

MONEY FOR NOTHING

**Why Taxpayer-Funded Political Campaigns
are Wrong for New York State**



www.unshackleupstate.com

INTRODUCTION

In recent years, a number of special interest advocacy groups have made “campaign finance reform” their top priority in Albany¹. But their agenda is not to fix the state’s poorly enforced campaign finance laws.

Their goal is to enact a system under which New York taxpayers will subsidize political campaigns for statewide offices and state legislative offices.

These claims seem well-intentioned. Advocates want us to believe that such a system will end political corruption in Albany, restore the public’s confidence in government, increase citizen participation in politics and empower those who are currently voiceless.

But while their rhetoric about “cleaning up Albany” may seem compelling, Unshackle Upstate has taken a close look at the reality of taxpayer subsidized campaigns. And we also look at which special interests would really benefit if taxpayers start footing the bill for partisan political activities.

We’ve considered their claims – and also looked at how similar programs have functioned in other jurisdictions around the country – to see whether reality matches their rhetoric.

Unshackle Upstate finds that it does not.

We’ve concluded that using taxpayer dollars to pay for political campaigns is a poor use of taxpayer monies, and that this so-called reform will not solve the problems facing New York’s political system. In fact, such a system is likely to create greater opportunity for corruption.

We also note that according to a 1995 state Court of Appeals decision, the State Constitution prohibits the state subsidizing political organizations.

We also find that taxpayer-funded political campaigns will benefit organized labor, while limiting the ability of the business community and other interests to participate in the political process.

Public money should not be used to advance partisan political agendas. New York’s taxpayers are burdened enough already. Political parties and candidates do not need public subsidies.

USING TAXPAYER DOLLARS TO PAY FOR POLITICAL CAMPAIGNS IS A WASTE OF MONEY. SUCH A SYSTEM WILL ONLY CREATE MORE OPPORTUNITIES FOR POLITICAL CORRUPTION AND ABUSE.



Unshackle Upstate is a non-partisan, pro-taxpayer, pro-economic growth, education and advocacy coalition made up of business and trade organizations from across Upstate New York.



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1: The innocuously-named “Fair Elections for New York” (<http://fairelectionsny.org>) is the umbrella group for these organizations.

BACKGROUND

So-called “reform” groups spent the majority of their time and efforts in 2013 urging the Legislature and Governor to enact a system of taxpayer-subsidized political campaigns, which they call “Fair Elections.” We expect this misguided effort to continue in 2014.

While there are a number of bills that would put a taxpayer-funded campaign system in place in New York², they all include a component under which political candidates would receive \$6 in public money for every \$1 they raise from eligible

donors, up to \$175. This 6-1 scenario would result in \$1,050 of taxpayer dollars per candidate. With an unknown number of participating candidates, taxpayers are being forced to sign a blank check.

Advocates tout this system as a means of “leveling the playing field” between well-funded interests and others, in order to reduce the amount of money in politics and increase political competition. Unfortunately, the only thing it does is drain vital resources from the state’s coffers to pay for partisan political activity.

NEW YORK’S TAXPAYERS SHOULD’N’T BE FORCED TO SIGN A BLANK CHECK FOR POLITICAL CAMPAIGNS.

JOHN Q. TAXPAYER
10 MAIN STREET
ANYWHERE, NY 01234

September 25 20 14

1234

PAY TO THE ORDER OF Political Candidate \$

DOLLARS

FOR Annoying Campaign Ads John Q. Taxpayer

UNSHACKLE UPSTATE’S POSITION

Unshackle Upstate opposes the use of taxpayer money to fund political campaigns for public office in New York State.

New York State already taxes too much and spends too much. A system of taxpayer-funded political campaigns would be too expensive, and may actually violate the state constitution. While we support efforts to end political corruption, taxpayer-funded political campaigns will not fix this problem. It will just create new opportunities for politicians to abuse public money.

Unshackle Upstate supports common sense reforms of the state’s elections system that do not require the use of taxpayer money to fund campaigns. Most importantly, the state Board of Elections must be provided with the resources that it needs to enforce existing laws, audit required filings and make campaign finance information available to the public. Holding

candidates responsible for contributions received and expenses paid by requiring on-time and accurate reporting to the state Board of Elections will help create much-needed transparency.

Other worthwhile reforms include denying pensions to public officials who are convicted of corruption offenses, enacting new crimes for violating the public trust, and increasing penalties for the misuse of public funds.

To those who support taxpayer-funded campaigns, it seems that virtually all money in politics reflects corruption. They find it impossible to believe that people give to candidates because they like them and agree with them on the issues. We strongly disagree with their assumptions.

We urge lawmakers to address the shortcomings of our current laws, and ensure that they are effectively enforced.

2: Governor’s Program Bill#12 (<http://www.governor.ny.gov/assets/documents/GPB12-BILL.pdf>), S.4897 Klein (<http://open.nysenate.gov/legislation/search?term=s4897>) and A.4980-C Silver (<http://assembly.state.ny.us/leg/?bn=A.4980-C&term=2013>)

TAXPAYER-FUNDED POLITICAL CAMPAIGNS ARE A WASTE OF TAXPAYER DOLLARS

There are better things to spend taxpayers' hard earned dollars on rather than on subsidies for politicians.

We can easily identify many things that we prefer to see taxpayer dollars spent on, such as broad-based tax relief, upgrading our crumbling infrastructure, education or health care. If this "reform" is enacted, taxpayers will find themselves

paying for politicians' television ads, direct mail, robo-calls and high-priced political consultants, among other things.

While these items are often necessary to run a political campaign in the 21st century, they should not be paid for by the general public. New Yorkers are taxed enough already. We need to reduce taxes and spending, not increase them.

GIVING PUBLIC MONEY TO POLITICIANS FOR CAMPAIGNS IS A RECIPE FOR MORE CORRUPTION

Campaign finance reform advocates keep saying that a system of taxpayer-funded political campaigns will end corruption in Albany.

But giving taxpayer dollars to politicians will not clean up the corruption that infects our political system. Simply handing candidates millions of taxpayer dollars to run their campaigns will not put an end to greed and dishonesty. Politicians who are intent on cashing in on their offices will invariably find a way to do so. The proposed changes will just give them a new way to cheat the public.

How can we know that some political candidates will use the public money they receive fraudulently? In New York City, there have been a number of examples of politicians who have figured out how to "game" the public financing system.

New York City Campaign Finance Board (NYC CFB) has imposed hundreds of thousands of dollars in penalties, and has ordered repayment of hundreds of thousands of dollars.

Advocates argue that "New York is in the grip of a political crime wave." If that is the case, is the solution to a "political crime wave" to give public money to politicians for their campaigns?

RECENT EXAMPLES OF CAMPAIGN FINANCE ABUSE

Two political aides to New York City Comptroller John Liu (D-Queens) were recently convicted of defrauding the city's matching funds program. They were found to have used "straw donors" to get matching funds from the NYC CFB that they should not have received.

State Sen. Malcolm Smith (D-Queens), is accused of working with a Republican City Councilman to try to bribe his way into the New York City mayoral race (as a Republican), where his campaign contributions could be matched 6-to-1 with taxpayer dollars.

William Rapfogel, a former nonprofit head, is also accused of manipulating the city's matching-funds formula. He is accused of fraudulently increasing campaign contributions to favored city politicians who provided government grants to his organization.

If the goal is to end public corruption in Albany, then it is impossible to ignore the high potential for abuse and corruption that these programs create.

THE STATE CONSTITUTION DOES NOT PERMIT PUBLIC FUNDS TO BE USED FOR POLITICAL PURPOSES

Article VII, § 8 (1) of the New York Constitution provides “The money of the state shall not be given or loaned to or in aid of any private corporation or association, or private undertaking.”

Since political committees are not public entities – they are private entities established by political parties and candidates to advance their partisan agendas – we believe that providing them with taxpayer dollars violates this provision.



Giving taxpayer money to political campaigns violates the state constitution.

“We think it is unassailable that the use of public funds out of a State agency’s appropriation to pay for the production and distribution of campaign materials for a political party or a political candidate or partisan cause in any election would fall squarely within the prohibition of article VII, § 8 (1) of the Constitution. Manifestly, using public moneys for those purposes would constitute a subsidization of a nongovernmental entity — a political party, candidate or political cause advanced by

some nongovernmental group.”³

In 1995, the state Court of Appeals addressed the question of whether the state constitution permits the use of public funds for the partisan political purposes, and concluded that it does not:

We hope that all elected officials will look closely and this provision of the State Constitution and reach the conclusion that it means what it says.

NEW YORKERS DO NOT SUPPORT TAXPAYER-FUNDED CAMPAIGNS

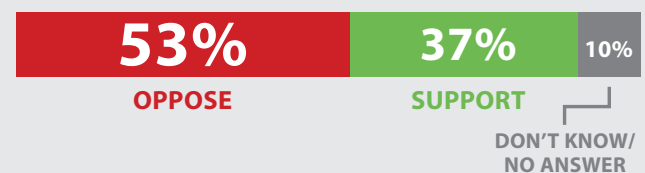
The taxpaying and voting public does not want its money wasted on funding political campaigns. Despite the deep-pocketed support for taxpayer-funded campaigns – at least one millionaire has pumped millions into an ironically-named Super PAC⁴ in the name of campaign finance reform.

opposed to 43% support), Republicans (64%-26%), and independents (51%-37%).

An April 2013 Quinnipiac poll⁵ found that New York State voters oppose, by a 53% - 37% margin, taxpayer-funded political campaigns for statewide offices and state legislators. When asked whether they “support or oppose public financing of campaigns for governor, other statewide offices and the state legislature,” a majority of participants opposed the measure – including Democrats (49%

New Yorkers do not want downstate billionaires and special interests trying to force their agenda on them.

VOTERS’ VIEWS ON TAXPAYER-FUNDED POLITICAL CAMPAIGNS



Source: Quinnipiac University Poll, April 17, 2013

3: Matter of Schulz v. State of New York, 86 N.Y.2d 225 (Court of Appeals, 1995)

4: Friends of Democracy PAC, <http://www.friendsofdemocracypac.org/>

5: <http://www.quinnipiac.edu/institutes-and-centers/polling-institute/new-york-state/release-detail?ReleaseID=1881>

TAXPAYER-FUNDED CAMPAIGNS WOULD COST HOW MUCH?!?

No one has been able to provide a definitive estimate as to the actual cost of a system of taxpayer-funded political campaigns. **Estimates range from a low of \$104 million per four-year political cycle to a high of \$333 million.**

The true cost of a statewide campaign finance system is unknown because our state would be forced to fund the campaigns of all eligible candidates in as many as 216 separate races.

In proposing his bill to fund political campaigns (GPB #12 of 2013), Gov. Cuomo does not provide a definitive cost for the program. He says that the program is estimated to cost “\$166 million, or \$41.5 million per year.” Additional costs for administration and technological needs are estimated “to average \$14.3 million over the four year cycle.”

MONEY FOR NOTHING

In September 2013, the New York City Campaign Finance Board approved hundreds of thousands of dollars in matching payments to candidates who faced relatively little opposition heading into November. Given the overwhelming number of Democrats in New York City, most of these funds will not be needed because the recipient is not facing a viable opponent.

Since the city’s program requires such funds to be returned if they are not spent during the campaign, this creates an incentive for candidates to spend campaign dollars – much of which has been provided by taxpayers – or else they have to give it back.

This dynamic directly caused one of the 2013 campaign season’s most unseemly spectacles. Disgraced Democratic Congressman Anthony Weiner faced a “use it or lose it” proposition this year; if he did not run, he would have had to

Nor does the sponsor’s memorandum in support of Assembly Speaker Silver’s bill to provide for taxpayer-financed campaigns (A.4980-C) provide an estimate of the proposal’s cost. Whether this was done deliberately or not, the Speaker’s memorandum states the truth: “The long term cost of the system in New York is unknown.”

We simply cannot afford to divert millions of dollars from important public services. Because the state constitution requires a balanced budget, there are just two ways to pay for taxpayer-funded campaigns – raising taxes, or taking money that would otherwise be used to pay for important public services such as education, health care, public safety and aid to local governments. Or, as we would prefer, to provide tax relief.

return \$1.5 million in taxpayer matching funds. Instead, he took the money and ran – and received a little over 30,000 votes – less than 5 percent of the vote – finishing a distant fifth.



A DANGEROUS IDEA

Had it not been for the \$1.5 million in taxpayer dollars in his campaign account, Anthony Weiner would not have launched his ill-fated campaign for New York City Mayor.

TAXPAYER-FUNDED ELECTIONS DISTORT OUR POLITICAL PROCESS

Taxpayer dollars have no place in political campaigns. Under our current campaign finance system, members of the public can contribute to whichever candidates we please. But a publicly funded system forces each taxpayer to fund every eligible candidate, regardless of the candidate's

merit and whether the taxpayer supports their views.

Our view is that the state government should not force citizens to subsidize campaign speech with which they disagree.

CREATING AN UNEVEN PLAYING FIELD

We are also concerned that the changes that have been proposed to the state's campaign finance laws will result in an uneven playing field – one that favors organized labor over other participants in our political system.

This is not an idle concern. One only needs to look to the Working Families Party (WFP) – whose leadership includes a number of high-ranking labor union officials – to see what organized labor has been able to accomplish politically. While WFP regularly rails against business interests, the fact that they control a ballot line in a state that allows fusion voting has given them an unfair influence in campaigns.

Even New York City's vaunted matching funds program has not been immune to the influence

of organized labor. In 2005, the New York City Council overruled a determination of the Campaign Finance Board relating to union donations. In the words of the CFB Chair, the City Council created "a gaping loophole for union contributions, undermining the contribution limits established by the Campaign Finance Act."⁶

Pending proposals that promote taxpayer-funded campaigns will still permit labor unions and other special interests to 'flex their muscles' by helping their candidates acquire the necessary qualifying signatures and small contributions. However, such special interest support would not appear in any campaign finance report, and is therefore not subject to any public scrutiny or limitations.

CONCLUSION

The old adage "a solution in search of a problem," couldn't be more applicable in this instance. Why is campaign finance reform the primary focus of so many elected officials and special interest groups when New York State is in need of precious attention in other areas?

Pressing issues such as creating good paying jobs, providing broad-based tax relief and strengthening our communities should be a top priority in Albany. A system that takes taxpayer money and distributes it to candidates will not bring an end to political corruption.

There should be a frank discussion about cleaning up Albany. We must rid our political system of the many bad actors who have failed to serve the public with honor and integrity.

We should have strong laws and effective enforcement to deter and punish public corruption; we should remove elected officials who have disgraced their offices. That is what taxpayers want and deserve – not wasteful handouts for costly political campaigns.

6: New York Times, June 2, 2005 (<http://www.nytimes.com/2005/06/02/nyregion/metrocampaigns/02finance.html>)

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