	\$ 184,043	3,502	16%
1975	\$ 393,910	\$ 99,804	1,691	25%
1976	\$ 1,260,632	\$ 246,831	3,841	19.5%
1977	\$ 198,261	\$ 230,046	3,693	116%
1978	\$ 6,098,688	\$ 520, 58	7,575	8.5%
1979	\$ 355,164	\$ 296,518	4,470	91.5%
1980	\$ 3,129,948	\$ 682,529	15,290	21.8%
<hr/>				
Total	\$ 12,581,422	\$ 2,260,220	40,062	17.96%

1. Total Amount of Contributions applies to State elections not Federal.
2. Number of participants shown relates to the number of tax credits given that year. The actual number of individuals involved is higher, however, because joint tax returns, participation level is measured in number of tax credits given.
3. % overall relates to the percentage of all money raised that year that was refunded through the contribution tax credit.
4. Information was obtained from the Alaska Public Offices Commission's Annual reports 1974 to 1980. The dollar amount and participation level in the contribution tax credit program for 1980 was obtained from the Alaska dept. of revenue.

The unusually high percentage of total campaign funds that the contribution tax credit is responsible for in 1977 and 1979 is probably due to fund raising activities in those years by candidates in the 1978 gubernatorial race. A three year average for 1977, 1978 and 1979 shows the contribution tax credit providing 15.7% of all monies raised for those years which is closer to the overall average of the program, 17.96%.

The impact of the program is relatively high in comparison with other states that use public financing methods. The state of Oregon that also has a contribution tax credit program, which is a \$25 credit for political contributions, only funds 7.8% of its total political contributions with the tax credit (1978 figure) and in 1976 only 7% of political contributions were funded by their tax credit.

Participation in the program can also be assessed in reviewing the percentage of all those filing state income tax forms that have used the contribution tax credit. In 1977 1.9% took advantage of the tax credit, in 1978 the figure was 4.1% and in 1979 2.4% used the credit. This compares with the Oregon system that had a 1.93% participation level during 1977 thru 1979 while Alaskans participated at a 2.8% level.

Although Alaskans were not required to file a state income tax form in 1980, if they had an estimated participation rate of 8.1% would have been realized based on the total number of state income tax filed in the previous year.

The tax credit contribution appears to have a growing rate of participation, however the program can also be reviewed with respect to the number of small contributions that it is encouraging versus the number of large contributions from special interests that the program is designed to offset.

This table represents the only statistics available of Alaska contributions of \$100 or less and of contributions of over \$100.

1974	<u>Gubernatorial Primary and General Election</u> 33% of all contributions \$100 or less 47% of all contributions over \$100
1975	<u>All Municipal Elections</u> 52% of all contributions \$100 or less 11% of all contributions over \$100
1976 1977	<u>Information not available</u>
1978	<u>All State Elections</u> 25% of all contributions \$100 or less 43% of all contributions over \$100
1979	<u>Information not Available</u>
1980	<u>State Senate Elections</u> 39% of all contributions \$100 or less 50% of all contributions over \$100 <u>House of Representatives Elections</u> 31% of all contributions \$100 or less 51% of all contributions over \$100

***** Remaining % consists of candidates own contribution to the campaign fund.

The preceding table on page 5 does not demonstrate that the contribution tax credit has had any great impact on the percentage of small contributions increasing. It should be pointed out however, that the table is composed of different types of electoral positions with differing campaign costs, constituencies and power over such things as budgets / power where most special interest money tends to flow.

Another measure of how the contribution tax credit is working to offset the influence of special interest money can be seen in an analysis of the Alaska Public Offices Commission's records of large contributors to political campaigns. It might be seen as rather presumptuous to call all large contributors to political campaigns in Alaska special interests and this report does not wish to equate "active" political participation by corporations, business, issues organizations and individuals as such. However, contributions by these large contributors has a large impact on the total number of dollars raised in all political campaigns. It is also pointed out that there are contribution limitations for corporations and individuals in political campaigns, but there is no overall spending limitation on the amount these contributors can contribute nor a limitation on how many candidates or causes they can contribute to.

An individual example of a large contributor, that could be honestly pointed out as a "special interest" is the largest lobbying firm in the State of Alaska, Trust Consultant. The total dollar amount in political contributions made by this company and its principal employees amounted to \$ 33,299.00 in 1980. This was approximately 1% of all monies raised by political candidates that year.

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The following table represents an overview of the impact that the large contributors on state elections in Alaska.

<u>Year</u>	<u>Number of large contributors</u>	<u>Dollar Amount contributed</u>	<u>%overall</u>
1976	172	\$ 181,816	14.4%
1977	79	\$ 126,257	63.7%
1978	248	\$ 778,955	12.8%
1979	142	\$ 277,644	78.1%
1980	235	\$ 607,677	19.4%
Total	876	\$ 1,972,349	17.86 %

The number of contributors on the above table represents the number of filings made each year with AIOC. Some contributors are counted twice or as many as five times, so the actual number of contributors is actually smaller. However, the number of 876 contributors will be used because the number of participants in the contribution tax credit program may also be counted more than once in the totals.

A comparison with the contribution tax credit program reveals a very surprising statistic. The contribution tax credit equals the amount contributed by the large contributors - only it takes 34,000 more people to do it.

1976 to 1980	<u>Large Contributors</u>	<u>Contribution Tax Credit</u>
Dollar Amount Contributed to political Campaigns	1,972,349	1,976,382
Percentage of total campaign contributions	17.86%	17.87%
number of those contributing	876	34,896

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A review of the Alaska experience with Public financing of political campaigns through the contribution Tax credit finds that:

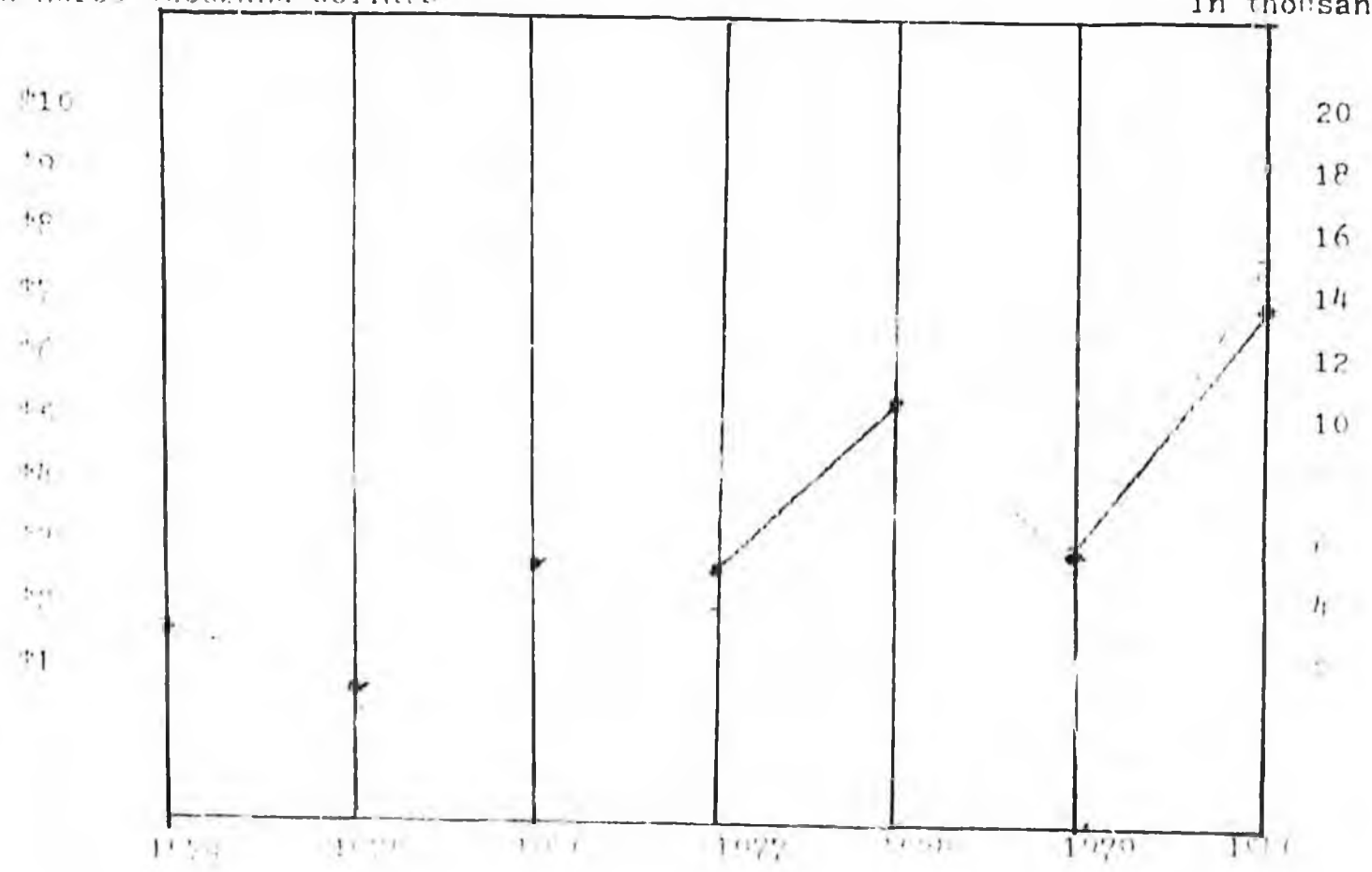
1. The Tax credit program is growing and has done so, with only slight deviations during non-election or light election years.
2. The program contributes a major proportion of all campaign funds collected by political candidates.
3. The program has not been hindered by the fact that Alaskans are no longer required to file a state income tax form each year. In the first year of the program, 1980, that this has happened the number of the participants using the contribution tax credit actually grew. In fact the program had its best year - with out mandatory income tax forms being filed.
4. The program has been successful in offsetting the amount of monies that large contributors donate to political campaigns. In fact the tax credit is almost exactly equal to the amount that large contributors give.
5. The Tax credit does not seem to have spurred more smaller contributions as a percentage of all monies given, however this particular area of analysis is difficult to discern in that the data is not complete and tends to contradict the other figures.

The Alaskan Experience, page 2

This graph gives a visual representation as to the growth of the Alaska tax credit system for donations to political campaigns.

dollar amount in
hundred thousand dollars

taxpayer use
in thousands



Key: ———— represents dollar amount
----- represents taxpayer participation

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The Federal and State Experience with Public Financing of Political Campaigns

From 1972 to 1974 the American political system was in danger. A third rate burglary of the Democratic National Committee's offices in Washington led to the uncovering of massive abuse of the electoral system and led to the eventual resignation of an incumbent President of the United States.

Press coverage and public concern about these abuses of the electoral system led to the enactment on the Federal level and in many states of reforms in the electoral system that would curb such abuses that put the democratic system in such peril.

Reforms were sought in the areas of campaign finance, political advertising, supervision of campaign activities and enforcement of the campaign laws. The reforms took several general forms - that were adopted in different variations by states and the Federal Government.

- a. Reporting of Campaign Contributions and expenditures
- b. Commissions to ensure that all candidates and political committees comply with reporting activities.
- c. Public financing of political campaigns. This was to ensure that special interest money would not dominate the funding of elections. The two most popular methods of public financing were tax credits for contributions and a tax check-off system that creates a pool of money that is distributed to political candidates or parties on a formula basis.
- d. Limitations on contributions. Maximum amounts were assigned to individuals and corporations that they were able to give to individual candidates.
- e. Overall spending limits on political campaigns. Maximum spending amounts were assigned to keep the cost of political campaigns down.

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- f. Curbs on who may contribute to campaigns were placed on corporations labor unions and federal employees.

All of the fifty states have adopted some of these generalized reforms.

- 49 states have adopted financial reporting requirements with the exception of North Dakota.
- 36 states have supervisory commissions that monitor campaign expenditures contributions and campaign activities while others have included stipulations in the laws that require Attorney Generals or State secretaries to supervise elections.
- 23* states have some sort of public financing scheme.
 - 5 states have a tax credit system of public financing
 - 8 states allow a deduction in personal income taxable.
 - 13 states have a check off system that allows part of the state income tax to be put into a pool of funds to be used in elections.
- 25 states prohibit corporate contributions in political campaigns.
- 6 states prohibit labor union contributions in political campaigns.
- 33 states have contribution limitations on how much an individual or corporation may contribute to a political campaign.
- 19 states had ceiling on the amount of money that could be spent by candidates on political campaigns - however this has been ruled unconstitutional by the united states supreme court.

* some states have dual systems allowing a combination of a check off deduction and/or tax credit.

Idaho has a tax credit and check off system

Minnesota has a tax credit or Tax deduction system

Iowa has a tax deduction and a checkoff system

Michigan has a tax deduction and a check off system

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In those 23 states with some sort of public financing of political campaigns there are several different methods that are used and those methods differ from state to state.

In those states that use a tax credit system:

- a. Alaska has a tax credit up to \$100.
- b. Idaho has a tax credit up to \$10
- c. Minnesota has a tax credit of up to \$25
- d. Oregon has a tax credit of up to \$25
- e. The District of Columbia (which is not actually a state, yet) has a tax credit of up to \$50

In those states that have a tax deduction allowance:

- a. Arkansas has a maximum of \$25 deduction
- b. California has a maximum tax deduction of \$100
- c. Hawaii has a tax deduction of a maximum of \$100
- d. Iowa has a tax deduction of up to \$100/ if their tax credit is not used.
- e. Michigan has a maximum deduction of \$50
- f. Minnesota has a selected tax deduction system with varying maximum deductions dependant upon which office the candidate is seeking.
- g. Oklahoma has a maximum deduction of \$100
- h. Utah has a maximum deduction of \$25

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The Federal/State Experience, Page 4

The states that have a tax check off system allow a dollar of their income tax liability to be put to use in their states public financing of political campaigns program have a variety of systems of allocation and distribution formulas. Only one state Massachusetts has an all together different type of tax check off system, their system makes the dollar check off cost the tax payer a dollar more than the taxes that he is liable for - all other states the dollar check off is taken from the amount that they owe the in taxes.

An overview of the check off system reveals that the systems have two forms one that distributes money directly to qualifying candidates and the other that distributes the funds to the political parties in the states.

- a. A check off system that has all funds held in a general state account and then distributed equally amongst political parties is used in Iowa Kentucky and Montana.
- b. A check off system that diverts funds directly to designated political parties of the individual tax payer is used in Maine, North Carolina and Utah.
- c. a mixed system of either direct contributions to political parties by taxpayer request and a general fund state account for equal distribution, if no party designation is made by the tax payer who checks off the contribution, is used in Rhode Island and Idaho.
- d. Maryland Massachusetts, Michigan, Minnesota and Wisconsin use a system that allocates monies collected in the check off fund directly to candidates for statewide constitutional offices such as governor, lieutenant governor, attorney general and secretary of state. These formulas differ from state to state but usually require a threshold amount of money to be raised by each candidate, of small contributions under \$250, to qualify for the public funding of their campaigns.

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The Federal Government's Public Financing of Presidential Campaigns

The Federal Government's Public Financing of Presidential Campaigns contains most of the aspects of the general reforms that states used in formulation of their campaign reform laws. The Federal government's dollar check off on the Federal Income tax form provides the funds to run the public financing system.

If a major party in the previous election has drawn at least 2% of the vote it is eligible for public funding. Presidential primaries are funded by a mixture of public and private funds. A candidate has to raise an initial "seed" amount in each of the primary states contested in order to be eligible for public money.

It is interesting to note that while congress passed laws providing public financing of presidential races it choose not to participate in the system.

After looking at how these various systems work, both state and federal, it is important to point out that they are all in one fashion or another tied to a state income tax.

Citizen participation in a public financing scheme whether it be tax credit or tax deduction - is dependant upon the individual tax payer filing a tax form with the state government that is providing the system - no state without a state income tax has a public financing system.

Alaska therefore has a unique problem in that it now has a tax credit program and no tax form for its people to use, except for the special tax credits currently allowed by

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The Federal State Experience, Page 6

the state such as the political contribution tax credit.

Now that the various systems have been outlined, a look at how they are performing appears to be in order.

The Federal Government reports that an average of 25% of those individuals and/or those filing joint Federal income tax forms participate in the Federal System of Public Financing of political campaigns. In that the Federal System only provides funds for presidential candidates - which takes place once every four years - the federal government is able to generate enough money through the tax check off system to fund the program. In 1980 the government estimated that it had approximately \$150 million on hand for the presidential contests.

The State of Massachusetts that has a tax check off system of \$1 on its state income tax form (this is a check off that adds one dollar to the existing tax liability rather than that of the Federal Government's check off for the public campaign fund that causes no additional liability). Massachusetts' experience has not been as successful, in 1978 the first year that statistics were tallied, only 2.98% of those filing tax returns used the system, contributing \$103,367.00 to the states fund. The following year even fewer participated in the program and \$98,330.00 was contributed to the system. This total would have a negligible effect on the outcome of the statewide races that the Mass. state financing law is devised to fund. Statewide political campaigns in Massachusetts can cost up to one and a half million dollars per candidate.

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The Federal State Experience, page 2

The State of Oregon has a \$25 dollar tax credit program for contributions to political campaigns. Oregon with a population of over 2 million has provided \$2,267,00 for tax credits for political campaigns since 1975. Oregonians participate at a rate of 1.9% of all those filing tax forms with the state and participating in the tax credit program - that is equal to 80,603 participants.

19,579 Alaskans choose to use their tax credit system for public financing of political campaigns during that same time period, a rather surprising statistic when you consider the difference in population between the states.

Between 1975 and 1979 257,669 Minnesota residents took a tax credit of up to \$25 on their state tax forms for political contributions - Minnesota has a population of approximately 4 million.

When participation rates in each states public financing system is made based on population data (not on the actual number of tax returns because states differ as to how these are tabulated) Alaska shows a very high rate of participation.

Alaska	2.85%	(tax credit)
Oregon	1.90%	(tax credit)
Minnesota	1.67%	(tax credit)
Massachusetts	0.10%	(additional dollar check off)

The Theoretical and Philosophic Arguments concerning Public
Financing of Political Campaigns

Concern for the health of the democratic system of governing has brought about campaign reform measures in the United States and Alaska. In the case of Public Financing of Political Campaigns, as Common Cause, the Governmental Public Interest Research and Lobbying group that has been a leader in proposing such legislation puts it, the issue of whether campaign contributions provide access and influence that affects governmental decisions strikes at the very heart of an open and competitive democracy.

Critics of Public Financing of Political Campaigns argue that public financing of political campaigns inhibits freedom of speech which is basic to democracy.

An overview of these positions for and against Public Financing of Political Campaigns would involve the following positions:

Pro Public Financing

- Public Financing allows for equal access to public office by both the rich and poor.
- Public Financing helps eliminate the pressures put upon the democratic system by special interests.
- Public Financing would help eliminate corruption in the public sector.
- Public Financing allows for the contesting of public offices through the electoral process.

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Philosophic Arguments, Page 2

Against Public Financing

- Public Financing inhibits freedom of speech
- Public Financing allows unqualified individuals to seek public office
- Government should not be involved in subsidizing political parties or candidates.
- Public Financing is overestimated in its effects on the political process
- Public Financing doesn't work.

The most basic argument put forth by either side in discussing whether or not public financing should exist is that of Freedom of Speech and the rights of all citizens to seek public office. The ideas presented in these arguments are not new, in fact they date back to the beginnings of democratic thought and the founding of this nation.

Democracy; the term is derived from the Greek words "demos" (the people) and "Kratos" (authority). Democracy requires a decision making system based on majority rule, with minority rights protected. Political parties and politicians are the catalytic agents that make democracy workable.

The Greeks, who invented the word, had a very different idea as to what a democratic state might look like than the present American and Alaskan democratic State. Aristotle, who lived in the years 384 to 322, did a great deal of

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Philosophic Arguments, Page 3

writing about politics and democracy observed that a state should ideally have "each citizen of the state know one another personally". In such a state, political office seeking would not require great amounts of wealth.

In the founding of this nation, the first large scale test of democracy, the visions of the founding fathers concerning America's future use of the "people's authority" was cause for great debate.

Thomas Jefferson believed that this democracy should remain small and rural so that political activity could be confined to a small well educated "virtuous" electorate. In such a system elections and the government that those elected would provide would be based on a common set of values and principals. In Jefferson's world, simplicity would beget good government. Jefferson's model of democracy would also discount wealth as either necessary or meaningful in elections.

The writers of the Federalist papers, Hamilton, Madison and Jay, had a different view of how democracy would work. Their view, a more accurate view of how the "experiment" was to work, called for a large and diverse population, so diverse and multi-faceted with interests that there would be no domination of factions that could cause an imbalance in the electoral or governmental system. The Federalists would have seen wealth balanced in elections, because of the multi-interested society that they envisioned wealth would not necessarily be found only on the side of one particular interest.

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Philosophic Arguments, Page 4

What Aristotle, Jefferson and the federalists could not envision is the truly enormous physical size this country and its states would grow to be, nor were they able to envision the complex means of mass communications that would effect the democratic system. Yet, each one of these thinkers about democracy believed that the system should be open for all citizens to participate in the process (the definition of citizen has had varying meanings throughout the ages - however today, in this democracy - citizen is defined as a 1 people of voting age).

To those who are in favor of Public Financing of Political Campaigns the arguments of Aristotle, Jefferson and the Federalists is clear - public financing of political campaigns provides the equality of access for all people to public office. The proponents argue that with the cost of running for public office so high because of the cost of media and the sheer size of the populous - public financing is the way to ensure representation of all interests in government.

Opponents of public financing argue that the founders of democracy would not agree with any scheme of governmental assistance in the election of public office holders. The presence of governmental funds creates imbalances in freedom of speech - because voices, factions, within the society that would not ordinarily participate in the electoral process are heard. Plus, with the financing of political campaigns usually comes the restrictions on how much individuals may give to political campaigns, therefore denying the rights of

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Philosophic Arguments, page 5

some to participate to their fullest extent. This denies a full freedom of expression or speech - which opponents to public financing see as a greater evil than equal access to public office.

The question of whether public financing helps eliminate the pressures of special interests on the democratic process follows a similar pattern of reasoning as did the argument concerning public access to political office and freedom of speech, however with some exceptions. As the founders did not foresee the size of the country nor the advances in technology that would effect the electoral process, they were unable to see the effects of large corporate interests upon the democratic decision making process.

Proponents of the public financing system contend that money from large contributors in the election process enables those with the money to elect citizens that will favor their point of view. Proponents cite instances where groups contributing heavily to a candidate receive preferential treatment. As Fred Wertheimer, a Common Cause Senior Vice President and public financing proponent has pointed out, "special interest contributions to political candidates is subtle, articulate quid pro quos are rarely involved, but the process does provide access and influence and it does effect decisions".

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Philosophic Arguments, Page 6

Opponents prefer to see political contributions by special interests as participation in the democratic experience. Money, like volunteer activity on a political campaign, they contend is simply a means of support of a candidate which provides the same type of access and influence that volunteerism has. Giving money in political campaigns is a form of expression and speech many in the opponent camp believe.

Corruption due to political contributions by special interests and those doing business with the state is another ill of the democratic system that public financing proponents base their argument for such laws. As with the quid pro quo of special interests in the governmental decision process - public financing would take away such questions as to whether or not a political contribution is a bribe for a favorable decision or a payment to seek favor in obtaining governmental contracts.

In the state of Massachusetts a special commission studying governmental corruption, the Ward Commission, found a link between shoddy workmanship on governmental buildings and political contributions to candidates handing out the contracts for those buildings. Several fund raising aides of past governors are now serving prison time for their roles in exchanging political contributions for favors in the awarding of construction contracts. These instances of corruption were prompted by the fact that, as the testimony of the defendants revealed, giving political contributions in order to get contracts was "the way it was done" in Massachusetts.

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Philosophic Arguments, Page 7

The final argument that the proponents of public financing of political campaigns put forth is the most difficult argument that legislators must deal with - public financing of political campaigns encourages competition within a democracy.

Competition for political office allows for exchange of ideas and values as to what the public good should be without competition the democratic process would eventually fail.

Common Cause studies indicate that campaign monies tend to flow to incumbent office holders. Examples are abundant. In the New Jersey 1973 legislative race 75% of all contributions from lobbyists went to incumbents, in New York's 1978 legislative races 94% of three of the major contributing groups of, medical, banking and public employees went to incumbents, and in Missouri's 1976 legislative races the five winning senatorial candidates that were incumbents spent one and one half times more than their challengers on their political campaigns for reelection.

Some political observers site the flow of money to incumbent office holders as the reason for the high percentage of incumbents annually being returned to office. In 1978 all 51 of New York State's Senators seeking re-election won. The New York State Assembly's incumbent legislators enjoyed a 95% rate of re-election that year.

This is a most difficult position for the incumbent legislator because if public financing creates competition then by voting for such legislation - the legislator may be creating a situation that would eventually remove that legislator from public office. This creates a dilemma for even the most "conscientious" of law makers and may be the reason public financing of political campaigns has taken such a long time to evolve. In 1907 President Theodore Roosevelt called for a congressional appropriation of campaign funds "for the proper and legitimate expenses of each of the great parties". Not until the early 1970's and the revelations concerning the Watergate scandal did most states take up political campaign reform and public financing of political campaigns.

Opponents of public financing have an equally weighty argument to counter the idea that public financing of political campaigns creates competition. They argue that if a candidate is real and legitimate then the monies for that candidate's election will be forthcoming. They cite the history of movements and issues in this country that have flourished without the help of public monies in gaining a voice in the government.

Opponents to public financing also contend that with the participation of public monies in the political process unqualified candidates would be able to seek and even win a public office. If a candidate is unable to pull together the necessary resources to win public office on his own then should this person be elected.

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Probably the strongest argument against public financing of political campaigns and the one that wins out most often; is the question as to whether or not government has any business in funding political campaigns for public office. All philosophic arguments about competition, corruption, freedom of expression and equal access to public office aside - does a government that has responsibilities for such basic human needs as food and shelter of its poor - can it take funds away from vital human services to assist in the election of public office holders.

Recently, the Massachusetts legislature faced a bill to revise its campaign finance laws to make them stronger and allow more public monies into their public finance fund. Proponents argued that the findings of the Ward Commission concerning the relationship between poor construction of public buildings and contributions to the political campaigns of those awarding those contracts was ample evidence to strengthen the public financing system. The bill was defeated - primarily on the grounds that the state of Massachusetts, which is having economic difficulties, cannot afford such a luxury. It is not known how much it will cost the state, however, to repair the faulty construction of those state buildings constructed because the contractor made the proper political contribution.

Draft
Copy 10/81

Philosophic Arguments, page 10

Finally, the question as to whether public financing actually works. Most proponents of any public financing scheme would say that they do not see it as a panacea for all that ails the political system, but that it should make the system more open, more competitive and more democratic. It is difficult to measure, in the short time that the various public financing systems have been in existence, if there has been less corruption, if the system is more competitive or if the system is now more democratic than it was in 1970 simply because the systems have not had that many chances to prove itself. Most of the public financing systems rely on public participation - and that can be a long educational process.

To: Senator Victor Fischer
Chairman State Affairs Committee

From: Bill Salamenta *W.S.*

Re: Final Project Update

Decemebr 27, 1981

I hope that the final copy of the Political Contribution Tax Credit report will assist you in your deliberations on the future of public financing of political campaigns, in Alaska.

To: The State Affairs Committee
From: Bill Salamenta *W.S.*
Re: Final Billing

Decemebr 27, 1981

10 hours of contract work at \$50 per hour
(amount covered by cash advance)

\$500.00

de Wischen

*(not for
additional
disbursement)*

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPSOL
JUNEAU, ALASKA 99801
907 451-1100

LEGISLATIVE AFFAIRS AGENCY

CONTRACT BETWEEN

STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY
Pouch Y
Juneau, Alaska 99811

AND

WILLIAM T. SALAMENTA

The parties to this agreement are the LEGISLATIVE AFFAIRS AGENCY, on behalf of the Senate State Affairs Committee, hereinafter referred to as the "AGENCY," and WILLIAM T. SALAMENTA, hereinafter referred to as the "CONSULTANT."

THE PURPOSE OF THIS AGREEMENT is to provide the Senate State Affairs Committee with professional research assistance that will help the Committee examine alternative schemes for public financing of campaigns and evaluate their advantages and disadvantages.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE 1 - STATEMENT OF WORK

- (A) The Consultant shall examine the operation of the political campaign contribution tax credit in Alaska prior to and subsequent to repeal of the personal income tax. The Consultant will also summarize methods used in other states and by the Federal government to obtain citizens' participation in financing of political campaigns and to provide public funds to assist in campaign financing. In addition, the Consultant will analyze theoretical and practical issues that have been raised in literature on the subject to justify and to oppose public financing of elections.
- (B) The Consultant shall provide a draft report covering work under (A). The draft report will include conclusions reached and may include any recommendations deemed appropriate by the Consultant.
- (C) The Consultant shall provide to the Project Director a final report subsequent to approval by the Project Director of the draft report. Reproduction of the report is the responsibility of the Agency.

CLAUSE II - PERIOD AND DATES OF PERFORMANCE

- (A) The work under this contract shall be performed beginning July 15, 1981, and shall be completed no later than October 15, 1981.
- (B) This contract may be terminated by either party upon written notice to the other.
- (C) Unless extended by written agreement, this contract expires on October 31, 1981.

CLAUSE III - PROJECT DIRECTOR

The Project Director shall be Senator Victor Fischer, acting on behalf of the Senate State Affairs Committee.

CLAUSE IV - COMPENSATION AND METHOD OF PAYMENT

- (A) For the work specified in this contract, the Consultant shall be compensated at the rate of \$25.00 (twenty-five dollars) per hour, with total compensation for this work not to exceed \$3,500.00 (three thousand five hundred dollars).
- (B) The Consultant shall be reimbursed for travel and other expenses authorized in advance by the Project Director, except that per diem shall be paid at prevailing State rates, and all air travel shall be reimbursed on the basis of coach fares.
- (C) The Consultant may submit monthly billings to the Project Director. All billings should be accompanied by a statement and description of the work accomplished to the date of the billing.
- (D) Total payments under this contract, including expenses, shall not exceed \$4,000.00 (four thousand dollars).
- (E) Payment of \$1,000.00 (one thousand dollars) will be made to the Consultant upon execution of this contract.

CLAUSE V - OFFICE SPACE, EQUIPMENT AND CLERICAL SUPPORT

Office space, equipment and clerical support of the Consultant that will be necessary to carry out his obligations under this contract shall be supplied by the Consultant at no cost to the Agency.

CLAUSE VI - RECORDS, DOCUMENTS, AUDIT

The Consultant shall maintain accurate records, including detailed time records, as may be required by the Project Director. The records are subject to inspection by the Agency or the Project Director at all reasonable times. All documents, report and writings generated as a consequence of work done under this contract shall become the property of the State of Alaska and, on completion of the work or at the termination of this contract, shall be delivered to the Project Director and the Agency.

CLAUSE VII - REPORTS

The Consultant shall keep the Project Director informed as to the progress of the work performed under this agreement and shall provide progress reports as specified by the Project Director.

CLAUSE VIII - ALL WRITINGS CONTAINED HEREIN

This agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind either of the parties of this agreement.

IN WITNESS WHEREOF, the parties have executed his agreement on the dates indicated below.

CONSULTANT


LEGISLATIVE AFFAIRS AGENCY

William T. Salamenta _____ DATE
SS No. #021-46-0307

M. R. Charney _____ DATE
Executive Director

Accepted:

Approved as to Form:



Senator Victor Fischer DATE
Chairman, Senate State Affairs
Committee

Billy G. Berrier DATE
AGENCY LEGAL COUNSEL

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

TOUCHY STATE LABOR
BUREAU ALASKA 115
907 465 3611

FOR YOUR
INFORMATION
ONLY

MEMORANDUM

August 10, 1981

SUBJECT: Consulting Contract - William T. Salamenta

TO: Richard G. Berg, Director
Division of Administrative Services

FROM: David T. Walker
Legislative Counsel

I have no suggestions relating to the form of this contract.

I do have several observations relating to this contract.

(1) The contract will allow the consultant to bill for work performed prior to the execution of the contract.

(2) The termination clause (II(B)) could be more specific but is probably satisfactory for our purposes.

(3) I believe the (C) of the compensation clause would benefit if redrafted in a conversational style, i.e. "The Contractor may submit monthly billings to the Project Director. All billings should be accompanied by a statement and description of the work accomplished to the date of the billing."

(4) Since the contract does not establish a work or report schedule, the consultant could submit a bill for any number of hours of work without ever submitting a draft report or a final report. He would be compensated if the project director approved the bill. If a conflict arose, the consultant could terminate the contract prior to preparing any report and we would be left with a bill for professional services.

(5) As a matter of policy, I believe the reports and writings generated by the consultant should be delivered to the Agency.

I have no other comments relating to this contract.

DTW:jdn

Enclosure

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

FOR YOUR
INFORMATION
ONLY

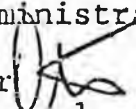
POUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3300

MEMORANDUM

August 10, 1981

SUBJECT: Consulting Contract -- James Packard Love

TO: Richard G. Berg, Director
Division of Administrative Services

FROM: David T. Walker 
Legislative Counsel

I have no suggestions relating to the form of this contract but I would like to make the following observations:

- (1) The first line on page 3 contains a clerical error -- the word "to" should be inserted between the word "as" and the word "progress".
- (2) The contract will allow the consultant to bill for work performed prior to the execution of the contract.
- (3) The termination clause (II(B)) could be more specific but is probably satisfactory for our purposes.
- (4) I believe the (C) of the compensation clause would be more beneficial if redrafted in a conversational style, i.e. "The Contractor may submit monthly billings to the Project Director. All billings should be accompanied by a statement and description of the work accomplished to the date of the billing."
- (5) Since the contract does not establish a work or report schedule, the consultant could submit a bill for any number of hours of work without ever submitting a draft report or a final report. He would be compensated if the project director approved the bill. If a conflict arose, the consultant could terminate the contract prior to preparing any report and we would be left with a bill for professional services.

Richard G. Berg
Page 2
August 10, 1981

(6) As a matter of policy, I believe the reports and writings generated by the consultant should be delivered to the Agency.

I have no other observations relating to this contract.

DTW:jdn

Enclosure

To: The State Affairs Committee

From: William T. Salamenta

Date: September 10, 1931

Re: Billing

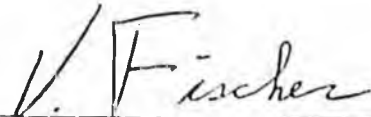
Research

80 Hours at \$25/Hr.

\$ 2,000.00

Total

\$ 2,000.00



APPROVED

Senator Victor Fischer

To: Senator Vic Fischer
From: Bill Salmenta *MS*
Date: September 10, 1981
Re: Statement of work to date

I have begun researching the various states that have some sort of public financing apparatus for political campaigns. I have begun to summarize these methods and analyze their possible application to the Alaska situation. I have also undertaken a study of the Federal Government's public financing program for presidential elections and have spoken with the staff at the Federal Elections Commission.

Vic

William T. Salamenta
109 Commonwealth Ave.
Boston, Mass. 02116
(617) 255-2770

October 14, 1981

Ms. Laura Flemming
The Senator Vic Fisher Office
511 West 4th Ave.
Anchorage, Alaska 99501

Hello there:

This is a bill from the Salamenta boy.

He's running out of money and would appreciate your assistance in getting some of it rather quickly.

If you could take a stroll down to the legislative information office and twix this down to Juneau - then ask them to return it to Anchorage - so that you could send the check via express mail - life would be wonderful. I enclose enough \$ to send it express mail.

Please send it directly to the above address via express mail - they can do it - it just takes two days instead of one. Any problems call me at the above #.

A draft copy of my report to Vic and Nancy is coming under a separate cover -. I should have done more of my typing up in your office - as you can see - this letter and the rest of the report are being typed on a turn of the century machine - last century's not the next.

Hope you guys liked my post-card, Nancy said that I am beginning to show some activity in the area of women's problems, coops, women's rights - sounds better I guess.

Hope all is well - will be talking to all when my report is in and critiqued (torn apart, dismantled ect.) Looking forward to the experience.

To: Senator Vic Fischer
Chairman State Affairs Committee

From: William T. Salamenta *WTS*

Re: Contract Progress Report

My report on the Contribution tax credit for political campaigns is near completion of the first draft with revisions and closer examination of the first section that you asked for. The report will ultimately contain three sections, the Alaska experience with the contribution tax credit, other forms of public financing of political campaigns in the united states and a look at the philosophic and futuristic ideas concerning the public financing of political campaigns. I will be awaiting your comments and criticisms of the draft report.

To: The State Affairs Committee
From: William T. Salamenta *WTS*
Re: Billing

40 hrs of contract research @ \$25/hr. \$ 500.00
(20 hrs included in advance)

Expenses for round trip airfare to \$ 500.00
Alaska

Total \$ 1,000.00

WTS