

Elections, Inc.

A CALPIRG Study of Corporate Contributions to Legislative Candidates in the 2000
Election Cycle.

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The presence of corporate money in California politics is one of the biggest challenges facing our democracy. The federal government has long realized that corporations, as fundamentally economic institutions, have no place in the political process. Corporate contributions to federal candidates were banned in 1907. Since then, 21 states (Alaska, Arizona, Connecticut, Iowa, Kentucky, Massachusetts, Michigan, Minnesota, Montana, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, West Virginia, Wisconsin, and Wyoming) have joined the federal government in this judgment. Unfortunately, California has not yet done so, and continues to allow direct corporate contributions to candidates and parties.

Examining the legislative races in the 2000 election cycle reveals how significant the problem of corporate influence has become in California politics. It is related to another problem that plagues our electoral system: the presence of big money. Candidates are raising more money than ever before, but from smaller segments of the population.

The rationale for a ban on corporate contributions is clear: corporations were neither designed nor intended to be political organizations. Rather, their purpose is explicitly economic. The government charters for-profit corporations to carry out specific economic functions. Accordingly, the government grants these corporations rights and privileges to aid in these functions, not the least of which is the right and ability to amass vast sums of capital. It was never intended for corporations to use their tremendous economic power to influence the political system. When corporations use their treasuries to influence the political process, it is an abuse of the powers and privileges they have as economic entities.

There are, of course, other organizations such as non-profit corporations, labor unions, and political committees that aggregate contributions from their members and use them for political purposes. The distinction between these types of organizations and corporations is that the former raise their funds from members who are purposefully making a political decision. While some states and the federal government have also decided to ban contributions from labor unions in order to make a ban on corporate contributions appear more politically balanced, the U.S. Supreme Court has ruled that labor unions need not be treated in the same manner as for-profit corporations. In 1990 the Court held that states have an interest in stopping

the corrosive and distorting effects of immense aggregations of wealth that are accumulated with the help of the corporate form and that have little or no correlation to the public's support for the corporation's political ideas... [But] labor unions differ from corporations in that union members who disagree with a union's political activities need not give up full membership in the organization to avoid supporting its political activities...As a result, the funds available for a union's political activities

*more accurately reflect members' support for the organization's political views than does a corporation's general treasury.*¹

Courts have also made clear that bans on corporate contributions cannot be extended to nonprofit corporations, so long as the nonprofits are formed primarily for political purposes, have no shareholders, and do not accept contributions from for-profit corporations. By the same token, corporate interests are allowed to participate in the political process provided certain conditions are met. Corporations can make political contributions if the money is from a separate, segregated fund (often known as a political action committee or PAC) comprised solely of voluntary contributions from shareholders, management and employees.

In the 2000 election cycle, direct contributions to California legislative candidates from businesses and trade associations jumped to \$43 million, from \$26 million in 1998. On top of that, businesses gave \$11.1 million to PACs, which was then passed on to candidates. Hence, \$54.1 million – 42% of total funds – came directly from corporate treasuries, contributions that would be prohibited if California merely followed the same guidelines as federal campaign finance law. An additional \$10.4 million came from individuals through corporate-sponsored PACs to candidate campaigns.

This \$64.6 million in money raised from corporate interests represents 50% of the money raised by candidates in the primary and general elections, up from 36% in the 1998 election cycle. General election candidates also raised 50% of their funds from corporations, up from 42% in the previous cycle.

Since money largely determines election outcomes and corporations are a major source of contributions, candidates all but have to raise significant sums of money from corporations in order to succeed under the current system. 93% of general election winners raised more than \$100,000 from corporations, compared with only 40% of their opponents. In 94 of the 100 legislative races, the candidate who raised more corporate money than their opponent won.

Candidates who appeal to large corporations clearly have a financial advantage, as their supporters have the means to pour vast sums of money into their campaigns. Since money largely determines election outcomes, corporate backed candidates usually end up with the electoral advantage as well.

¹ U.S. Supreme Court, *Austin v. Michigan State Chamber of Commerce*, 1990.

Looking at the percentage of total funds raised from corporate sources, corporations are clearly the dominant source of funding for many candidates.

Candidates Who Concentrate Most on Corporate Funding							
Candidate	Party	Race	Winner	Incumbent	Total Raised	Total from Corporations	Percent from Corporations
Tony Cardenas	D	Assem-39	W	I	\$920,242	\$773,728	84%
Jim Battin	R	Senate-37	W		544,364	440,717	81%
Dick Dickerson	R	Assem-2	W	I	394,400	307,072	78%
Ross Johnson	R	Senate-35	W	I	590,514	458,246	78%
Lou Papan	D	Assem-19	W	I	240,450	185,885	77%
Juan Vargas	D	Assem-79	W		476,247	368,001	77%
Abel Maldonado	R	Assem-33	W	I	384,446	294,556	77%
Don Perata	D	Senate-9	W	I	1,150,790	881,456	77%
Herb Wesson	D	Assem-47	W	I	2,038,537	1,552,505	76%
Bill Leonard	R	Assem-63	W	I	214,868	163,187	76%
Laura Perry	R	Assem-28			93,170	69,992	75%
Ellen Corbett	D	Assem-18	W	I	238,816	178,546	75%
John Longville	D	Assem-62	W	I	431,900	311,382	72%
Dennis Cardoza	D	Assem-26	W	I	1,435,828	1,022,176	71%
Rod Wright	D	Assem-48	W	I	691,526	491,759	71%
Jim Brulte	R	Senate-31	W	I	3,877,164	2,718,831	70%
Marco Antonio Firebaugh	D	Assem-50	W	I	615,950	431,214	70%

Looking at the total dollar amount raised from corporations, some candidates who may not have raised as high a percentage of total funds from corporations still raised vast sums from the corporate sector. Twenty-nine current members of the Senate and Assembly raised over half a million dollars from corporations, as shown in the following table.

2000 Legislative Candidates Raising Largest Amounts of Corporate Money						
Candidate	Party	Race	Winner	Incumbent	Total Raised	Total from Corporations
John Burton	D	Senate-3	W	I	\$5,218,865	\$3,124,601
Jim Brulte	R	Senate-31	W	I	3,877,164	2,718,831
Herb Wesson	D	Assem-47	W	I	2,038,537	1,552,505
Mike Machado	D	Senate-5	W		2,637,677	1,343,457
Tom Torlakson	D	Senate-7	W		5,686,000	1,131,068
Dennis Cardoza	D	Assem-26	W	I	1,435,828	1,022,176
Carole Migden	D	Assem-13	W	I	1,438,733	924,809
Don Perata	D	Senate-9	W	I	1,150,790	881,456
Rudy Svorinich, Jr.	R	Assem-54			2,008,243	881,004
Jack Scott	D	Senate-21	W		4,653,764	840,320
Marilyn Lyon	R	Senate-27			1,334,693	806,500
Dick Rainey	R	Senate-7		I	3,218,532	794,037
Bob Margett	R	Senate-29	W		2,775,559	774,722
Tony Cardenas	D	Assem-39	W	I	920,242	773,728
Bob Hertzberg	D	Assem-40	W	I	1,133,847	761,677
Kevin Shelley	D	Assem-12	W	I	1,413,556	760,864
Tom Harman	R	Assem-67	W		1,397,518	679,472
Jeff Denham	R	Assem-28			1,466,207	667,907
Edward Vincent	D	Senate-25	W		1,133,919	664,894
Bob Pacheco	R	Assem-60	W		1,174,334	647,174
Dario Frommer	D	Assem-43	W		2,174,676	624,821
Anthony Pescetti	R	Assem-10	W	I	995,066	588,048
Rico Oller	R	Senate-1	W		1,479,963	578,660
Barbara Matthews	D	Assem-17	W		2,663,430	566,700
Paula Calderon	D	Assem-36			832,160	550,358
Sheila James Kuehl	D	Senate-23	W		1,793,843	530,469
Tony Strickland	R	Assem-37	W	I	1,512,210	519,196
Dennis Yates	R	Assem-61			1,158,289	508,266
Manny Diaz	D	Assem-23	W		1,089,595	507,926

Methodology

Research for this report was conducted with a database containing all contributions reported online with the Secretary of State as of December 31, 2000. Only candidates and committees that raised or spent \$100,000 or more in connection with the March 7 primary election or \$50,000 for the general election were required to file electronically. Some others, with smaller receipts and expenditures, filed voluntarily. The data contains only those contributions reported through October 31, 2000. Therefore, money raised by candidates who did not file electronically, and money raised by all candidates after October 31, 2000, is not included in this report.

The amount of corporate contributions donated to candidates through PACs and the amount of money donated to candidates from individuals through corporate-sponsored PACs was calculated with an analysis of a database of 1994 contributions to 75 of the biggest California PACs. CALPIRG assembled this database from the paper records filed with the Secretary of State. The average raised in contributions from corporations and individuals through PACs was calculated for each type of PAC – business, union, ideological, leadership, or other. Under the assumption that the percentage of PAC funds from corporations vs. individuals or other sources did not change, these percentages were then applied to the 2000 PAC-to-candidate contributions and totaled for each candidate.

The “Total from Corporations” and “Percent from Corporations” fields in the tables include contributions direct from corporations to candidates and contributions from corporations through PACs.

Figures for the total raised by each individual candidate include all funds from all sources, including money that was later passed on to other candidates.

The 1998 research was conducted using a database containing all contributions of \$100 and above to major party candidates for legislative office only. As that database contains all candidates and all contributions through the end of the year, while the 2000 database contains only candidates filing electronically through October 31, the growth in contributions is significantly understated.

In the comparison of contributions by donor type between the 1998 and 2000 cycles, the average contribution numbers represent the average amount of each individual contribution, not the average total contribution by donors.